



EaPTC

Eastern Partnership
Territorial Cooperation

ARMENIA

A Guide to the National Requirements Relevant for the Implementation of the Projects Financed under EaPTC Programme in Armenia



The Programme is funded
by the European Union



Territorial cooperation Programmes open an opportunity for Eastern Partnership countries to identify and jointly address common challenges in their border regions towards sustainable economic and social development at local level. Eastern Partnership Territorial Cooperation (EaPTC) comprises four territorial cooperation Programmes: Armenia – Georgia, Azerbaijan – Georgia, Belarus – Ukraine and Moldova – Ukraine.

This guide is produced with the assistance of the European Union. The content of this guide is the sole responsibility of the Altair Asesores-led consortium and can in no way be taken to reflect the views of the European Union.

All information given in this Guide reflects the actual status as of 1 November 2014. Later changes to the legislative and administrative framework could not be taken into account.

TABLE OF CONTENTS

ACRONYMS AND ABBREVIATIONS	5
INTRODUCTION.....	6
PURPOSE AND CONTENTS OF THE GUIDELINES	7
PART 1. PROJECT START-UP	8
1.1 OVERVIEW	8
1.2 LEGAL STATUS OF THE EU FINANCED PROJECTS.....	9
1.3 PROJECT REGISTRATION AND NOTIFICATION	10
<i>Non-governmental non-profit organisations</i>	10
<i>Public bodies and public equivalent bodies</i>	10
1.4 OPENING A BANK ACCOUNT	10
<i>Non-governmental non-profit organisations</i>	11
<i>Public bodies and public equivalent bodies</i>	12
PART 2. PROJECT IMPLEMENTATION.....	14
2.1 RECEIVING AND TRANSFERRING MONEY INSIDE AND OUTSIDE THE TERRITORY OF ARMENIA	14
<i>Money Transfers</i>	14
2.2 FOREIGN CURRENCY EXCHANGE	18
2.3 PROJECT ACCOUNTING REQUIREMENTS.....	20
2.4 TAX EXEMPTION: VAT AND CUSTOMS DUTIES, INCOME TAX.....	22
<i>VAT exemption</i>	23
<i>Exemption from Customs Duties</i>	24
<i>Income Tax Exemption</i>	24
<i>Profit Tax Exemption</i>	24
<i>How to apply for Privileges</i>	25
2.5 HUMAN RESOURCES AND EXPERTS.....	28
<i>Recruiting staff for project implementation</i>	28
<i>Subcontracting national and foreign external experts</i>	29
2.6 PAYING TRAVEL COSTS AND PER-DIEM TO ARMENIAN AND FOREIGN EXPERTS	30
<i>General Information</i>	30
<i>Participation of Armenian and foreign experts/employees in project activities in Armenia</i>	31
<i>Participation of Armenian experts/employees in project activities outside of Armenia</i>	31
<i>Special requirements for the travel of state and regional high level officials outside of Armenia</i>	32
2.7 PROCUREMENT OF EQUIPMENT, SUPPLIES AND SERVICES.....	33
<i>Purchases made by public bodies and/or public equivalent bodies</i>	33
<i>Purchases made by non-governmental entities</i>	36



2.8 REGISTRATION OF THE PROPERTY RIGHTS AND OWNERSHIP OF EQUIPMENT, INTELLECTUAL PROPERTY AND PROJECT RESULTS.....	38
PART 3. PROJECT AUDIT AND REPORTING.....	41
3.1 EXPENDITURE VERIFICATION (HOW TO FIND AND APPOINT AN AUDITOR IN ARMENIA).....	41
3.2 MONITORING, EVALUATION AND REPORTING.....	42
PART 4. ANNEXES.....	43
ANNEX 1. Template of the Notification to the EU Delegation to Armenia.....	44
ANNEX 2. Template of the Tax Exemption Certificate.....	45
ANNEX 3. Letter to the MoE for Tax Exemption Certificates Forms.....	46
ANNEX 4. Template of the Letter to the MoE to Provide Tax Exemption.....	47
ANNEX 5. List of Legal Acts Important for the EaPTC Projects.....	48
ANNEX 6. Questions and Answers.....	52
ANNEX 7. Summary of Procedures.....	55
ANNEX 8. Main Steps of the Tax Exemption Application Procedure.....	56
ANNEX 9. Definitions.....	58



ACRONYMS AND ABBREVIATIONS

AMD	Armenian Dram
CBC	Cross Border Cooperation
EaP	Eastern Partnership
EaPTC	EaP Territorial Cooperation Programme
EC	European Commission
ENP	European Neighbourhood Policy
ENPI/ENI	European Neighbourhood and Partnership Instrument / European Neighbourhood Instrument
EU	European Union
EUD	The EU Delegation to Armenia
EUR	Euro
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
MoE	Ministry of Economy of the Republic of Armenia
MoF	Ministry of Finance of the Republic of Armenia
MTA	Ministry of Territorial Administration of the Republic of Armenia
NGO	Non-Governmental Organisation
PAO	EU Programmes Division of the Ministry of Economy of the Republic of Armenia
PCA	Partnership and Cooperation Agreement
PRAG	Practical Guide to Contract Procedures for EU External Actions
RA	Republic of Armenia
SCRPC	State Committee of the Real Property Cadastre of the Republic of Armenia
SNCO	State Non-Commercial Organisation
USD	Dollar of the United States of America
VAT	Value Added Tax
WTO	World Trade Organisation



INTRODUCTION

The present relationships between the European Union (EU) and the Republic of Armenia (RA) are guided by the Partnership and Cooperation Agreement (PCA), which was signed on 22 April 1996 and entered into force on 1 July 1999. Since then, the PCA has provided the legal framework for the bilateral EU-RA relations in the areas of political dialogue, trade, investment, economic, legislative and cultural cooperation.

As a response to the geopolitical situation following its enlargements of 2004 and 2007, the EU has adopted a new framework for relations with its neighbours, the European Neighbourhood Policy (ENP). The ENP aims at going beyond the existing PCA to offer Armenia the prospect of an increasingly closer relationship with the EU, with the overall goal of fostering the political and economic reform processes, promoting closer economic integration as well as legal and technical approximation.

There are key documents deriving from the ENP: the bilateral Action Plans between the EU and each ENP partner. The EU-Armenia ENP Action Plan was approved in November 2006. This action plan was designed to help to fulfil the provisions of the PCA signed in 1999 in order to encourage and support Armenia's objective of further integration into European economic and social structures.

Relations between Armenia and the EU have further intensified under the Eastern Partnership Initiative (EaP) launched by the European Commission in May 2009. Though the EaP works in the framework of the ENP, it goes beyond the original ENP package as it deepens the bilateral co-operation and introduces new mechanisms for regional co-operation.

Territorial cooperation within Eastern Partnership is one of the core instruments to tackle economic disparities between regions and raise the quality of life across the borders. In this framework, Armenia is involved in the Black Sea Basin Cross Border Cooperation Program, as well as recently Armenia has been engaged in the EaP Territorial Cooperation Programme (EaPTC) Armenia-Georgia¹.

Besides these Programmes, Armenia benefits from European Neighbourhood (Partnership) Instruments (ENPI/ENI) such as Budget support, Twinning, TAIEX, SIGMA and Cross Border Cooperation (CBC)².

1 Eligible regions of the Programme are:

Armenia - Shirak, Lori and Tavush regions (marzes)

Georgia - Samtskhe-Javakheti and Kvemo Kartli regions

2 Armenia participates in one of Programmes funded under ENPI CBC: Black Sea Basin Joint Operational Programme 2007-2013.



PURPOSE AND CONTENTS OF THE GUIDELINES

The purpose of this Guide is to provide brief and comprehensive information on national requirements and procedures to be followed by Armenian beneficiaries when implementing projects financed under the EaP Territorial Cooperation Programme. The information in this Guide is based on the practical experience of national government institutions, regional and local authorities and non-governmental organisations (NGO) in project implementation and financial management in Armenia.

This Guide will be useful for Armenian beneficiaries and partners of the EaPTC Programme. It will be helpful for managers, project applicants/partners of the Programme from outside Armenia who need to understand the national legislation requirements for project implementation in Armenia. Although designed for territorial cooperation Programmes, the Guide may have information relevant for other international technical assistance or cooperation Programmes in Armenia. It will be subject to modification and updates to incorporate good practices as well as to comply with relevant Armenian legislation and EU regulations.

The Guide focuses on three phases of the project cycle: start-up, implementation³ and evaluation and audit. It covers the following steps, with a number of relevant topics in regard to national regulations and the experience of Armenian organisations in implementing international projects:

- Project start-up
- Project implementation
- Project audit and reporting.

The Guide comprises a series of references to legislative acts, out of which the most important ones are provided in the annexes. Other relevant documents can be found on the official websites of the relevant authorities.

The Guide is designed to be a reference manual for the users being able to find practical support on particular topics when it is needed. The information in this Guide is focused on legal requirements in Armenia. As requirements may be different depending on the legal form of the Lead Partner/Partner organisation, the guide provides these requirements under separate subparagraphs. If there is no more differentiation, the general rules are applied for everyone.

The EaP Territorial Cooperation requirements and procedures to be followed can be found in the relevant Programme implementation manual as well as in the Practical Guide to Contract Procedures for EU External Actions (PRAG).

³ The implementation stage of the project cycle is the most critical, as during this stage planned benefits are delivered. All other stages in the cycle are therefore essentially supportive of this implementation stage. Project implementation starts from the signature of the grant contract. Project lead partner and partners are implementing the project jointly. Progress is monitored by the contracting authority and the EU Programmes Administration Unit of the Ministry of Economy of the RA by means of meetings, interim and final reports.



Part 1

Project start-up



The Programme is funded
by the European Union

The Programme is implemented
by the Altair Asesores-led Consortium



1.1 OVERVIEW

According to Armenian legislation, the Minister of Economy of RA is appointed as a National Coordinator for the projects implemented under the EU technical assistance Programmes. In pursuance of its tasks set forth in Armenian legislation the Ministry of Economy (MoE) issues tax and customs exemptions for the EU financed projects, keeps the register of such projects, monitors their progress and ensures smooth implementation of these projects in accordance with their terms of implementation.

The MoE (particularly the EU Programmes Division (PAO) within the EU Affairs Department) is a national authority of Armenia that together with the Ministry of Territorial Administration (MTA) coordinates EaPTC Programme in Armenia. The PAO on behalf of the MoE:

- provides clarifications on preparation and implementation of relevant projects to Armenian organisations participating in these Programmes,
- organises the flow of information to potential applicants and partners in national language (organising small-scale seminars, providing translated material from the Programme web-site, informing about the launch of calls for proposals, explaining among others rules and procedures),
- coordinates and monitors the projects under the implementation and preparation phase, etc.

However as the Programme foresees strengthening of cross border contacts between local authorities, communities and civil society organisations of regions of Armenia and Georgia, thus promoting regional development, the MTA is directly involved in the coordination of the Programme and will provide necessary guidance and support to the MoE for the successful implementation of the Programme and achievement of foreseen results. The Deputy Minister of the MTA also co-chairs the Joint Decision Making Committee (main decision-making body) of the Armenia-Georgia Joint Operational Programme.

CONTACTS

EU Programmes Division (PAO) of the Ministry of Economy of RA

Contact person: **Amalya Hovsepyan**

Address: **5 M. Mkrtchyanst, Yerevan, 0010, Armenia**

Tel: **(+374 10) 597 179**

Fax: **(+374 10) 526 577**

E-Mail: **ahovsepyan@mineconomy.am**

URL: **www.mineconomy.am**

CONTACTS

Ministry of Territorial Administration of RA

Contact person: **Ashot Giloyan**

Address: **Government House 2, Republic Square, Yerevan, 0010, Armenia**

Tel: **(+374 10) 511 342**

Fax: **(+374 10) 511 332**

E-Mail: **a.giloyan@mta.gov.am**

URL: **www.mta.gov.am**



1.2 LEGAL STATUS OF THE EU FINANCED PROJECTS

Legal Framework

Framework Agreement between the Republic of Armenia and the Commission the European Communities, ratified by the National Assembly of the Republic of Armenia on 4 October 2007

The EU financed projects do not have legal status in Armenia, which means that the mentioned projects are not registered as legal entities. Consequently, the activities of the projects are regulated by the Framework Agreement signed between the Republic of Armenia and the EU Commission, which clearly defines the rules for the implementation of projects fully or partially financed by the EU, particularly with respect to foreign exchange, tax and customs regulations.

For example, the Framework Agreement stipulates that any good imported for the purpose of performance of projects financed by the Community, may not be subject to customs and import fees, taxes or any other equivalent payments imposed in the beneficiary country or by any of its infrastructures⁴.

