Information in relation to measures to prevent money laundering (Article 14)

1. Please describe (cite and summarize) the measures/steps your country has taken (or is planning to take) to implement this provision of the Convention

a. Establish a comprehensive domestic regulatory and oversight regime to deter and detect money laundering.

The point of formation of the AML/CFT system in the Republic of Armenia was the criminalization of money laundering and terrorism financing. Money laundering was criminalized in 2003 under Article 190 of the Criminal Code, while terrorism financing was criminalized in 2004 under Article 217.1 of the Criminal Code.

In the Republic of Armenia, the first AML/CFT Law was adopted on 14 December 2004, which entered into force on 30 March 2005. Later, in pursuit of eliminating the weaknesses and closing the gaps in the system, the second AML/CFT Law was adopted by the National Assembly of the Republic of Armenia on 26 May 2008, which entered into force on 31 August 2008.

In 2009, the 3rd round mutual evaluation of the AML/CFT system in the Republic of Armenia was carried out. The draft report was heard and adopted at the 30th plenary meeting of MONEYVAL. The assessment report recognized the significant progress of the Republic of Armenia in legal, financial, and law enforcement aspects of the AML/CFT framework, as well as the improved efficiency of preventive measures. However, taking into consideration the FATF 40 Recommendations that were revised in 2012, recommendations made in 2009 by the experts of the IMF and MONEYVAL in their 3rd round mutual evaluation, as well as problems, weaknesses, gaps, and contradictions identified from the experience of implementing AML/CFT provisions in practice, the Law of the Republic of Armenia on Making Amendments to the AML/CFT Law was adopted by the National Assembly of the Republic of Armenia on 21 June 2014, which entered into force on 28 October 2014 (other laws were adopted to make corresponding amendments to 14 other related laws).

The AML/CFT Law governs the implementation of AML/CFT preventive measures, defines the roles and responsibilities of the AML/CFT Authorized Body (i.e., the CBA) and its corresponding department (i.e., the national financial intelligence unit – the FMC), the relationships of the AML/CFT Authorized Body with supervisory and prosecution authorities, the international cooperation, sanctions for breaching the requirements of the law and derivative secondary legislation, etc.

Supervision over reporting entities for their compliance with the requirements of the AML/CFT Law and the legal statutes adopted on the basis thereof are exercised by the Central Bank, which is the mega-regulator for the financial sector, and relevant supervisory authorities (Ministry of Finance, Ministry of Justice, Chamber of Advocates, etc.) which act as regulators for different

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1 More details are available at https://www.cba.am/Storage/EN/FDK/Regulation/aml_cft_law_eng.pdf
types of DNFBPs (e.g. casinos, notaries etc.). At that, the Central Bank as an authorized body may exercise supervision over those types of reporting entities, for which there is no legally defined supervisory authority or a legislative regulatory framework for the supervisory authority to perform the functions assigned to it in the field of combating money laundering and terrorism financing (e.g. realtors, dealers in precious metals etc.).

b. Show that, at minimum, banks and non-bank financial institutions ensure effective customer and beneficial owner identification, monitoring of transactions accurate record-keeping, and have in place a reporting mechanism on suspicious transactions

According to Article 3 of the AML/CFT Law the framework of reporting entities comprises financial institutions (banks, credit organizations, insurance (including reinsurance) companies and entities providing intermediary insurance (including reinsurance) services, entities engaged in foreign currency broker-dealer trade transactions, foreign currency exchange, etc.), non-financial institutions and entities (entities engaged in realtor activities, notaries, attorneys, as well as sole practitioner lawyers and legal firms, sole practitioner accountants and accounting firms, auditing firms and auditors, etc.), as well as other reporting entities (credit bureaus, the authorized body in charge of maintaining the integrated state cadaster of real estate, the state authority in charge of registering legal persons).

Article 16 of the AML/CFT Law stipulates that Reporting entities should undertake customer due diligence, when:

- Establishing a business relationship;
- Carrying out an occasional transaction (linked occasional transactions), including domestic or international wire transfers, at an amount equal or above the 400-fold of the minimal salary, unless stricter provisions are established by the legislation;
- Doubts arise with regard to the veracity or adequacy of previously obtained customer identification data (including documents);
- Suspicions arise with regard to money laundering or terrorism financing.