CONTACTS

Delegation of the European Union to Armenia

Entrance for visitors: **Proshyan Street**

Postal address: **21 Frik Street, Yerevan 0002, Armenia**

Tel: **(+374 10) 546 494**

Fax: **(+374 10) 546 495**

E-Mail: delegation-armenia@eeas.europa.eu

URL: eeas.europa.eu/delegations/armenia

⁴ Contracts financed by the Community shall not be subject to value added tax, documentary stamp, registration duties or any charges having equivalent effect in the Beneficiary Country, whether such charges exist or are to be instituted, whether the contract is concluded with persons from Beneficiary Country or elsewhere (Article 3.3 of the Framework Agreement).



1.3 PROJECT REGISTRATION AND NOTIFICATION

Legal Framework

Decree of the Government of RA No. 32 “On the Approval of Rules on Registration of State Grants and Preparation and Publication of Reports”, adopted on 16 January 2003

The Armenian beneficiaries and partners, who are awarded a grant within the framework of the EaPTC Programme, shall, upon their request (See Annex 1)⁵ to the EU Delegation to Armenia (EUD), receive a letter stating that the particular project is in the framework of the EU funding.

Non-governmental non-profit organisations

As the projects financed by the EU have no legal status in Armenia, consequently they are not registered in any state administration. Thus, they remain under the “Framework Agreement” signed between the Commission of the European Communities and Armenia.

However, the Projects shall provide a written notification to the EUD to be listed with them. This is not a legally binding procedure or otherwise endorsed by any legislative act, however, the notification will then allow the Project to start the tax exemptions procedures.

The only regulated issue in EU financed projects in Armenia is the eligibility for tax exemption, a procedure which is regulated by the decree of the Government of Armenia No. 1112-N, adopted on 23 September 2009. The notification procedure would also establish an informal channel of communication and recognition both by the EUD and Armenian state authorities.

Public bodies and public equivalent bodies

The procedures for registration of grants received by the public bodies and/or public equivalent bodies are established by the Decree of the Government of Armenia No. 32-N adopted on 16 January 2003.

The registration of grants received by the public bodies and/or public equivalent bodies, as well as coordination and control of other related activities is carried out by the Ministry of Finance of the RA. For that purposes relevant public bodies, within 10 working days after the entry into force of the grant contract, shall provide the copy of the grant contract to the Ministry of Finance.

Public and public equivalent bodies provide quarterly and annual reports to the Ministry of Finance on received grants and their further implementation, according to the template H-12-B approved by the order of the RA Minister of Finance No. 449-N, adopted on 21 May 2003. These reports should be developed and submitted according to procedures defined by the Order of the Minister of Finance and Economy No. 80-N adopted on 4 February 2008.

Like non-governmental non-profit organisations, public bodies and/or public equivalent bodies as well shall provide a written notification to the EUD to be listed with them for tax exemption purposes.

⁵ Please check with the EUD which kind of documents are requested to provide



1.4 OPENING A BANK ACCOUNT

Legal Framework	Civil Code of the Republic of Armenia, adopted on 5 May 1998
	RA Law “On Banks and Banking”, adopted on 30 June 1996

Non-governmental non-profit organisations

Armenian organisations – Lead Partner or Partner of an EaPTC-funded project – may need to open a foreign currency bank account for implementation of the project. Non-governmental organisations can open one or more accounts in national or foreign currency within any licensed bank of Armenia.

To open an account, one should:

- Visit the bank
- Fill in the account opening application
- Conclude a bank account agreement.

List of documents to be submitted	<p>Documents requested for the opening of a bank account might differ from bank to bank. However banks in Armenia usually request the following documents:</p> <ol style="list-style-type: none"> 1. Application for opening the account, 2. The copy of the Certificate of Registration issued by RA State Register, 3. The original of the Charter registered in the State Register of the RA (if a copy of the Charter is submitted it should be sealed and signed by the authorized person of the organisation), 4. A signatures (of the head of the executive body, chief accountant and persons responsible for the accounting of the legal entity) and seals specimen card registered at tax bodies (in two copies), 5. Copy of personal identification documents (ID cards or passport) of the manager and chief accountant (if available) of the legal entity.
Account type	Regular national and foreign currency account (for non-state organisation)

The financial means on the bank accounts opened in all banks operating in the territory of Armenia are guaranteed by Deposit Guarantee Fund⁶.

⁶ Deposit Guarantee Fund is non-profit legal entity founded by Central Bank of the Republic of Armenia. The main goal of its establishment is to ensure stability and reliability of the banking system of Republic of Armenia through guarantee of remuneration of banking deposits of physical persons, including sole proprietors. (www.adgf.am)

Practical tips	<p>Bank account opening and servicing fees differ from bank to bank. That is why one needs to firstly study the market before opening a bank account, check conditions offered by banks, make comparisons and then select the best option. In particular pay attention to:</p> <ul style="list-style-type: none"> • Costs for opening and service fee, • Convenience (location of the bank, working hours), • Account access means (select the bank which provides banking services by phone, internet or other means of communication), • Interest rates, • Service quality.
	<p>You need to open an EUR bank account - even if you are not the Leader, as the grant will be transferred to you (by the Managing Authority or Georgian partner) in EUR. Transfers to local Armenian partners or suppliers should be done in AMD. Therefore, in order to limit currency exchange rate differences you might keep the money received in EUR and make EUR-AMD conversions concurrently with transactions to your Armenian partners (suppliers). Please note that transfers to Georgian Partners can be done in EUR.</p>

For more information about banks in Armenia and their services please visit <http://www.banks.am> and <http://www.cba.am>.

Public bodies and public equivalent bodies

Legal Framework	RA Law "On the Budgetary System of the Republic of Armenia", adopted on 24 June 1997
	RA Law "On Local Self-Government", adopted on 7 May 2002
	Decree of the Government of RA No. 404 "On the Approval of the Rules on Servicing, Counting and Controlling Extra-budgetary Resources of State and Other Entities", adopted on 10 June 1999
	Decree of the Government of RA No. 48 "On the Approval of Rules of the Implementation of State and Community Budgets", adopted on 18 January, 2002
	Order of the Minister of Finance of RA No. 80-N "On the Approval of the General Conditions on Implementation of Budgets as well as on the Preparation, Submission and Summing up of the Reports on Financial Activities of Local Self-governing Bodies and their Subordinated Entities, and the Directive on Peculiarity of Development and Submission of Different Types of Reports", adopted on 4 February, 2008
	Order of the Minister of Finance of RA No. 94-N "On the Approval of the Filling Requirements and Template of the Estimation of Costs of Generation and Management of Extra-budgetary Resources", adopted on 23 February 2011.

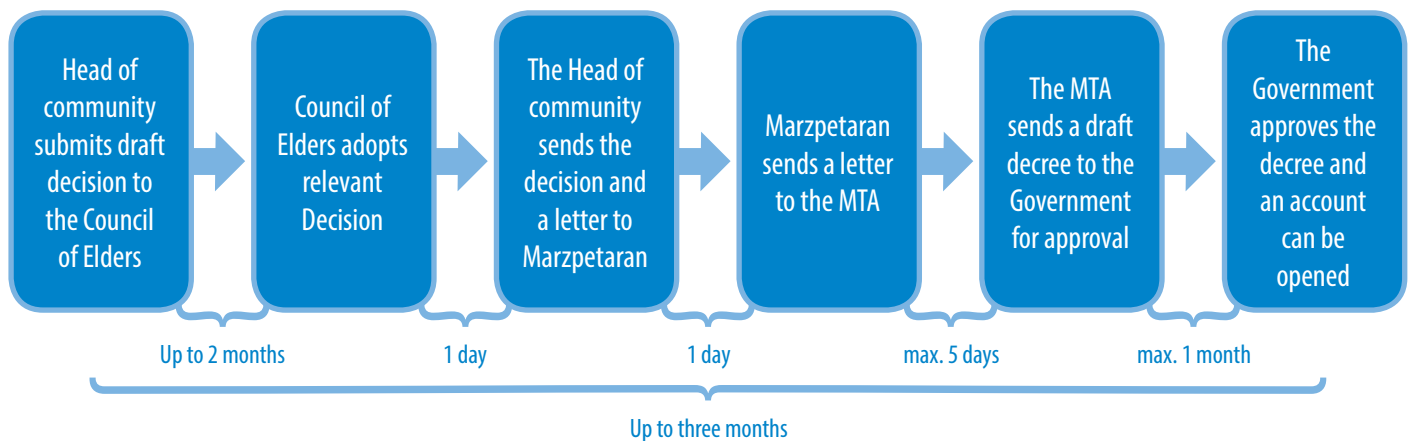


The state and community budgets (including subordinate budget institutions, which are financed from state budget) form the consolidated budget of the Republic of Armenia. As constituent parts of the national budgetary system, they are based on a unified state policy.

All extra-budgetary resources of public and public equivalent bodies should be accrued on the extra-budgetary accounts of respective regional subdivisions of the State Treasury. Public bodies can open extra-budgetary accounts only by the decree of the Government of Armenia. While the communities⁷ and public equivalent bodies are allowed to have bank accounts outside of the state treasury system.

These procedures are regulated by the decree of the Government of the RA No. 404 "On the Approval of the Rules on Servicing, Counting and Controlling Extra-budgetary Resources of State and Other Entities".

Figure. Steps necessary to open extra-budgetary accounts for communities.



The Public bodies shall submit to the Ministry of Finance the estimation of costs of extra-budgetary resources according to the procedures and template approved by the RA Minister of Finance and prepared in compliance with the project budget. The estimation of costs of extra-budgetary resources of state and regional authorities should be approved by the Government of Armenia. Each month (by the 12th day of the month), Public bodies should submit report to the Ministry of Finance on generation and management of extra-budgetary resources.

The grant received by the public bodies shall be included in the income of either state or community budget. Consequently, the costs should be used in line with the procedure set forth by budgetary legislation.

⁷ Only in case on donations provided by the individual and by the request of that person

Practical tips

You will need to use/open a EUR account in case you are the Project Leader, as the grant will be transferred to you in EUR. In case you are a project Partner, it is up to you and your Project Leader to agree on the currency used for grant money transfers. You may also agree within the partnership that one of the Armenian partners (e.g. non-state organisation) receives the money transfer in EUR from the Leader and transfers it further in AMD to the other Armenian partners (e.g. public organisations). If this is the case, all the procedures and details need to be stated in the project contract before having signed the latter.

Communities can transfer the grant funds to their account opened in regional subdivisions of the State treasury instead of opening an extra-budgetary account. In this case financial means should be transferred in AMD. In order to avoid currency exchange rate differences communities should inform the regional subdivision of the treasury that received financial means are grants. In this case currency exchange will be done by exchange rate approved by the State Budget.



Part 2

Project Implementation



The Programme is funded
by the European Union

The Programme is implemented
by the Altair Asesores-led Consortium



2.1 RECEIVING AND TRANSFERRING MONEY INSIDE AND OUTSIDE THE TERRITORY OF ARMENIA

Legal Framework	RA Law “On Currency Regulation and Currency Control”, adopted on 24 November 2004
	RA Law “On Settlement Systems and Settlement Organisations”, adopted on 24 November 2004
	RA Law “On Transfer of Funds by Payment Orders” adopted on 4 December 1996

According to the law “On Currency Regulation and Currency Control” residents and non-residents of Armenia are allowed to transfer, deliver, import currency values to and from Armenia without limitations and declaration, except the cases of ensuring the stability of the financial system, preventing economic risks, circulation of criminal proceeds and fighting terrorism financing⁸. The Central Bank defines the procedure and conditions for transfer, delivery, import and export and declaration of currency values⁹.

Money Transfers

Armenia has no specific regulation for money transfers for the EU financed projects. However in addition to the banks operating in the territory of Armenia, the money transfer institutions are also entitled to make money transfers. According to the current legislation, the Central Bank of the RA has licensed and issued the license of a money transfer to the institution enabling them to make money transfers for the clients without opening bank accounts.

Depending on the method of money transfer (through a bank account and without opening a bank account), a financial agent (bank, money transfer organisation) offers different tools¹⁰.

If organisations making the transfer have opened a bank account they may make the transfer through the following tools:

- payment instruction/order¹¹ - give the bank an order to transfer the funds mentioned in the order to the indicated person/organisation. In this case the purpose of the transfer (payment) shall be indicated in the payment order,
- cash – the sender personally gives the funds to the bank and orders the bank to transfer it to the person/organisation he/she indicates.

Money transfer through bank account

The organisation wishing to make a transfer through bank account should:

- apply to the relevant bank,
- present identity document (passport or ID card of the authorised person) – in case if the payment is done by visiting the bank,

⁸ Import of foreign currency in cash of more than USD 10,000 or equivalent is subject to declaration.

⁹ According to Article 5 of the Law of the Republic of Armenia “On Currency Regulation and Currency Control”.