Reporting entities may establish a business relationship or conduct an occasional transaction with a customer only after obtaining identification information (including documents) on the customer², and verifying the customer’s identity. Reporting entities should establish any

² For natural persons or sole practitioners, information obtained on the basis of the identification document or other official documents without failure bearing a photograph of the person shall at least contain the forename and surname, citizenship, registration address (if available) of the person, year, month, and date of birth, serial and numerical number of the identification document, and year, month, and date of its issuance; and for sole practitioners – also the number of registration certificate and the taxpayer identification number, as well as other data defined by the law. Reporting entities shall establish the customer’s place of residence, as well.

For legal persons, information obtained on the basis of the state registration document or other official documents shall at least contain the company name, domicile, individual identification number (state registration, individual record number etc.) of the legal person, forename and surname of the chief executive officer and, if available, the taxpayer identification number, as well as other data defined by the law.
beneficial owner and, as applicable, identify the beneficial owner and verify his identity in the same manner prescribed for customers.

Reporting entities should maintain the information (including documents) required under the AML/CFT Law, including the information (documents) obtained in the course of customer due diligence, regardless of the fact whether the transaction or business relationship is an ongoing one or has been terminated, inclusive of:

- Customer identification data, including the data on the account number and turnover, as well as business correspondence data;
- All necessary records on transactions or business relationships, both domestic and international (including the name, the registration address (if available) and the place of residence (domicile) of the customer (and the other party to the transaction), the nature, date, amount, and currency of transaction and, if available, type and number of the account), which would be sufficient to permit full reconstruction of individual transactions or business relationships;
- Information on suspicious transactions or business relationships, as well as information concerning the process of review (conducted analysis) and findings on transactions or business relationships not recognized as suspicious etc. (Article 22 of the AML/CFT Law).

Reports on suspicious transactions or business relationships shall be filed by all reporting entities, as per the types of transactions or business relationships determined for each reporting entity, regardless of the amounts involved (Article 6 of the AML/CFT Law).

c. Extend the requirements mentioned above to other bodies particularly susceptible of money laundering.

Please refer to the response on Question b.

d. Ensure that agencies involved in anti-money laundering can cooperate and exchange information at national and international levels

In order to effectively combat money laundering and terrorism financing, the FMC cooperates with other state bodies in the manner and within the framework established by the AML/CFT Law, including cooperation with supervisory and criminal prosecution authorities, by means of concluding bilateral agreements, or without doing so3.

The cooperation of the various authorities responsible for AML/CFT is also realized within the ambit of an Interagency Committee on Combating Counterfeit Money, Fraud with Plastic Cards and Other Payment Instruments, and Money Laundering in the Republic of Armenia (hereinafter

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3 For more details please refer to Articles 9, 13, 29 of the AML/CFT Law.
Interagency Committee), as established on 21 March 2002 by the Decree No. 1075-NK of the President of the Republic of Armenia that is an evidence of high-level commitment.

The members of the Interagency Committee are: Chairman of the Central Bank of the Republic of Armenia (Chairman of the Committee), Head of the Financial Monitoring Centre at the Central Bank of the Republic of Armenia (Secretary of the Committee), Assistant to the President of the Republic of Armenia, Deputy Prosecutor General of the Republic of Armenia, Deputy Minister of Justice of the Republic of Armenia, Deputy Minister of Foreign Affairs of the Republic of Armenia, Deputy Ministers of Finance of the Republic of Armenia (coordinating both customs and tax affairs), Deputy Director of the National Security Service at the Government of the Republic of Armenia, Deputy Head of Police at the Government of the Republic of Armenia, Deputy Chairman of the Investigative Committee of the Republic of Armenia, Head of the National Central Bureau of Interpol in the Republic of Armenia, Chairman of the Criminal Chamber of the Cassation Court of the Republic of Armenia, and Chairman of the Union of Banks in the Republic of Armenia.

The objectives of the Committee are to:

- Make recommendations towards the implementation of a unified national AML/CFT policy in the Republic of Armenia,
- Assess and analyze challenges in this space,
- Develop comprehensive action programs for policy implementation in this space etc.

The FMC and relevant state bodies cooperate with international structures and relevant bodies of foreign countries (including foreign financial intelligence bodies) involved in combating money laundering and terrorism financing within the framework of international treaties or, in the absence of such treaties, in accordance with international practice⁴.

The tables below present 2010-2014 statistics on notifications and requests made by the FMC to LEAs, foreign FIUs and vice-versa.