¹⁰ The guide doesn't present the case of transferring money without opening bank account, as it is expected that all project partners have bank accounts (because they are legal entities).

¹¹ The payment order is a written, oral or electronic instruction to pay or instruct the other bank to make payment to the confirmed or calculated amount (see the RA law “On the Transfer of Funds by Payment Orders”).

- provide the information of the recipient (i.e. name, surname, address, etc.),
- tell the bank account number of the recipient (if available), name of the bank of the recipient and the amount to be transferred,
- clarify the service fee for money transfer; that is how much the sender should pay for money transfer and how much the recipient will be charged,
- inform the recipient the amount of the funds transferred, as well as the amount of service fees charged from that amount (if applicable).

The bank may transfer money from the sender's bank account only upon the instruction of the authorised person of the account holder.

The transfer from a bank account in the Republic of Armenia is made maximum within two working days. The time of overseas transfers depends on the number of banks (correspondent bank), through which the transfer is made. As a rule it takes 1-5 working days¹². However it is advised to clarify with the bank the duration of the transfer (how many days the transfer will take to reach the recipient). For overseas transfer banks will ask SWIFT or IBAN code of your bank¹³. As Armenian banks do not provide IBAN account number, you need to provide SWIFT code of the recipient (Armenian) bank.

As almost all banks of Armenia suggest electronic transfer systems, you may become a member of the system, submit payment order and make payments without visiting the bank. To be a member of the e-banking system the organisation should submit an application¹⁴ (with all required information) to the bank where has a bank account. Within maximum two days the bank will provide relevant software and key (or pin code) to the authorised person of the organisation.

To receive the transferred funds it's necessary to:

- visit the relevant bank or its branch office,
- present an identity document to the relevant officer¹⁵,
- tell the officer the bank account number,
- verify the amount of the funds transferred to the bank account with the amount indicated by the sender,
- require the transferred amount.

Transfers to/from project partners outside of Armenia

There are no restrictions for transferring and receiving foreign currency during the operations between residents and non-residents. For the payments and transfers in the foreign currency to the non-resident outside Armenia the resident should submit a payment order to the bank where the project account is held. If needed, banks may request additional documents for the approval of the transfer. Today almost all banks of Armenia suggest electronic transfer systems which allow to make transfers without visiting the bank.

¹² Money transfer and the operation of foreign exchange points are regulated by the Law of the Republic of Armenia "On Settlement Systems and Settlement Organisations".

¹³ SWIFT (Society for Worldwide Interbank Financial Telecommunication) is a unique identification code for a particular bank, which is used in vast majority of international money transfers. The IBAN (International Bank Account Number) code is used by all banks within the EU and in most European countries. However, it is not standard in Armenia.

¹⁴ The template of the application and costs for using e-banking system (providing access ad service) differs from bank to bank.

¹⁵ The bank will make payments only by the request of persons who submitted signatures when opening of the bank account.

¹⁶ See article 7 of the Law "On Currency Regulation and Currency Control".



Transfers to/from project partners inside Armenia

Payments and transfers between residents and non-residents in the territory of Armenia shall be made in national currency. Payments can be done in foreign currency only in cases defined by the law¹⁶.

For the payments and transfers between project partners inside Armenia, non-profit non-governmental organisations should submit a payment order to the bank where the project account is held. If needed, banks may request additional documents for the approval of the transfer.

In case the Lead Partner is a Public body it shall transfer the grant funds to the project Partners upon authorization of the RA State Treasury and in accordance with the approved costs estimation. Public bodies should submit payment orders to the regional subdivisions of the RA State Treasury. The RA State Treasury has introduced electronic payment system "Client-Treasury" which allows to make payments without visiting the Treasury premises. As this system has not yet been introduced in all regions of Armenia, it is recommended to first check with the relevant regional subdivision the existence of the system.

Practical tips	<p>The Partnership Agreement should contain the detailed procedures and indicate the documents that will be used to transfer money to the Partner in Armenia or to the project partner outside of Armenia, as well as procedures for the return of unspent or ineligible funding from Armenian partner to the Lead Partner abroad.</p> <p>While making the transfer:</p> <ul style="list-style-type: none"> • It is necessary to hold an identity document (such as a passport), • Learn the procedure and terms for cancelation , in case of not identifying the recipient for refund of the funds, as well as the terms and conditions for eliminating the errors, • It is necessary to take the receipt of the transaction after making the transfer.
	<p>Please provide all relevant explanations to the bank authorities or treasury authorities, if needed, that the payments/transfers are done within a technical assistance Programme.</p>

2.2 FOREIGN CURRENCY EXCHANGE

Legal Framework	RA Law “On Currency Regulation and Currency Control”, adopted on 24 November 2004
	RA Law “On The Central Bank of Armenia”, adopted on 30 June 1996
	RA Law “On Banks and Banking”, adopted on 30 June 1996
	Official clarification of the Head of the State Tax Service of Armenia No. 3 “On Foreign Currency Transactions in the Territory of the Republic of Armenia”, adopted on 11 October, 2005

Armenian organisations participating in the EU financed projects on the territory of Armenia should make payments only in the national currency of Armenia – Armenian Dram (AMD). Generally for payments in AMD the organisation should refer to the bank, where the project foreign currency account is operational, exchange a certain amount of EUR into AMD and transfer the amount to the AMD account. In this case, two documents should be prepared: an agreement for selling and buying the currency (this document will be prepared by a bank official) and a payment order (order for the payment of a certain amount in AMD to the supplier from the account in AMD)¹⁷. The bank exchanges the requested amount of currency at the exchange rate fixed in that particular bank (the rate may differ from the exchange rates fixed by the Central Bank of Armenia).

The currency exchange system is different for the public bodies. Though officially public bodies may open foreign currency extra-budgetary accounts, it is not usually the case in practice. As the grant amounts received by the public bodies shall be included in their budget, the financial means should be transferred in AMD. The currency exchange rate approved by the State Budget will be used if they inform the RA State Treasury that the received financial means are grants. Otherwise daily exchange rate approved by the Central Bank of Armenia will be applied.

While reflecting on the operations, we have to keep in mind that there will be different types of exchange rates used in the project bookkeeping: one for the national reporting system and one for the EC reporting system:

- For the non-governmental non-profit organisations and public equivalent bodies – the currency exchange rate of the bank where project accounts are opened is applied;
- For the public bodies – the currency exchange rate established by the State Budget or approved by the Central Bank of Armenia is applied.
- For all project transactions – the European Commission exchange rates¹⁸ are applicable. Financial reports submitted to the contracting authority must comply with the Programme and EU requirements. The final amount of payments must be expressed in Euro, using the official exchange rate laid down and published by the European Commission.

Remember

Currency exchange losses are not eligible costs and thus cannot be covered by the grant. They should be financed by the Project Leader/Partner. Prices for transactions between Armenian residents (including branches of foreign companies) must be quoted and paid in AMD. Salaries (other than those paid by international organisations) must be paid in AMD. There are no restrictions on conversion between Armenian and foreign currency.

¹⁷ These documents may differ from bank to bank because of different banking system software used in Armenian banks.

¹⁸ http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm

2.3 PROJECT ACCOUNTING REQUIREMENTS

Armenian organisations keep their accounting records and maintain internal financial reporting in accordance with current legislation of Armenia which is in line with International Financial Reporting Standards (IFRS). Accounting and financial reporting should be performed in AMD. According to the legislation starting from the 1st of July 2014 entities with revenue for the previous calendar year exceeding AMD 500 are required to maintain accounting records through new bookkeeping software.

Rules of the European Union require that the project management (Lead Partner) is responsible to ensure that project funds are spent in a timely manner and in compliance with EC regulations and procedures for external aid. Lead Partner ensures overall supervision over the project costs in terms of their eligibility and compatibility with the project tasks.

Accounts and expenditures related to the project implementation must be easily identifiable and verifiable. This can be done by using separate accounts for the project or by ensuring that expenditures for the project can be easily identified and traced to within the beneficiary's accounting and bookkeeping systems.

All payments must be confirmed by corresponding supporting documents (such as invoices for all purchases, contracts, proof of payment, tickets and boarding passes for all travels, timesheets signed by experts and the project management, etc.). The project partners shall provide these documents to the Lead Partner for preparation of the relevant financial reports and archiving. It is worth to mention that in this case rules of Managing Authority will be used. For more details, it is recommended to ask the Managing Authority.

All records, accounting and supporting documents related to the project shall be kept as they might be requested for the purpose of further checks, audits and monitoring (the minimum duration of archiving is mentioned in the General Conditions of the Grant Contract).

Remember

European Commission, European Anti-Fraud Office and the European Court of Auditors and any external auditor authorised by the Contracting Authority have the right to perform record-based and on the spot checks and inspections to verify expenditure and the use made of the EU grant. Checks may be made at any time during the project's implementation, or up to five years after the final payment.



Practical tips	<p>Armenian Partners are recommended to provide two types of bookkeeping:</p> <ul style="list-style-type: none"> • Regular bookkeeping in their own accounting system according to national requirements • Project financial management in accordance with Programme rules, project managerial accounting in accordance with project budget lines and positions
	<p>The first type of bookkeeping implies that all expenses in the framework of the project must be borne by Partners and reflected in their internal bookkeeping system, as it is required by the Grant contract stipulating the criteria of eligible costs.</p> <p>For the project financial management purposes separate project managerial accounting should be elaborated based on the corresponding positions of the project budget.</p>
	<p>All relevant contracts, invoices and bills should contain a clear reference to the project. Proper invoicing and relation of internal bookkeeping to the project managerial accounting should allow to separate financial documents related to the project from all other documents.</p>



2.4 TAX EXEMPTION: VAT AND CUSTOMS DUTIES, INCOME TAX

Armenian organisations participating in the projects financed by the EU are entitled to tax exemptions provided by following legal acts:

Legal Framework	Framework Agreement between the Republic of Armenia and the Commission of the European Communities
	Customs Code of the Republic of Armenia, adopted on 6 July 2000
	RA Law "On Profit Tax", adopted on 30 September 1997
	RA Law "On Value Added Tax", adopted on 14 May 1997
	RA Law "On Income Tax", adopted on 22 December 2010
	Decree of the Government of RA No. 1112-N "On Approving the Procedure for Applying Tax, Customs and other Mandatory Payment Privileges Envisaged by Framework Agreement Concluded Between the Government of Armenia and Commission of the European Unions" adopted on 23 September 2009
	Order of the Minister of Economy No. 892-A of 28 October 2009

To be eligible for tax exemption within the framework of the activities envisaged by the Framework Agreement, legal entities and natural persons operating in the territory of Armenia shall conclude relevant contracts with organisations which carry out activities related to import of goods to the Republic of Armenia, supplying goods in Armenia and providing services.

According to the Decree No. 1112-N tax, customs and other mandatory payment privileges stipulated by the Framework Agreement include:

- Exemption of taxable turnover from VAT
- Exemption of imported merchandise from customs duties
- Exemption of non-resident organisations from profit tax (including at the source of income payment)
- Exemption of non-residents from income tax (including at the source of income payment)

There are some additional incentives on tax, custom and obligatory fees provided only to NGOs that implement projects that are qualified as "charitable" under the RA Law "On Charity" adopted on 8 October 2002. In this case the incentives are given only for the project itself but not for the rest of the organisation's activity.

Public organisations cannot carry out direct economic activity but only through established business companies. The income of these companies acquired from their economic activity is taxed under the general provision of the RA Law "On Profit Tax".

As for foundations – they can provide direct economic activity. In this case foundations shall pay taxes by the same conditions as any commercial organisation. For the rest of statutory activity the conditions of taxation for both NGOs and foundations are completely the same.



Practical tips	VAT, income and profit tax, customs duties and other mandatory payment exemptions are not applicable in case an Armenian organisation finances the project activities, purchases goods, works, services, pays salaries to the project staff members (and non-residents) from its own means which is stated as its co-financing to the project budget.
	Entities delivering goods and providing services in the context of projects implemented under the Framework Agreement do not complete a tax account for these goods and services (in compliance with the established procedure other settlement and payment documents shall be completed).

VAT exemption

The following activities of the EU financed projects shall be VAT exempted:

- import of goods by organisation implementing the project or by entities having concluded a direct agreement with that organisation, irrespective of the fact who exports the goods from foreign countries,
- supply of goods and provision of services including gratuitously or partially refunded, by entities having concluded an agreement with the organisation directly implementing the project,
- supply of goods and provision of services by the organisation directly implementing the project,
- import of personal belongings to Armenia by foreign nationals working within the framework of the relevant project or by their family members,
- import of a single motor vehicle for one family (for foreign citizens working within the EU financed project). The mentioned vehicle shall be imported to Armenia by the customs regime for temporary importation: the temporary importation period shall be defined in compliance with the period during which the person is working in Armenia, but it shall not exceed the validity period of the relevant working agreement.

Entities which supply goods and provide services within the frames of activities carried out under the EU financed project are not required to fill in the tax invoice on these goods and services¹⁹. Thereferred entities, with respect to the supply of goods and the provision of services exempted from VAT, shall add the amount of the VAT, separated in the tax accounts of their providers, to the production and the turnover expenses²⁰. Registration of tax exempted and VAT taxable transactions shall be done in compliance with the RA Law "On Value Added Tax".

In case when the referred entities complete a tax invoice the separated tax amount on the tax invoice shall be paid to the state budget of Armenia according to the established procedure.

Practical tip	In case of difficulties to find suppliers who accept VAT exemption it is advisable to deal with the companies subject to simplified tax procedures (small suppliers that are not VAT payers).
----------------------	---

¹⁹ According to the established procedure other settlement or payment documents shall be filled in.

²⁰ To the purchase value of goods.

Exemption from Customs Duties

According to the RA legislation all goods and vehicles crossing the border of Armenia as imported goods are subject to declaration in the Regional Customs House where the importing organisation operates.

The customs duty rates are provided by article 102 of the RA Customs Code. Customs duty rates for imported goods are 0% and 10%.

The customs value of imported goods is based on the transaction price of the imported goods (the price paid or payable for the goods for export to Armenia). If it is not possible to determine the transaction price of the imported goods, or the customs office has doubts about the data provided by the importer, alternate valuation methods will be applied. The customs value includes transportation, loading, unloading, overloading, insurance and other similar expenses.

Within the framework of the EU financed projects, the following points are applied for the exemption from customs duties:

- import of goods by organisation implementing the project or by entities having concluded a direct agreement with that organisation, irrespective to the fact who exports the goods from foreign countries,
- import of personal belongings to Armenia by foreign nationals working within the framework of the relevant project in Armenia or by their family members,
- import of a single motor vehicle for one family (for foreign citizens working within the EU financed project). The mentioned vehicle shall be imported to Armenia by the customs regime for temporary importation and the temporary importation period shall be defined in compliance with the period during which the person is working in Armenia. This period should not exceed the validity period of the relevant working agreement.

Income Tax Exemption

In the framework of the EU financed projects:

- non-resident organisations in the Republic of Armenia are exempted from income tax
- income tax liabilities for incomes received by the residents of Armenia shall be defined according to the general procedure established by RA Law "On Income Tax".

The entity paying income to the residents of Armenia is obliged to submit to the territorial bodies of the Tax Administration the information on the amount of incomes paid and residential (registration) addresses of the persons receiving incomes in accordance with the procedure and terms stipulated by the RA Law "On Incomes Tax".

Profit Tax Exemption

According to Armenian legislation, non-resident organisations are exempted from profit tax (including at the source of income payment) in Armenia in the amounts provided in the frames of the EU financed projects.

Incomes received by residents of Armenia shall be included in their gross income, and the profit tax liabilities for these incomes shall be defined according to the general procedure set out by the RA Law "On Profit Tax".

How to apply for Privileges

The mentioned privileges are applied on the basis of a certificate²¹ approved by the RA Ministry of Economy. The certificate shall be made in four original copies to be completed by the organisation conducting actions, and is submitted to the RA Ministry of Economy for approval. The certificate is a form subject to strict registration: all requirements listed in the RA legislation for documents subject to strict registration are applicable for the abovementioned documents.

In order to get forms of the certificate²² the project implementing organisation should apply²³ to the Administrative Affairs Department of the RA Ministry of Economy (Tel. (+374 10) 597 200).

Approving Authority	Ministry of Economy
Contact Unit, Contact details	Licensing and Permits Agency of the Ministry of Economy Address: 5 M. Mkrtchyanstr, Yerevan, 0010 Tel: (+374 10) 597 225
List of documents required for obtaining the privileges	<p>For the approval of the referred certificate the RA Ministry of Economy takes the following documents as a basis:</p> <ol style="list-style-type: none"> 1) Application that contains the name of the project, contract number for the import or delivery of goods or provision of services, purchase value of goods or services (in figures and words), list of attached documents, number of pages²⁴, 2) Letter from the EUD confirming that the delivery of goods or provision of services was performed in the frames of project financed by the EU, 3) In cases when delivery of goods, performance of activities and provision of services is done in Armenia: <ul style="list-style-type: none"> • Contract concluded between the organisation and the provider (contractor), • Handover Act or Completion Report certifying the fact of delivering the goods, performance of activities and provision of services (shall be attached if preparation of such a document is required by the contract), • Settlement documents for the delivery of goods, performance of activities and provision of services. 4) In cases when the import of goods is done by an entity having concluded a direct agreement with the project implementing organisation: <ul style="list-style-type: none"> • Contract concluded between the organisation and that entity,

²¹ For the form of the certificate see Annex 2.

²² The certificates are given without any payment.

²³ See Annex 3 for the template of the application letter.

²⁴ See Annex 4 for the template.

<p>List of documents required for obtaining the privileges</p>	<ul style="list-style-type: none"> • Customs declaration stating the name of the organisation, description, quantity and value of goods, • Bill of lading where the entity being in direct contractual relations with the referred organisation is indicated as an entity receiving the goods. <p>5) In cases when the import of goods is done by the organisation implementing the project:</p> <ul style="list-style-type: none"> • Contract on the delivery of goods concluded with the organisation, • Customs declaration indicating the name of the organisation, description, quantity and value of goods, • Bill of lading where the organisation is indicated as an entity receiving the goods (regardless of the fact whether the shipment entity indicated in the bill of lading is a contracting party or not), • Settlement documents for the delivery of goods, performance of activities and provision of services.
---	--

The mentioned list of documents is final for applying for privileges and no other substantiating documents can be requested (See Annex 8 for the main steps of the tax exemption application procedure).

<p>Practical tips</p>	<p>Within five working days following the receipt of certificates, the RA Ministry of Economy approves and provides stamped and signed certificates to the project implementing organisations. One original copy of the certificate, with substantiating documents, will be kept by the RA Ministry of Economy.</p>
	<p>The remaining three copies will be provided to the project implementing organisation:</p> <ul style="list-style-type: none"> • one – for records, • the second – to be issued to the other party performing the transaction, • the third – to be submitted to the RA Ministry of Finance.
	<p>After having received the approved certificate from the RA Ministry of Economy, the organisation should submit the certificate together with the mentioned list of documents to the Ministry of Finance within 3 working days. In case of import of goods the RA Ministry of Finance within two working days returns the mentioned documents to the person enjoying the privileges for the latter to be able to provide these documents to the respective customs office or customs point. The RA Ministry of Finance enables the respective customs office or customs point to apply tax and customs privileges. If this is not the case within the same time-period the RA Ministry of Finance should inform the privilege-claiming entity on rejecting the application stating in writing the reasons for rejection.</p>

Reasons for Rejection

The approval and provision of the certificate could be rejected in cases when:

- Information indicated in the documents is not consistent with the information possessed by and/or provided to the RA Ministry of Economy,
- Qualitative and/or quantitative features of the goods indicated in the certificate are not consistent with the Framework Agreement, transactions (operations) requirements of the contract concluded by the project implementing organisation are not envisaged by the project budget.

In case of rejection, the organisation shall seek advice from the RA Ministry of Economy, and may reapply when the reason for rejection has been corrected.

Practical tips	The RA Ministry of Economy informs in writing about the rejection of the certificate within 5 working days indicating the reasons for rejection. Certificates completed by the organisation implementing the project shall be deemed invalid in case they are declined by the RA Ministry of Economy. In this case three copies out of the submitted four will be returned to the organisation, with the one copy kept for the records of the Ministry.
	Centralized printing of certificate forms, provision to the organisations implementing the projects and registration of certificate forms and certificates are done by the RA Ministry of Economy. Certificate forms are printed with serial numbers, bound in the form of a book each containing 20 certificates in 4 copies. All four copies shall be deemed originals, printed in colour and referred with the same serial numbers.

2.5 HUMAN RESOURCES AND EXPERTS

Legal Framework	Art. 777-781 of the Civil Code of the Republic of Armenia, adopted on 5 May 1998
	Labour Code of the Republic of Armenia, adopted on 9 November 2004
	RA Law “On Foreigners”, adopted on 25 December 2006

In order to calculate costs of staff and expertise involved in the project tasks, the financial manager of the participating organisation shall prepare the list of human resources planned to be involved in the implementation of the project.

Please note that the Grant Contract distinguishes between:

- Remuneration for staff of the organisation participating in the project employed under labour contracts (full/part time, already in institution or specifically recruited). These costs shall be provided in the project budget under the budget line “Human resources”.
- Remuneration for experts involved in the project not employed under a labour contract are considered as service suppliers. These costs are included in the budget line “Other costs and services” and are subject to procurement procedures (like any contract for services).

Recruiting staff for project implementation

According to current Labour Code of the Republic of Armenia the labour relations between the employee and employer are regulated either by a labour agreement (or collective agreement) or on individual labour normative act (e.g. relevant order of the employer).

The labour agreement can be concluded either for an indefinite term or for a limited period of time (project duration), subject to circumstances. The RA legislation expressly provides the cases when a labour agreement for the limited period of time may be concluded.

Under the Armenian legislation a foreigner may be employed in Armenia unless there is a national specialist that can perform the same duties and have adequate education and/or experience. However to be employed in Armenian organisation the foreigner should have working permit²⁵.

The Armenian legislation does not provide any specific requirements concerning the selection of the employees. However, general guidelines for making a good selection of employees include:

- Establishing criteria for employees’ according to necessary skills and knowledge requirements;
- Organizing interviews with the applicants;
- Evaluating the applicants according to the established criteria.

²⁵ Though the Armenian legislation requires working permit for foreigners, the decree of the RA Government on granting and rejecting order and timeframe of a work permit, as well the authorized body granting work permit has not been yet adopted. Hence, currently foreigners can work in Armenia without work permit.

Subcontracting national and foreign external experts

The tasks envisaged in the project may be assigned to either the staff of the organisation or to external experts (national or international).

When hiring national and foreign external experts, the preferable option is to use the “Service Contract”. The expert (service provider) is engaged as an independent sub-contractor and provides to the Beneficiary/partner his or her professional services in some specific area. This contract is regulated by Articles 777-781 of the Civil Code of the Republic of Armenia and does not constitute an employer/employee relationship. In comparison to a labour contract, the Partner pays to the contractor only after the service has been completed, the corresponding work report has been provided and act of acceptance has been signed. However, parties can agree other payment schedules.

This form is preferable for the foreign experts, as no other national requirements should be applied. As this contract is not considered to be a labour contract, no special licenses and permissions are needed to hire an expert.

The contract shall be done in written form and is considered to be concluded when signed by the contracting parties.

Please note that procedures of the RA Law “On Public Procurement” have to be respected by the public bodies and public equivalent bodies when recruiting external experts for the project.

According to the legislation, Armenian citizens and foreign experts should pay income tax, if:

- they are residents of Armenia (i.e. they resided in Armenia for a total of 183 or more days at any stage of the 12-month period which starts and ends during the fiscal year (from January 1 through December 31), or they have the centre of vital interests located in the Republic of Armenia (particularly if the house or apartment where their family reside and their main personal or family property is maintained, or the place of their core economic (professional) activity is based in the Republic of Armenia),
- they are non-residents but receive taxable income²⁶ from Armenian sources.

Income tax should be paid by an individual taxpayer²⁷:

- through the organisation paying the income, which bear liability for calculating, withholding and transmitting the income tax to the state budget each time when paying incomes. In this case the income tax is calculated by the following schedule:
- OR
- independently, when the incomes received were not taxed through the organisation.

Monthly Taxable Income (AMD)	Tax Rate
Not exceeding AMD 120,000.0	24.4 %
From AMD 120,000.0 to AMD 2,000,000.0	AMD 29,280 plus 26 % of the amount exceeding AMD 120,000
Exceeding AMD 2,000,000.0	AMD 518,080 plus 36 % of the amount exceeding AMD 2,000,000

Annual Taxable Income (AMD)	Tax Rate
Not exceeding AMD 1,440,000.0	24.4 %
Exceeding AMD 1,440,000.0	AMD 351,360 plus 26 % of the amount exceeding AMD 1,440,000

Practical tip

Clearly mention in your service contract who is obliged for payment of the income tax.

²⁶ Taxable income is the positive difference between the natural person's gross income for the reporting period and the deductions prescribed by the law “On Income Tax”.

²⁷ This rule applies both for residents and non-residents receiving taxable income from Armenian sources.