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
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⁴ For more details please refer to Article 14 of the AML/CFT Law.
Table 2

<table>
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<th>Foreign FIU requests to</th>
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<th>2012</th>
<th>2013</th>
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<th>Total</th>
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<tr>
<td>FMC requests to foreign FIUs</td>
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<td>30</td>
<td>38</td>
<td>24</td>
<td>39</td>
<td>159</td>
</tr>
</tbody>
</table>

e. Consider or establish financial intelligence units (FIUs)
Since 2005, the Financial Monitoring Center, which is the Financial Intelligence Unit of the Republic of Armenia, operates within the Central Bank of Armenia as a responsible structural unit for the purposes of the Republic of Armenia Law on Combating Money Laundering and Terrorism Financing.

f. Consider or become part of anti-money laundering (AML) networks (such as FATF, FSRBs, Egmont Group)
Armenia is a member of MONEYVAL and maintains observer status within the Eurasian Group on Combating Money-Laundering and Terrorism Financing. Both of these groups implement and enforce FATF recommendations. In addition, since 2007, the FMC has been a member of the Egmont Group of Financial Intelligence Units, which provides the FMC with the opportunity to cooperate with financial intelligence units from approximately 150 countries and exchange information with these units through a secured system.

g. Require individuals and businesses to declare/disclose cash border transportation and other negotiable instruments
According to the Central Bank of the Republic of Armenia Board Decision N 386-N July 29, 2005 on approving the Rules on Transportation, Delivery, Import, Export and Declaration of Currency Values, individuals are obliged to report in writing to customs authorities in their full amount export and import of currency (except for coins from precious metals), treasury notes and travel cheques exceeding the amount of USD 10,000. Export and import of bearer securities (except for the travel cheques) shall be reported in writing to customs authorities regardless of the amount.

h. Require financial institutions, including money remitters to meaningfully identify originator of electronic transfer of funds, maintain such information throughout the payment chain and apply enhanced scrutiny to transfers lacking complete information on originator or beneficiary
The issue is comprehensively regulated by Article 20 of the AML/CFT Law, as follows:
“Article 20: Obligations related to wire transfers
1. Financial institutions ordering a wire transfer should obtain and maintain the following information:
   1) Forename and surname or company name of the originator and the beneficiary of the transfer;
   2) Account numbers of the originator and the beneficiary of the transfer (or, in the absence thereof, the unique reference number accompanying the transfer);
   3) With regard to the originator of the transfer, details of the identification document for natural persons or individual identification number (state registration, individual record number etc.) for legal persons.

2. For all wire transfers, the ordering financial institution should include the information specified under Part 1 in the payment order accompanying the transfer. Where more than one wire transfers are bundled in a batch file, the ordering financial institution may choose to include in each individual transfer only the originator information as specified under Clause 2, Part 1, provided that the batch file contains full information required under Part 1 of this Article.

3. All intermediary financial institutions involved in the processing of wire transfers should ensure that the information accompanying a wire transfer specified under Part 1 of this Article is transmitted with the transfer. Where technical limitations prevent the intermediary financial institution from transmitting the information accompanying a cross-border wire transfer specified under Part 1 with the related domestic wire transfer, the intermediary financial institution should maintain that information in the manner and timeframes established by this Law.

4. Obligations under this Article shall not apply to:
   1) Transfers and settlements between financial institutions on their own behalf;
   2) Transactions carried out through the use of credit, debit or prepaid cards, provided that the information on the card number is available in all messages (accompanying correspondence) that flow from conducting and documenting (recording) the transaction. Such exclusion shall apply to the transactions related to withdrawals through an ATM machine, payments for goods and services; and it shall not apply to the cases, when credit, debit or prepaid cards are used in a payment system for effecting wire transfers.

5. Intermediary and beneficiary financial institutions should adopt effective risk-based policies and procedures for identifying and taking relevant measures (including refusal or suspension) with regard to the wire transfers that lack the information specified under Part 1. In the case of a wire transfer lacking the information specified under Part 1, a financial institution should consider terminating correspondent or other similar relationships with the financial institutions involved in the given wire transfer”.

Besides, Article 27 stipulates that ordering financial institutions should refuse any cross-border wire transfer equal or above the 400-fold amount of the minimum salary, which lack the
information specified under Part 1 of Article 20 of the Law, as well as any cross-border wire transfer below the 400-fold amount of the minimum salary, which lack the information specified under Clauses 1 and 2, Part 1 of Article 20 of the Law, and should consider recognizing them as suspicious.

i. Refer to or use as a guideline regional or multilateral anti-money laundering initiatives
A range of international documents issued by organizations such as UN, FATF, World Bank, EU, EEU (Eurasian Economic Union) etc. were considered while establishing and developing domestic AML/CFT regulatory and supervisory regime.
The Republic of Armenia has ratified the following international conventions on AML/CFT:

- United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 20 December 1988 (Vienna Convention) – ratified on 24 May 1993,
- Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime, 8 November 1990 (Strasbourg Convention) – ratified on 8 October 2003,

With the view of strengthening the regulation in the AML/CFT system the guidance, best practices and other documents issued by FATF are considered. Besides, as a member of the Council of Europe MONEYVAL Committee, Armenia is regularly evaluated for the compliance of its AML/CFT system with FATF standards. Hence, when making amendments in the legislation, FATF standards are taken into account.

j. Demonstrate use of mutual legal assistance, administrative or judicial cooperation in cases of money laundering among law enforcement, judicial authorities and financial regulatory authorities.

k. Regulate cooperation and information exchange with relevant agencies (for instance on matters related to asset declarations, real estate transactions, tax matters).

Please refer to the response on Question d.
2. Please outline actions required to strengthen or improve the measures described above and any specific challenges you might be facing in this respect.

In 2014 a national assessment of ML/FT risks was carried out in the Republic of Armenia which was summarized in the “Report on National Assessment of Money Laundering and Terrorism Financing Risk in the Republic of Armenia” document. Challenges identified during the assessment include the lack of relevant knowledge, experience and expertise among law enforcement and judicial authorities.

3. Do you require technical assistance in relation to the measures described above? If so, please specify the forms of technical assistance that would be required. In case you have received or are receiving technical assistance to implement these measures, please indicate so in your response.

There is a need for law enforcement and judicial authorities for additional trainings, seminars, and programs for exchange of experience with international counterparts.

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5 Concise versions of the report were published on the FMC website. More details are available at https://www.cba.am/Storage/EN/FDE/risk_assessment/2014_NRA_key_findings_eng.pdf
Information

1. On measures for preventing money laundering

1. According to the investigative jurisdiction one criminal case on money laundering (Article 190 of the RA Criminal Code) pertinent in the proceeding of the Investigation Department of the RA Ministry of Finance was submitted to the RA Investigation Committee during 2014.

At the same time, please be informed that in such cases the preliminary investigation of the RA Criminal investigation department cooperates with the Financial Monitoring Center of the Central Bank of Armenia for disclosing the possible cases of money laundering, in the framework of the Memorandum of Understanding signed on 02.09.2008 between the former RA State Revenue Committee, the Financial Monitoring Center of CBA and the RA Prosecutor’s General.

2. According to Clause “h”, part 2, Article 18 of the RA law “On Anti Money Laundering and Terrorism Financing” the person carrying out audit activity must be responsible for the duties prescribed by the RA law “On Anti Money Laundering and combating the financing of terrorism” and other laws. At the same time, in accordance with Part 3, Article 5 of the RA Law “On Accounting” the accounting of the organization is carried out by ensuring the requirements of the RA Law “On Anti Money Laundering and combating the financing of terrorism”. Meanwhile, pursuant to Part 1, Article 6 of the RA Law “On Anti Money Laundering and combating the financing of terrorism” the reporting person (in this case auditors and audit companies, independent entrepreneur accountants and the legal entities engaged in accounting process) reports to the authorised body on suspicious transactions or business relationship and(or) transaction subject to mandatory reporting.

RA Law “On Anti Money Laundering and combating the financing of terrorism” envisages provisions for customer’s (inter alia authorised body and real beneficiary) identification and verification of identity.

2. Public procurement and public finance management

2.1 Public procurement

1. Pursuant to Part 2, Article 3 of the RA Law «On Procurement» the procurement procedure in the RA is based on principles of equality with common rules, competitive, transparent, public and non-discriminatory based organization, in order to extend the scope of the participants for contract signing and to promote competitiveness between them, regardless of
foreign origin of the person or organisation, or a stateless person, or not to participate in the procurement procedures.