2.6 PAYING TRAVEL COSTS AND PER-DIEM TO ARMENIAN AND FOREIGN EXPERTS

Legal Framework	Decree of the Government of RA No 2335-N “On Approving the Minimum and Maximum Amount of Reimbursement of Travel Expenses of Employees Sent to Business Trip and the Procedure of Reimbursement”; adopted on 29 December 2005
	Decree of the Prime Minister of RA No 1087-N “On Organisation of Trips of Representatives of Republican Executive Bodies and Regional Governments to Abroad” dated on 26 November 2013

General Information

In general, the travel and subsistence costs for staff related to implementation of the project tasks is regulated by the grant budget agreed under the project. It is the responsibility of the project Lead Partner and partners to decide the amount to be reimbursed to experts or employees for travel allowance²⁸.

There are two circumstances under which payment of travel and per diem expenses will be done:

- Participation of Armenian and foreign experts/employees in project activities in Armenia;
- Participation of Armenian experts/employees in project activities outside of Armenia.

The procedure regulating the reimbursement of travel costs and per diems is established by the Government Decree No. 2335-N. The decree provides also daily allowances and accommodation costs rates for each country and for the regions of Armenia.

Remember

The daily allowances and accommodation costs rates mentioned in the Annex 2 of the Decree are minimum rates for the non-governmental organisations or organisations which don't receive finance from the state or community budget. These organisations are free to use the rates approved by the projects budget.

In cases when the trip is financed by the means of inviting organisation, the employer should not reimburse costs related to that trip. If this financing is done partially, the remaining part should be reimbursed by the employer (for the organisation receiving finance from state or community budget, rates adopted by the Annex 2 of the Decree 2335 should be applied.)

In case of business travel at a distance up to 30 km or if return to work (home) is possible the same day, regardless the distance, only travel expenses are subject to reimbursement.

²⁸ Subsistence costs calculated per overnight stay on mission must not exceed the rates set out by the European Commission and published at the website: http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/index_en.htm

Participation of Armenian and foreign experts/employees in project activities in Armenia

Business travel per diems, travel and accommodation costs should be fully transferred to the employee according to the minimum rates defined by the decree. These payments should be done before the trip.

The per diem rate to be reimbursed to the employee from the state or community budget is AMD 3,000 per day multiplied by the number of days spent in business travel, including weekends and holidays, days of departure and arrival. Reimbursement rates of travel and accommodation expenses shall be defined on the basis of supporting documents²⁹ on actually incurred expenses within five days at the end of travel. Maximum rates apply if reimbursement is done from the state or community budget.

The minimum rate of transport expenses in the territory of Armenia is reimbursed on the basis of an interstate or inter-regional bus routes. For the organisations financed by the state and/or community budget the maximum rate of transport expenses is tariff applied to the relevant microbus route.

Remember

Travel and accommodation costs shall be confirmed by corresponding documents (tickets, invoices etc.), which certify the actual amounts of such expenditures. Daily allowances do not require financial documentary confirmation but only the proof of stay on project-related mission.

Practical tip

Reimbursement of travel expense is to be paid to an employee of an organisation. For external experts working on the basis of a contract made under the project, per diems and other travel costs should be included in the service contract with the expert and calculated within the total amount of the contract

Participation of Armenian experts/employees in project activities outside of Armenia.

The non-governmental organisations are allowed to pay travel and per diem expenses according to the project budget rates. However these rates should not exceed the rates set up by the Managing Authority, GIZ (for example, Georgia). The GIZ rates can be found on <http://eaptc-ma.eu/en/>.

In cases when the travel is financed from the state or community budget, the rates established by the above mentioned government decree should apply. Moreover, per diem and accommodation rates should not exceed the maximum rates set up by the decree. Reimbursement of accommodation expenses is done on the basis of supporting documents on actually incurred expenses and should not exceed the maximum rate. If the above mentioned documents are missing the 70% of the maximum accommodation rate should be paid. The government decree defines also list of documents that should be submitted for calculating the amount of reimbursement.

Practical tip

After having returned from the business trip the employee should submit the travel report, travel card (if any) and supporting documents within 3 working days.

²⁹ Supporting documents necessary for the reimbursement of the travel costs are: copies of tickets (plane, train or other means of public transport), in their absence, the travel approving document given by the service providing company, and/or the document confirming the payment of the travel insurance. Documents necessary for the reimbursement of accommodation expenses are: document given by the hotel confirming the stay in the hotel during the travel period and the payment confirmation receipt (bank account statement, cash receipt, etc.), or the payment confirmation receipt (bank account statement, cash receipt, etc.) and hotel pre-booking confirmation document.

Special requirements for the travel of state and regional high level officials outside of Armenia

In order to travel abroad the heads, deputy heads and other high officials of the national and regional governing bodies should get authorisation of the Prime Minister of the RA. Having this in regard they apply to the Prime Minister's office at least one month before the trip submitting the official letter with supporting documents such as the invitation (and its translation), agenda of the event and detailed justification.

After having received the authorisation of the RA Prime Minister, they should submit draft decree of the Prime Minister (together with the views of the Ministry of Finance³⁰, Ministry of Foreign Affairs and Ministry of Justice) to the Office of the Government of RA, at least ten days before the travel.

Practical tip	The duration of the travel of state/regional officials should not go beyond three days (max. five days of absence is allowed only for some exceptional cases). They should submit a travel report to the Government of RA within three working days after return from the trip.
----------------------	--

³⁰ Subsistence costs calculated per overnight stay on mission must not exceed the rates set out by the European Commission and published at the website: http://ec.europa.eu/europeaid/work/procedures/implementation/per_diems/index_en.htm



2.7 PROCUREMENT OF EQUIPMENT, SUPPLIES AND SERVICES

Legal Framework	RA Law “On Public Procurement”, adopted on 22 December 2010
	RA Law “On Public Bidding”, adopted 8 October 2003
	Decree of the Government of Armenia No. 168-N “On Organisation of Procurement Procedures” adopted on 10 February, 2011
	Decree of the Government of Armenia No. 1356-N “On the Approval of Rules of Establishment and Procedures of Evaluation Committees for the Evaluation of Applications and Bids Submitted During the Procurement Process by Means of Grants or Loans Provided by the International Organisations and Foreign Countries to the Republic of Armenia” adopted on 22 September, 2011
	Decree of the Government of Armenia No. 1370-N “On Approval of Rules for e-Tendering” adopted on 5 December, 2013

In general, implementation of EaPTC-funded projects allows to start process for procurement of equipment, works or services with the organisations, which are not project partners. Procurement procedures and rules are described in the Grant Contract (Annex IV - Procurement by Grant Beneficiaries in the Context of European Union External Actions). This means that Armenian Leaders/Partners must only consider the EU procurement procedures as stated in Grant Contract in case the purchase of the goods, works and services are financed from the means of EU Programme and/or non-state and non-community budget³¹.

Procurement under grants received by public bodies and public equivalent bodies or by means provided as a co-financing from state or community budget shall be subject to the RA Law “On Public Procurement”.

In any case Armenian beneficiaries (lead partner or partner) should respect provisions of the Grant Contract (in particular Annex IV) in regard to rules of origin and nationality.

Purchases made by public bodies and/or public equivalent bodies

The provisions of the RA Law “On Public Procurement” are applicable for the following organisations³²:

- a. State administration bodies and local self-governmental authorities, state and community agencies stated in the Constitution and other laws of the RA;
- b. The Central Bank of Armenia,
- c. State or community non-commercial (non-profit) organisations,
- d. Entities with over fifty percent of government or community shareholding,
- e. Associations (unions) formed by the state or community or the Central Bank or state or community non-commercial (non-profit) organisations or entities with over fifty percent of government or community shareholding,

³¹ For the new Programming period of the CBC Programme, PRAG rules are no longer compulsory. That is why it is advised to contact to the Programme managing authority for more complete and up-to-date information.

³² Hereinafter we will use the term “procuring entity”.



- f. Legal entities - recipients of funds donated by the government or community or the Central Bank or state or community non-commercial (non-profit) organisations or entities with over fifty percent of government or community shareholding - for procurements financed by donated funds,
- g. Public undertakings.

The procuring entity shall conduct procurement according to the approved and published procurement plan. The procurement plan to be funded from the state budget is approved by the RA Government. In case of procurement funded from other sources, the head of procuring entity should approve the annual procurement plan before the 1st of February of each year and publish it both in the Procurement Bulletin and on the official web-site of public procurements (www.gnumner.am) within five working days after the approval. The templates of the procurement plans are established by the order of the RA Minister of Finance No. 896-N³³ adopted on 10 October 2013.

The RA Ministry of Finance (MoF, www.minfin.am) is the main body responsible for the regulation and coordination of the procurement process in Armenia. The MoF, among other responsibilities is responsible for the methodological guidance of the procurement process, provision of methodological assistance to procuring entities, facilitating publication of the Procurement Bulletin, registration of procurement contracts to be funded by the state budget.

“Procurement Support Centre” SNCO (www.armeps.am) is a state non-profit and non-commercial legal entity which, among other responsibilities, conducts professional education and continuous training for procurement specialists; provides free professional advice to procuring entities and paid professional advice to bidders and other entities; evaluates the eligibility and the qualification of bidders to participate in procurement process; concludes framework agreements; acts as the secretariat of the Procurement Complaint Review Board.

Applicable procedures and thresholds for public procurement in Armenia

Type of procedure	Description
Open procedure	<p>This is the preferable and basic procurement method. Other methods of procurement can be used only in cases stipulated in the law. If the value of goods, services and works subject to procurement is:</p> <ul style="list-style-type: none"> • ≤ AMD 20 million and the subject of procurement is periodically used and is included in the list of procurements carried out under framework agreements stipulated in the Article 4, paragraph 5(3) of the law – the framework agreement is concluded • ≤ AMD 20 million and goods, works or services of general use with standard (similar) technical specifications are purchased – simplified procedure is applied.
Competitive dialogue	<p>The competitive dialogue procedure can be used if:</p> <ul style="list-style-type: none"> • the procuring entity: <ul style="list-style-type: none"> - is not objectively able to specify the description of procurement subject in accordance with the provisions of the law

33 See <http://www.arlis.am/DocumentView.aspx?DocID=87101>

	<ul style="list-style-type: none"> - gives the bidders an opportunity to propose possible alternative descriptions of procurement subject • there is a need to negotiate with the bidders to clarify some specific features of the procurement subject, • in cases of concluding public-private partnership, including asset management and concession contracts.
Restricted procedure	Prequalification procedure is required. Any bidder can participate in prequalification procedure. Only prequalified bidders, who have received an invitation from the procuring entity, can submit bids.
Negotiations	<p>The negotiation procedure is arranged:</p> <p>1) By initially publishing a procurement announcement, if:</p> <ol style="list-style-type: none"> a. Procurement is carried out to purchase specific non-tangible assets such as design of works, research, expertise, experimental or scientific activities. b. Due to emergency or other unforeseen circumstances, an urgent need for procurement come out, and open or restricted procedure cannot be used due to time constraints. <p>2) Without initially publishing a procurement announcement, if:</p> <ol style="list-style-type: none"> a. Due to existence of copyright or related rights, special or exclusive right the goods, works or services can be obtained from a single source. b. An urgent need for procurement arise and, due to emergency, another procurement procedure cannot be used due to time constraints, provided that such need was impossible to foresee. c. Additional quantities of products are being purchased, which are intended to replace or extend the equipment/installations initially supplied by a supplier, where a change of the original supplier would oblige the procuring entity to acquire products having different technical characteristics which might lead to incompatibility or disproportionate technical difficulties in operation and maintenance. d. The procuring entity, after having completed the procurement of works or services, decides that additional procurement of works or services not included in the original contract due to some unforeseen circumstances is necessary, and it shall be done from the same entity, provided that: <ol style="list-style-type: none"> i. The additional works or services contract cannot be technically or economically separated from the original contract without significant inconvenience and ii. Its price would not exceed 20% of the price of the original procurement contract. e. For the goods that can be purchased on particularly advantageous conditions for the procuring entity from either an entity which definitively winds up its business activities, or the receivers or liquidators of a bankruptcy, through an arrangement with creditors or a similar procedure. f. The price of procurement subject \leq AMD 1 million.

Remember

All state bodies should carry out open procurement procedure by e-procurement.

ARMEPS (or e-PPS, www.armeps.am) is a secure web-based application which constitutes a total solution for the implementation of electronic procedures in conducting public procurement bids. The system access is open and free of charge. e-PPS is in full compliance with ISO 27001 and has received Impact Level 3 accreditation according to the HMG Information Security Standards. Announcements and invitations are published in websites www.gnumner.am and www.azdarar.am.

The Armenian public procurement legislation is based on sound principles of the WTO Agreement on Government Procurement. Armenia is a party of this Agreement since May 2011.

Purchases made by non-governmental entities

The RA Law “On Public Procurement” applies to all organisations which procure goods, services and works by financial means of the state or community budgets.