According to the RA procurement legislation, procurement announcement is published notifying the potential participants about the tender (except, the cases with the unpublished announcement of the negotiation process of the procurement procedures). At the same time, the invitation for participation in the tender is either published with the announcement, or is sent to the prequalified participants. Both the invitation and the announcement include remarks on the right of participation and the criteria for contract award.

The announcements and, in cases established by law, also the invitations, as well as the announcement on the contract award, and announcement on the already awarded contract are published on official www.gnumner.am and are available to everyone.

The purchase items characteristics, approved by the customers and the qualification requirements of the participants are evaluated envisaged by the RA Law “On Procurement” in terms of ensuring competitiveness and excluding discrimination, the results of which are published on the following official website www.gnumner.am.

The procurement made through open, simplified and framework agreements for the needs of state bodies and urban communities are carried out electronically. Beginning from 2015 it is envisaged to implement electronically the procurement made via negotiation procedure through preliminary publication of announcements by the referred customers.

It is as well envisaged by the law that procurements made for the needs of state (community) non commercial organizations existing in the state and local self-government bodies management system are carried out in centralized manner. The mentioned procurements are included in the procurement plan being implemented in centralized manner and defined by the head of the given body. This means that the procurements made in this manner in terms of those organizations are carried out electronically.

2. The existing RA legislation defines different deadlines for the bids submission depending on the procurement procedure: For example, 40 calendar days are set for an open procedure, at least seven calendar days are set for simple procedure, and etc. The mentioned gives grounds to to affirm that the RA legislation takes into account the peculiarities to participate in different procurement procedures and the time required for preparation and submission of bids.
According to Part 4, Article 17 of the RA law "On procurement" the open procurement procedure is considered as a preferable and main procedure. For the purpose of applying the other procurement procedures the existence of the grounds defined by the law is necessary.

3. The RA legislation provides maximum transparency for possible participants of procurement procedures, as well as for providing information to the society on procurement procedures. Particularly, the following information is published in the RA procurement electronic newsletter www.gnumner.am: legislation on public procurement, procurement announcements, procurement plans, complaints filed against procurement procedures, decisions of procurement appeals board, decisions on concluding contracts, invitations, changes to contracts and invitations, as well as other information subject to mandatory publication established by the RA legislation. All the mentioned information is available online that provides persistent and uninterrupted access for all interested parties.

4. According to the RA law "On Procurement", the procurement appeals board has been established and operates and is considered an impartial and independent investigative unit. The latter is not interested in the results of concrete procurement process. The board and board members are independent from the procurement process participants, including the customers, as well as state and local self-government bodies and officials while implementing the authorizations envisaged by the law.

During the complaint investigation the board members are not considered as participants in cases under review and must be guided exclusively by law by applying it.

Representatives of customers and non-government organizations are included in the appeals board and a committee comprised of three persons is established on rotational basis to investigate each of the complaints.

At the same time each person has a right to complain judicially decisions of the procurement appeals board, the customer and the evaluation committee.

5. The employee of the RA state customers which are considered civil and community servants are recruited according to the requirements of the RA law "On Civil Service" and the RA law "On Community Service". In any case according to the Clause 5, Article 15 of the RA law "On procurement" the employees of the procurement coordination subdivision, the officials and guests must be included in the list of the procurement qualified professionals published by the authorized body. In this list persons are included for assessing the proficiency of the legislation of
the RA law “On Procurement” after successfully passing the exam organized by the competent authority.

At the same time, it should be noted that the decree N 99 “On establishing the procedures for awarding qualification to procurement coordinators and continuous professional training of procurement qualified specialists” which was adopted on February 12, 2015 by the RA Government.

The RA legislation contains also provisions on conflict of interests. Particularly, it is envisaged that immediately after the bid opening session, the committee member having conflict of interest related to the given procedure, refuses himself from the given procedure, otherwise he is refused by the committee chairman. If the committee chairman has a conflict of interest related to the given procedure, then he refuses himself from the given procedure and another member of the committee comes to replace him in the given procedure. The members of the committee sign the statement on absence of conflicts of interest. The members of the Board of Appeal also sign the statement on absence of conflicts of interest which is published online on the following official website www.gnumner.am and there are always available.

6. The RA procurement legislation envisages the concept of “black list” and strictly defines the basis and category on the inclusion in the list. Particularly, it is envisaged that the person can be included in the “black list” for three years period. The procurement appeals board makes decision on including a person in the “black list”, which ensures transparency and impartiality of such decision.