Armenian non-governmental beneficiaries (lead partner/partners) should only consider EU procurement procedures when the purchase of goods, services and works is financed from the EU Programme budget. The EU has established the common rules applicable to all tender procedures, which is described in the EU Practical Guide to Contract Procedures of EU External Actions.

- The tender documents must be drafted according to the best international practice. The Armenian partners may use the models of relevant documents published in the Practical Guide to EU contract procedures for EU external actions on the EuropeAid website³⁴, if needed.
- The time-limits for applications and/or tenders must be long enough to give interested parties a reasonable period to prepare and submit their tendering packages (e.g. 60 days for Supplies and 90 days for Works for international tenders, 30 days for Supplies and 60 days for Works for local tenders).
- All applications and/or tenders of a value of EUR 60,000 and more must be evaluated by an evaluation committee on the basis of the exclusion, selection and award criteria published in advance in the tender documents.

Rules of Origin and Nationality

EU Regulations and Annex IV of the Grant Contract oblige all beneficiaries and partners to respect the Rules of Origin and Nationality.

- Rule of origin provides for that all supplies purchased by the project partners shall originate from the list of countries bellow. Where rules of origin need to be respected, contractors must present proof of origin at the latest when the first invoice is presented.
- Rule of Nationality means that participation in tender procedures is open to all natural persons and legal entities effectively established in the list of countries bellow. This rule does not apply to the experts proposed under service tenders financed by the grant.

However, this rule of origin applies only to supply purchase for an amount equal or above EUR 100,000.

³⁴ See <http://ec.europa.eu/europeaid/prag/document.do>



EU Member States	Austria, Belgium, Bulgaria, Croatia, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.
ENPI Partner Countries	Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Palestinian Authority of the West Bank and Gaza Strip, Russian Federation, Syria, Tunisia, Ukraine.
IPA Countries	The Former Yugoslav Republic of Macedonia, Turkey, Montenegro, Albania, Bosnia, Serbia, Kosovo.
EEA	Iceland, Lichtenstein, Norway.
International organisations	

Applicable procurement thresholds under Grant Contract (Annex IV to Grant Contract)

Services	≥ EUR 300,000 International restricted tender procedure	< EUR 300,000 but > EUR 60,000 Competitive negotiated procedure without publication		≤ EUR 60,000 The procedures established by the Beneficiary ³⁵
Supplies	≥ EUR 300,000 International open tender procedure	< EUR 300,000 but ≥ EUR 100,000 Local open tender procedure	< EUR 100,000 but > EUR 60,000 Competitive negotiated procedure	
Works	≥ EUR 5,000,000 International open tender procedure	< EUR 5,000,000 but ≥ EUR 300,000 Local open tender procedure	< EUR 300,000 but > EUR 60,000 Competitive negotiated procedure	

Practical tips	Armenian legislation on procurements does not provide for the above mentioned “rule of origin” and “rule of nationality”. Nonetheless, Armenian project partners shall respect the “rule of origin” and the “rule of nationality” in accordance with the Grant Contract even when using their co-financing, so that these costs are considered eligible costs for the grant budget.
	When establishing their procurement procedures Armenian partners may follow requirements of the RA Law “On Public Bidding”.
	The RA Law “On Public Procurement” does not apply to employment of non-staff employees. The public entity may hire a non-staff employee without organising a tender. However, purchase of consulting services should be done according to the requirements of the law.

³⁵ However the rules and principles laid down in sections 1, 2 and 3 of the Annex IV of the Grant Contract.

2.8 REGISTRATION OF THE PROPERTY RIGHTS AND OWNERSHIP OF EQUIPMENT, INTELLECTUAL PROPERTY AND PROJECT RESULTS

Legal Framework	The Civil Code of the Republic of Armenia, adopted on 5 May 1998
	RA Law “On State Registration of Rights to Property”, adopted on 14 April 1999
	RA Law “On Assurance of Traffic Safety”, adopted on 8 July 2005
	The Decree of the Government of the RA No. 165-N “On Adoption of Regulation on Submission of Applications and other Documents for the State Registration of Property Rights and Encumbrances Electronically” adopted on 9 February 2012

Property rights are among the most fundamental principles stated in Article 17 of the United Nations’ Universal Declaration of Human Rights and constitutionally protected in Armenia. Property rights are indicated and protected firstly by the Constitution of Armenia that guarantees the protection of all forms of property and the right of all citizens to own and use property.

According to the 2014 World Bank Doing Business report, Armenia was ranked as the fifth country in the world with regard to property registration, provided that the regulations specify only three procedures and maximum seven days period for the registration of the property.

The process of registration of the property rights is regulated by the RA Law “On State Registration of Rights to Property”. Due to the Program specificity, the focus will be put on the registration procedure of two types of property:

- Real estate registration,
- Registration of mechanical transport facilities.

The state registration of rights to the property is implemented by the system of state unified cadastre of real estate, which consists of the State Committee of the Real Property Cadastre of the Republic of Armenia (SCRPC, www.cadastre.am)³⁶ and its territorial subdivisions. The SCRPC is in charge of registering rights on immovable and movable objects (except for vehicles which is carried out by the Police of the RA) and providing relevant information.

All rights and transactions related to land and buildings are subject of state registration in territorial cadastral departments. Rights to the property are considered registered from the moment of registration. The following rights are subject to state registration:

- ownership,
- use,
- mortgage, hypothec,
- servitude,

³⁶ www.e-cadastre.am is an electronic system of the SCRPC which allows to submit application for property registration and track the application process on-line. Only entities having e-signature are allowed to register and use the system.

- rent, sub-rent,
- leasing,
- rights to personal property,
- real estate alienation,
- pledge (security interest) and right of leasing to movable property,
- other rights stipulated by law.

Immediately after the state registration, a certificate stating the registration of ownership (use) and the right to the real estate is issued.

Registration of immovable property is done in four working days after the submission of relevant application (though the applicant may require registration in short period of time)³⁷. The following supporting documents should be submitted with the application:

- Copy of the applicant's passport (ID),
- Receipt of payment of the state duty,
- Other documents required by the Article 25 of the RA Law "On State Registration of Rights to Property".

In case of registration of movable property, the applicant should provide:

- Copy of the applicant's passport (ID),
- Receipt of payment of the state duty, and
- Copy of the lease agreement.

Registration of movable property is done in two working days.

According to the Armenian legislation rights to ownership, mortgage or rental (by leasing agreement) of vehicles is subject to state registration and re-registration. Registration and re-registration are done by the Police of the RA and its territorial subdivisions. Rental and leasing agreements transaction of vehicles shall be registered within 5 days.

37 (a) AMD 25,000 for the standard registration procedure in 4 working days,
(b) Double fee for the title registration on the 3rd working day, and
(c) Triple fee for the title registration on the 2nd working day.

Registration fees:

Nº	Type of application for registration	Registration Fee (AMD)
1	State registration of rights to real estate	1,000
2	State registration of agreements on renting and sub-renting of buildings	1,000
3	State registration of the rights to use real estate	1,000
4	State Registration of the rights to rent movable property (other than agricultural machinery) established by pledge and lease contracts	2,000
5	State Registration of the rights to rent agricultural machinery established by pledge and lease contracts	1,000
6	State registration of servitude agreement	1,000

Ownership of equipment, investments, intellectual property and project results

Ownership of the project results, reports and other documents, as well as ownership of equipment and supplies within the EU financed projects are described in the Article 7 of the grant contract “General Conditions”, usually modified by grant contract “Special Conditions”.

All specific clauses related to the project ownership issues can be included in the Partnership Agreement. In this document the project partners are entitled to describe and specify their rights at the beginning and at the end of the project, specifying clearly both the distribution of intellectual and industrial property rights and the ownership of equipment.

At the end of the project, the equipment, vehicles and supplies purchased by the project budget should be transferred to the final beneficiaries according to the grant contract rule “transfer of ownership”. In this case, copies of the proofs (delivery – acceptance certificates) of transfers, the purchase cost of which was more than EUR 5,000 per item, must be attached to the project final report.

The transfer of equipment to Armenian organisations shall comply with the national regulations. It should be supported by the relevant documents confirming the receipt and placing the equipment on the balance sheet.

Intellectual and industrial property rights and ownership of project results and documents belong logically to the Partners as they implement the project. However the European Commission have the right to freely use all the documents related to the project (except for the project reports) provided that they are not breaching existing industrial and intellectual property rights.

Part 3

Project Audit and Reporting



The Programme is funded
by the European Union

The Programme is implemented
by the Altair Asesores-led Consortium



3.1 EXPENDITURE VERIFICATION (HOW TO FIND AND APPOINT AN AUDITOR IN ARMENIA)

Subject to specific Programme requirements (as described in the PRAG and the General Conditions of the Grant Contract) projects are requested to provide expenditure verification reports together with their financial reports.

The expenditure verification reports should be produced by an independent auditor who is a member of the International Federation of Accountants (IFAC) or who commits to undertake the engagement in accordance with the IFAC standards and ethics. The auditor³⁸ examines whether the costs declared by the project partners are real, accurately recorded and eligible according to the Grant Contract. At the end, they produce expenditure verification report in compliance with the sample provided in Annex VII of the Grant Contract. Expenditure verification/audit costs may be covered by the project partners within the eligible project costs.

Appointing an Auditor

As the Armenian auditing companies are not members of the IFAC, there are two possible ways to appoint an auditor:

- To appoint an international company member of IFAC with representation in Armenia³⁹;
- To find an Armenian auditing company with experience in the audit of the international technical assistance projects financed under EU Programmes.

A full list of audit companies in Armenia can be found under the following link: <http://www.banks.am>.

Armenian partners should be ready to provide access for the European Commission, the European Anti-Fraud Office, the European Court of Auditors and any external auditor authorised by the contracting authority of the Programme.

³⁸ According to Article 4 of the Law of the Republic of Armenia "On Auditing", the auditor is a natural person having obtained qualification of the auditor. According to Article 6 of the RA Law "On Auditing", auditing is the audit of financial statements and/or other information included in the documents containing financial statements and/or provision of audit-related services (audit review, agreed-upon procedures, compilation (collection of information)).

³⁹ KPMG, PriceWaterhouseCoopers and Ernst & Young have offices in Yerevan and offer services in four key business areas: audit, financial advisory, tax and consulting. Grant Thornton CJSC, which is the Armenian member firm of Grant Thornton International, another major international accounting firm, operates in Armenia as well and provides audit-related services in Armenia. Recently Binder DijksterOtte & Co, the fifth largest audit firm worldwide, entered the Armenian market. The services offered by BDO Armenia include audit and related services, financial reporting in compliance with IFRS, etc.



3.2 MONITORING, EVALUATION AND REPORTING

There is no special national provision regulating the monitoring and evaluation of EU financed projects by non-state organisations in Armenia.

However, as the main purpose of the projects monitoring during its implementation period is to overview how the project is proceeding, to identify any problems that may arise and, if needed, to apply corrective actions, the EU Programmes Division (PAO) of the Ministry of Economy of the RA carries out in-country monitoring of the projects.

Monitoring is performed by the PAO through regular monitoring meetings. The monitoring meeting is a short meeting attended by the project partners with the purpose to review the progress of the project in terms of:

- I. activities and results achieved in the previous period;
- II. foreseen activities for coming several months;
- III. problems faced during the implementation;
- IV. solutions to be undertaken and proposals on further implementation of the project.

With regard to the public bodies and public equivalent bodies, they should follow the reporting requirements defined by the Decree of the Government of Armenia No. 32-N "On the Approval of Rules of Registration of State Grants and Preparation and Publication of Reports", dated 16 January, 2003. Public bodies and public equivalent bodies must provide quarterly and annual reports to the Ministry of Finance of the RA on the received grants and their implementation according to the template approved by the order of the RA Minister of Finance No. 449-N, adopted on 21 May 2003.

Project partners should also provide narrative reports to the contracting authority. Details of narrative reporting obligations are described in the Special Conditions of the Grant Contract complemented by Articles 2 and 15 of the General Conditions. The template for reporting is provided in Annex VI the Grant Contract.

Practical tip	<p>From the start of the project you need to clearly agree with your partners:</p> <ul style="list-style-type: none"> • reporting obligations and role of each partner; • frequency and deadlines for reporting (for each event, each procurement, each month, etc.); • the reporting form to be used by partners so that their reporting can be easily consolidated into the overall project report; • language of the reporting.
----------------------	--

Part 4

Annexes



ANNEX 1. TEMPLATE OF THE NOTIFICATION TO THE EU DELEGATION TO ARMENIA

To: _____
Head of the EU Delegation to Armenia
21 Frik Street, Yerevan, 0002, Armenia

Subject: Grant Contract No. <number of the grant contract>
Title: <title of the project>
Implementing Leader/partner organisation <name of your organisation>

Dear Mr./Ms. _____,

This is to inform you that <name of the project implementing organisation>; <country> has been awarded a grant contract under the EaP Territorial Cooperation Programme funded by the EU for the implementation of <name of the project>.

<name of your organisation>; <country> is involved in the project as <Leading partner/Partner>. Procurement of all goods and services during the implementation of the activities assigned to our company is covered by the mentioned EU funds.

Hereby I would like to ask you also to provide a letter to the Minister of Economy with the confirmation that the mentioned project is granted tax exemption in compliance with Article 3 of the Framework Agreement between the Republic of Armenia and the Commission of European Communities signed on 4 April 2006 and ratified by the Armenian Government.

Attached: <names of attached documents>

Yours Sincerely,



ANNEX 2. TEMPLATE OF THE TAX EXEMPTION CERTIFICATE

CERTIFICATE

..... 200....

This is to confirm that.....
(Name of organisation conducting activities (or its branch, representation)

.....
or full name of natural entity)

.....
address of legal entity or residence address of natural entity, tax-payer number if available

in the frames of activities financed by the European Commission imports
(nature of activities, payer number if available

.....
number of service delivery or goods procurement contract)

.....
(description of goods, numbers and dates of invoice, customs declaration, bill of loading)

in the total amount of
amount in figures and words in brackets

.....
thousand drams.

Purchases goods (services are being delivered)
name (full name) of goods provider, service provider, legal address

.....
(residence address), tax-payer number,

.....
grounds for goods or service delivery (numbers and issue dates of invoice and handover acts) description of delivered goods and

.....
services and their total cost (in figures and words)

Payment for the delivered goods (delivered services) shall be covered by the activities financed by the European Commission.

Responsible person
of Ministry of Economy

ANNEX 3. LETTER TO THE MoE FOR TAX EXEMPTION CERTIFICATES FORMS

To: _____
Chief of Staff of the Ministry of Economy
of the Republic of Armenia
5 M. Mkrtchyan Street, Yerevan, 0010, Armenia

Dear Mr./Ms. _____

I would like to inform you that <name of your organisation> is implementing <name of the project> project financed by the EU since <day, month and year>.

Taking into consideration the Decree of the Government of RA No. 1112-N "On Approving the Procedure for Applying Tax, Customs and other Mandatory Payment Privileges Envisaged by Framework Agreement Concluded Between the Government of Armenia and Commission of the European Unions", I kindly ask you to provide the book of tax exemption certificates.

Yours Sincerely,



ANNEX 4. TEMPLATE OF THE LETTER TO THE MoE TO PROVIDE TAX EXEMPTION

To: _____
Minister of Economy of the Republic of Armenia
5 M. Mkrtchyan Street, Yerevan, 0010, Armenia

Dear Mr./Ms. _____

I would like to inform you that in the framework of the EU funded <name of the project> grant project <name of the good/service provider company> has provided to <name of your company> services/goods in the amount of _____ <amount in figures and words in brackets> AMD.

Hereby I kindly ask you to provide VAT/customs duty exemption according to the Decree of the Government of RA No. 1112-N "On Approving the Procedure for Applying Tax, Customs and other Mandatory Payment Privileges Envisaged by Framework Agreement Concluded Between the Government of Armenia and Commission of the European Unions".

Attached are provided also.

1. Copies of the Contract concluded with the provider and relevant invoices/customs declaration
2. Handover Act
3. Confirming-letter from the EUD to Armenia

<Name of other documents>

Number of pages _____

Best regards,



ANNEX 5. LIST OF LEGAL ACTS IMPORTANT FOR THE EaPTC PROJECTS

Agreements	Codes/Laws	Decisions/Orders/Decrees	Websites	Other
Framework Agreement between the Republic of Armenia and Commission of European Communities	Civil Code of the Republic of Armenia	Decree of the Government of RA No. 32 "On the Approval of Rules on Registration of State Grants and Preparation and Publication of Reports", adopted on January 16, 2003	www.eaptc.eu	EU-Armenia Action Plan
Partnership and Cooperation Agreement concluded between the Republic of Armenia and European Communities and their member states	Customs Code of the Republic of Armenia	Decree of the Government of RA No. 404 "On the Approval of the Rules on Servicing, Counting and Controlling Extra-budgetary Resources of State and Other Entities", adopted on June 10, 1999	http://ec.europa.eu/europeaid/where/neighbourhood/overview/index_en.htm	
	Labour Code of the Republic of Armenia	Decree of the Government of RA No. 48 "On the Approval of Rules of the Implementation of State and Community Budgets", adopted on January 18, 2002	http://eeas.europa.eu/delegations/armenia	
	Law "On Banks and Banking"	Decree of the Government of RA No 1112-N "On Approving the Procedure for Applying Tax, Customs and other Mandatory Payment Privileges Envisaged by Framework Agreement Concluded Between the Government of Armenia and Commission of the European Unions" adopted on 23 September 2009	www.mineconomy.am	
	Law "On the Budgetary System of the Republic of Armenia"	Decree of the Government of RA No 2335-N "On Approving the Minimum and Maximum Amount of Reimbursement of Travel Expenses of Employees Sent to Business Trip and the Procedure of Reimbursement" adopted on December 29, 2005	www.pao-armenia.am	

	Law "On Currency Regulation and Currency Control"	Decree of the Government of Armenia No. 168-N "On Organisation of Procurement Procedures" adopted on February 10, 2011	www.mta.gov.am
	Law "On the Transfer of Funds by Payment Orders"	Decree of the Government of Armenia No. 1356-N "On the Approval of Rules of Establishment and Procedures of Evaluation Committees for the Evaluation of Applications and Bids Submitted During the Procurement Process by Means of Grants or Loans Provided by the International Organisations and Foreign Countries to the Republic of Armenia" adopted on 22 September, 2011	www.adgf.am
	Law "On Settlement Systems and Settlement Organisations"	Decree of the Government of Armenia No. 1370-N "On Approval of Rules for e-Tendering" adopted on December 5, 2013	www.cba.am
	Law "On Currency Regulation and Currency Control"	The Decree of the Government of Armenia No. 165-N "On Adoption of Regulation on Submission of Applications and other Documents for the State Registration of Property Rights and Encumbrances Electronically" adopted on February 9, 2012	www.banks.am
	Law "On The Central Bank of Armenia"	Decree of the Prime Minister of RA No 1087-N "On Organisation of Trips of Representatives of Republican Executive Bodies and Regional Governments to Abroad" dated on 26 November 2013	www.rates.am

Agreements	Codes/Laws	Decisions/Orders/Decrees	Websites	Other
	Law "On Accounting"	Order of the Minister of Finance of RA No. 80-N "On the Approval of the General Conditions on Implementation of budgets as well as on the Preparation, Submission and Summing up of the Reports on Financial Activities of Local Self-governing Bodies and their Subordinated Entities, and the Directive on Peculiarity of Development and Submission of Different Types of Reports", adopted on February 4, 2008	www.mfa.am	
	Law "On Profit Tax"	Order of the Minister of Finance of RA No. 94-N "On the Approval of the Filling Requirements and Template of the Estimation of Costs of Generation and Management of Extra-budgetary Resources", adopted on February 23, 2011.	www.minfin.am	
	Law "On Value Added Tax"	Order of the Minister of Economy N 892-A of 28 October 2009	www.gnumner.am	
	Law "On Income Tax"	Order of the Minister of Finance No. 449-N, adopted on 21st of May 2003	www.armeps.am	
	Law "On Foreigners"	Official clarification of the Head of the State Tax Service of Armenia No. 3 "On Foreign Currency Transactions in the Territory of the Republic of Armenia", adopted on October 11, 2005	www.azdarar.am	
	Law "On Public Procurement"		www.arlis.am	
	Law "On Public Bidding"		www.cadastre.am	
	Law "On State Registration of Rights to Property"		www.e-gov.am	

Law "On Assurance of Traffic Safety"					
Law "On Local Self-Government"					
Law "On State Registration of Legal Entities"					
Law "On Non-Governmental Organisations"					
Law "On Foundations"					
Law "On Auditing"					



ANNEX 6. QUESTIONS AND ANSWERS

Question	Why to open a bank account?
Answer	<p>Bank account is a convenient and easy way to manage your financial means. They guarantee:</p> <ul style="list-style-type: none"> • safety of your financial means – Banks will guarantee the safety and accessibility of your money, • management of your cash flow – If you have a bank account, you will receive a monthly statement from the bank, where your receipts and expenses are reflected. It will give you an accurate picture of your cash flow and therefore will help to plan your budget accurately, • constant availability of funds – You can deposit money into and take money out of your account at any time during your bank's business hours, • interest income – Many banks offer an interest rate when you put your money in a bank account. The interest will help your money grow over time.
Question	Where can I open a bank account?
Answer	In Armenia, bank accounts can be opened in banks only.
Question	Is it possible to make non-cash payments for a transaction between resident and non-resident organisations of the RA in foreign currency?
Answer	<p>You should check the RA Law "On Currency Regulation and Currency Control" as well as the Official Clarification of the Head of the State Tax Service of Armenia No. 3 "On Foreign Currency Transactions in the Territory of the Republic of Armenia", adopted on 11 October 2005. At the same time it is worth to mention that payments made between resident and non-resident organisations in foreign currency can be done only in non-cash form.</p>
Question	When does a foreign citizen have a right to enter Armenia?
Answer	<p>A foreign citizen may enter the territory of Armenia if he/she has a valid passport, on the basis of a document attesting entry visa or residency status and with the permission of the body implementing border control if no other order is defined by the legislation of the Republic of Armenia or international treaties.</p>
Question	For how long can the foreigner, having a right to enter Armenia, stay in Armenia without a visitor visa?
Answer	<p>The citizens of those states, for whom visa-free regime is defined in the Republic of Armenia, may stay in Armenia for maximum 180 days per year if no other term is defined by international treaties of the Republic of Armenia.</p>

Question	Where can I obtain an entry visa to Armenia?
Answer	Visas are issued in diplomatic missions ⁴⁰ and consular posts ⁴¹ of the Republic of Armenia, at the border crossing points of the Republic of Armenia (conventional visas) or electronically (e-Visa ⁴²). Visitors can get a visa upon arrival at Zvartnots International Airport. However the Ministry of Foreign Affairs of Armenia published the list of countries nationals of which could apply for a visitor visa only with invitation and at diplomatic missions and consular posts of Armenia.
Question	Which are the types of visas to enter Armenia?
Answer	Types of visas are as following: <ul style="list-style-type: none"> a) Visitor visa – for visiting relatives, tourism purposes, studying, participating in different events. Visitor visa is issued for a single entry or for multiple entries with validity of one year, b) Official visa – for holders of official or service passports, c) Diplomatic visa – for holders of diplomatic passports or people with diplomatic status, d) Transit visa – for travelling across the territory of the Republic of Armenia. single entry visa or multiple entries visa with validity of 1 year with stay in Armenia for no more than 3 days and with possibility to extend maximum for 4 days.
Question	Are there special visa requirements for Georgian partners?
Answer	There are no special requirements for Georgian partners to enter the territory of Armenia. There is a visa-free regime for citizens with a Georgian passport to enter the territory of Armenia. Georgian citizens can stay on the territory of the RA for no more than 180 days during one year.
Question	If an employee had a business trip to Gyumri and did not submit supporting documents on actually incurred expenses for transportation and accommodation, how travel payments should be done?
Answer	According to the Decision of the Government of RA No. 2335, travel and accommodation costs should be fully transferred to the employee according to the minimum rates defined by the Decision, before the trip. Reimbursement rates of travel and accommodation expenses shall be defined on the basis of supporting documents on actually incurred expenses within five days at the end of travel, but not more than maximum rates defined by the Decision. Also, look to the contract and consult the EaPTC Programme administrator.

⁴⁰ For the information on diplomatic mission of the Republic of Armenia, please visit <http://mfa.am/en/by-countries/>

⁴¹ For the information about the consulates of the Republic of Armenia, please visit <http://mfa.am/en/consulates/>

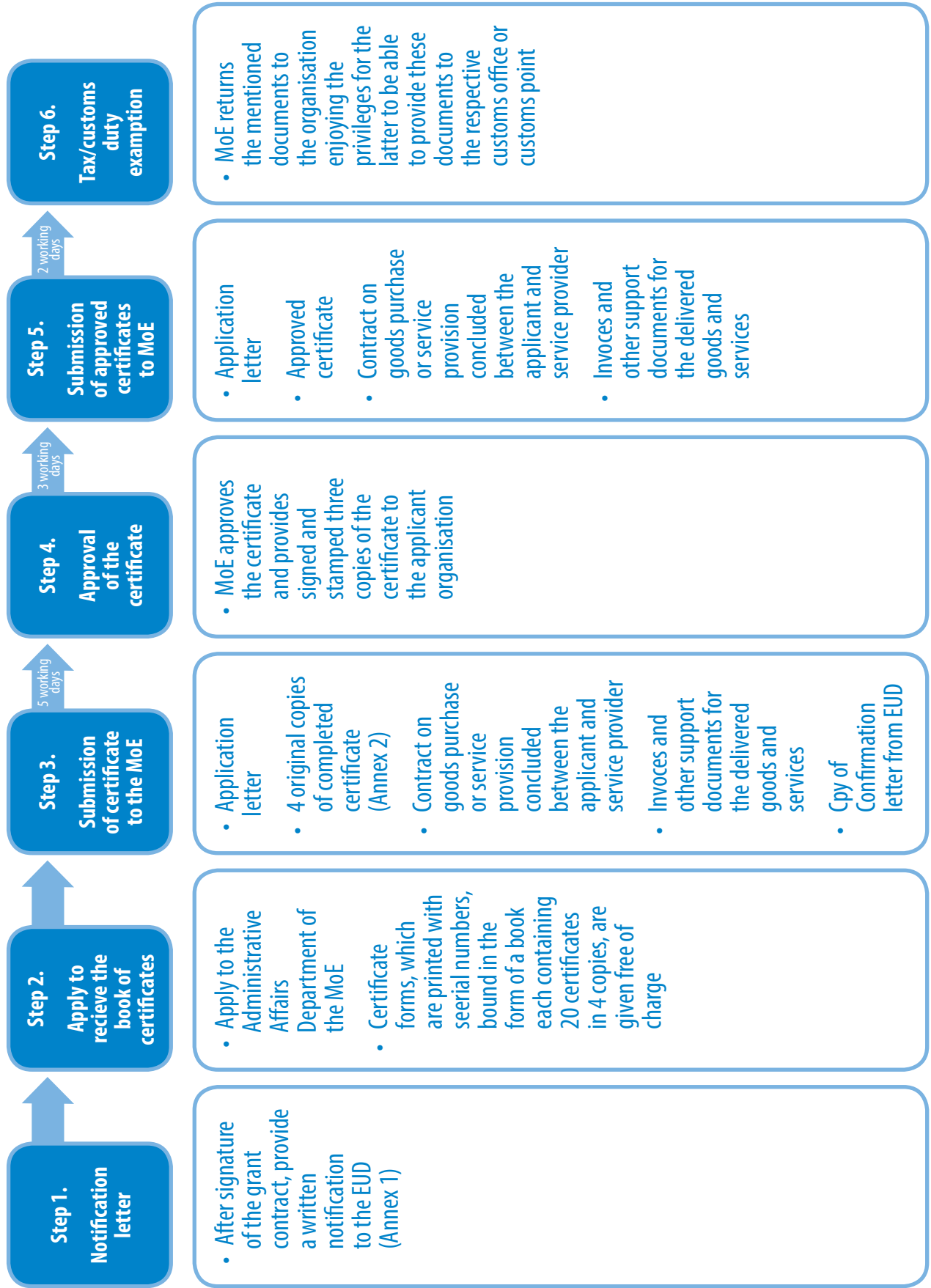
⁴² https://evisa.mfa.am/pls/dbms/evis_n.put_application_p0



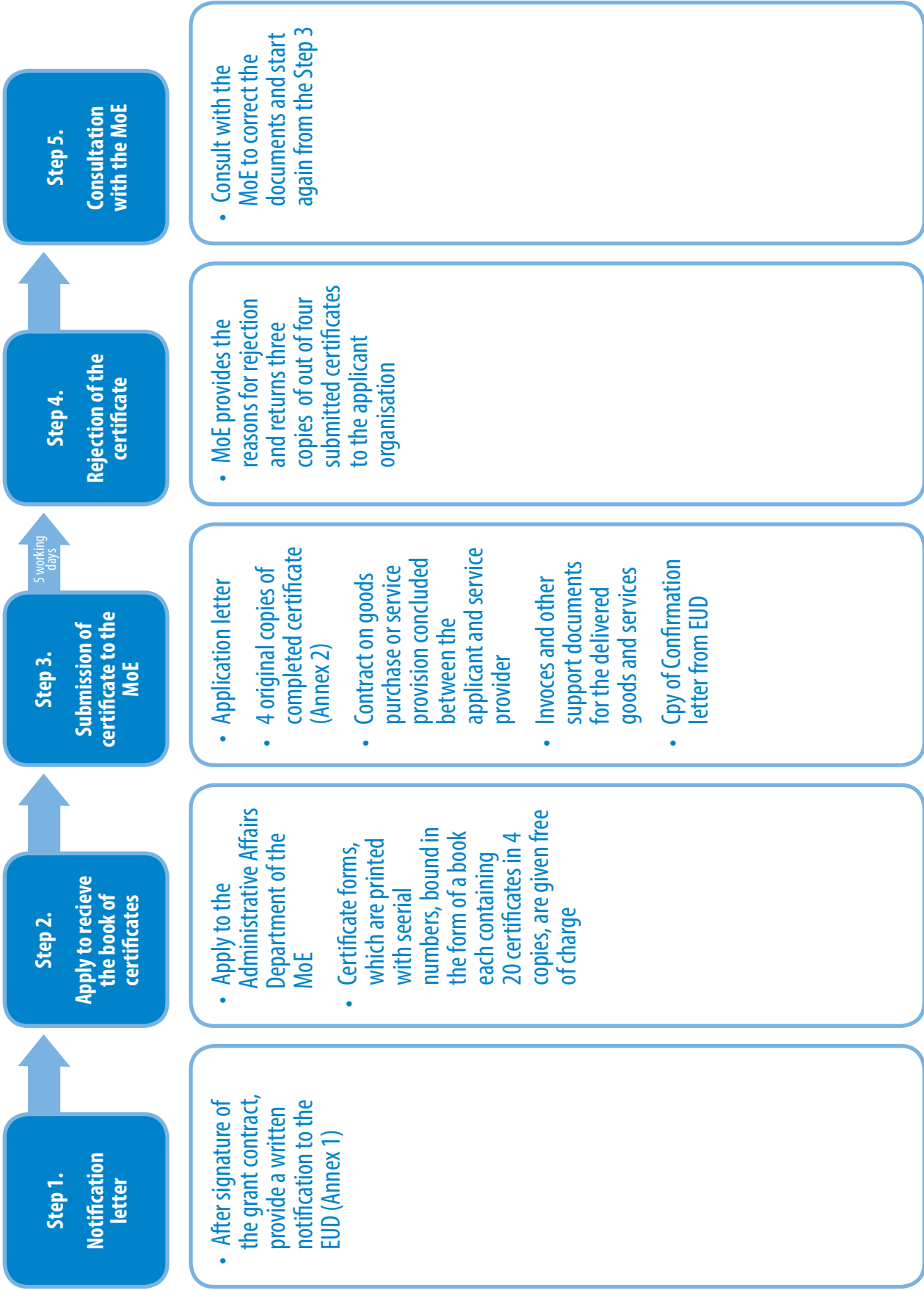
Question	The NGO organises free trainings, participants of which will be also representatives from marzes. In this case, per diems should be paid to participants as well. Is it correct to pay per diems, from the legal point of view, if they are not employees of the organisation?
Answer	<p>As the organisation is a NGO, these costs are costs of the project. Travel and subsistence costs for staff and other persons taking part in the Project, are eligible, provided they do not exceed those normally borne by the Partner implementing the Project, or the rates published by the European Commission. Per diem rates published by the European Commission cover accommodation, meals, tips, local travel, and sundry expenses.</p> <p>This means that such kind of costs should be foreseen by the project budget, which is prepared and approved beforehand. Moreover, during the preparation of the budget all costs should be taken into account, including tax liabilities.</p> <p>It should also be noted that when the participation in the event is financed by the means of the project, the employer (including state and local authorities) should not reimburse costs related to that trip. Information about covering costs related to the participation in the event should be provided beforehand.</p>
Question	If an employee went on a business trip on Saturday, should I pay per diem for that day or not?
Answer	<p>According to the decision of the Government of RA No. 2335-N, per diems should be paid for all days spent in business travel, including weekends and holidays, days of departure and arrival (from/to the working place). Also, look to the contract and consult the EaPTC Programme administrator.</p>

ANNEX 7. SUMMARY OF PROCEDURES

PROJECT START-UP	
Project Registration and Notification	<p><i>Non-governmental non-profit organisations</i></p> <p>Projects financed by the EU have no legal status in Armenia and are not registered in any state administration body.</p> <p>However, the Projects shall provide a written notification to the EU Delegation to Armenia to be listed with them. The notification will allow the Project to start the tax exemption procedures.</p> <p><i>Public bodies and public equivalent bodies</i></p> <p>Within 10 working days after the entry into force of the grant contract, the public bodies and/or public equivalent bodies shall provide the copy of the grant contract to the Ministry of Finance.</p> <p>Public and public equivalent bodies provide quarterly and annual reports to the Ministry of Finance on received grants and its further implementation.</p> <p>Like non-governmental non-profit organisations, public bodies and/or public equivalent bodies shall provide a written notification to the EU Delegation to Armenia to be listed with them for tax exemption purposes.</p>
Opening a bank account	<p><i>Non-governmental non-profit organisations</i></p> <p>Non-governmental organisations can open one or more accounts in national or foreign currency within any licensed bank of Armenia.</p> <p>To open an account, one should</p> <ul style="list-style-type: none"> • Visit the bank • Provide relevant documents • Fill in the bank account opening application • Conclude a bank account agreement. <p>Assuming the applicant has provided all requested documents, the bank opens a bank account immediately.</p> <p><i>Public bodies and public equivalent bodies</i></p> <p>All extra-budgetary resources of public and public equivalent bodies should be accrued on the extra-budgetary accounts of respective regional subdivisions of the State Treasury. <i>Public bodies</i> can open extra-budgetary accounts only by the decree of the Government of Armenia. While the <i>public equivalent bodies</i> are allowed to have bank accounts outside of the state treasury system.</p> <p>For opening extra-budgetary accounts, the agreement of relevant managing bodies (for communities: Community Council and Ministry of Territorial Administration) and Ministry of Finance is required. There is no specific timeline specified by the legislation for opening extra-budgetary accounts. However according to estimation it could take up to three months.</p>

ANNEX 8. MAIN STEPS OF THE TAX EXEMPTION APPLICATION PROCEDURE**Option 1. Application and approval of tax exemption certificate**

Option 2. Application and rejection of tax exemption certificate



ANNEX 9. DEFINITIONS

Audit	Verification of the Lead Partner/Partner accounts, including the project accounts. It is carried out either by contracting authority, the European Commission, the European Court of Auditors or an external auditor on their behalf. It is NOT the expenditure verification to be attached by the Lead Partner to the requests for payment.
Contracting Authority	The usual PRAG term for the institution responsible for awarding and contracting grants.
European Anti-fraud Office	EC body responsible for investigation when there is suspicion of fraud.
European Court of Auditors	The EU Institution established to carry out the audit of EU finances. As the EU's external auditor it contributes to improving EU financial management and acts as the independent guardian of the financial interests of the citizens of the Union.
Expenditure verification	A report on the verification of project expenditure, produced by an approved auditor who meets the specific conditions of the Terms of Reference for expenditure verification (Annex VII of the grant contract).
Monitoring	A system ensuring a regular review of project activities to keep track of how a project is progressing in terms of resource use, implementation, delivery of results and the management of risks.
Narrative Report	Part of the Interim and Final Reports describing project implementation.
Non-state non-profit organisations	<ul style="list-style-type: none"> • Foundation (as defined by the Law on Foundations of 26.12.2002, Art 3.) • Public organisation (as defined by the Law on Public Organisations of 4.12.2001, Art. 3)
Lead Partner	Organisation which signs the grant contract with the Contracting Authority on behalf of the project partners and bears overall responsibility for project implementation.
Partner/project partner	Organisations participating in jointly designing and implementing a project together with the Lead Partner. They sign a Partnership Agreement with the Lead Partner.
Public bodies	<ul style="list-style-type: none"> • Republican bodies of the executive power - ministries and other state bodies carrying out administrative action within the whole territory of the Republic of Armenia • Bodies of territorial administration – marzpets (regional governors) and marzpetarans (regional governor administrations) • Local self-government bodies – community council; council of elders; and head of community: mayor in urban community, head of village in rural community
Public equivalent bodies	State non-commercial organisations, as defined by the Art. 3(1) of the Law “On State Non-Commercial Organisations” adopted on October 23, 2001,

EaPTC

EaPTC

**Eastern Partnership Territorial Cooperation
Support Programme (EaPTC)**

Business Centre,
19 Gamrekeli St., office 411
Tbilisi, GEORGIA
Phone: +995 790 369073
www.eaptc.eu

The Programme is implemented by Altair Asesores in consortium with CECOFORMA, EIR Global, ICBSS, PM Group and TRT