It also should be noted that the RA procurement legislation also contains other provisions which are directed to ensuring integrity in the RA procurement system, such as for example.

— The RA law “On Procurement” defines the main public procurement principles which are as follows: the promoting competitiveness between business entities, non-discrimination during the award of contracts, transparency and efficient use of the state funds.

— The RA law “On Procurement” defines that the tender participants are not eligible to participate in the procurement procedures if the representatives of the executive body has been convicted during the previous three years at the moment of placing a bid for the crime of the economic activity or against public service except other cases when conviction prescribed by law has been withdrawn or canceled.
The legislative field touches upon the possibility of making changes during performance of the contract.

The Ministry of Finance is competent to monitor the contracts for the state needs.

7. The main tasks of the RA public procurement are to organize training courses for the representatives of the state customers and business environment as well as to develop guidelines on the application of procurement procedures.

8. The OECD Sigma and EBRD-UNCITRAL projects are supporting the implementation of reforms of the RA Ministry of Finance related to the public procurement sphere.

9. The RA law “On Public Sector organizations accounting” has been adopted on June 21, 2014 which has entered into force since January 1, 2015. Based on International Public Sector Accounting Standards (IPSAS) Armenia’s Public Sector Accounting Standard (APSAS) has been elaborated, which has been adopted by the RA Minister of Finance Decree N°725-U, dated October 24, 2014. The chart plan of the Public Sector organizations accounting of the Republic of Armenia and the instruction for its application has been elaborated and approved by the RA Minister of Finance Decree N°207-U, dated April 9, 2015.

The schedule for passing to the new system of public sector accounting by the Public Sector Organizations has been approved by the RA Minister of Finance Decree N°463-U, dated July 23, 2014. Since January 1, 2016 Public Sector Organizations, in accordance with the established schedule will pass to the new system of public sector accounting.

2.2 Public Finance Management

1. The Strategy on the reforms of public finance management system (PFMS) and the Action Plan 2010-2014 for the implementation of the first phase of those reforms have been approved by the RA Government Protocol Decree N 42, dated 28.02.2010. For the purpose of evaluating the 2010-2014 performance of the measures envisaged by Strategy, the RA Ministry of Finance has turned to the EU Delegation in Armenia with the request for supporting the reforms implementation in the public finance management sphere.

In the framework of the mentioned, the PFMS reform technical support team of the EU has elaborated and submitted to the RA Ministry of Finance the draft package for reviewing the PFMS reform.
The preliminary discussions of the mentioned draft package have been organized on February 18, 2015. Representatives from the RA National Assembly, RA Chamber of Control, RA Government and the RA Ministry of Finance, interested non-governmental organizations and international partners such as EU Delegation in Armenia, World Bank, International Monetary Fund, Asian Development Bank, GIZ, Transparency International Anti-Corruption Center, Economic Development and Research Center, Young Bar Association of Armenia have taken part in the discussions.

The suggestions submitted by interested bodies and organizations, the possibilities of including them in the package and the further support to the RA Government by the International Partner Organizations in the process of reforms of public finance management system have been discussed during the meeting.

The revised final version of the mentioned package has been submitted by the EU technical support group which has been presented to the interested state bodies, public and international partner organizations for consideration on March 9, 2015.

Only after considering and adopting the revised version of the PFMS reforms package, the RA Ministry of Finance will elaborate and submit to the RA Government in the established manner the 2015-2020 draft strategy PFMS reforms.

2. With the aim of supporting the establishment of the RA public internal financial control system, the Twinning project for strengthening the regulatory and institutional framework of public internal financial control and supporting the central harmonization unit in its role of operationalizing the new systems in the Republic of Armenia has officially launched in September, 2014. The Project aims at developing RA public internal financial control sphere based on the EU best practice. The duration of the project is 24 months. It is being implemented by the the Swedish National Financial Management Authority and the direct beneficiary is the RA Ministry of Finance.

The project is being implemented through advancing the comprehensive public internal financial control system having in mind that the main components of the system, the internal audit ensuring properly assurance and the central harmonization unit ensuring the regulation of relations related to public internal financial control, defining standards and implementing its monitoring have been introduced in all the levels of the management. In particular, in the framework of Twinning project, works are being carried out for introducing the components
financial management and control based on managerial reporting of public internal financial control system.

The RA draft law "On Financial Management and Control" has been elaborated together with the Twinning project experts which has been submitted to a number of donor organizations and EU SIGMA process for consideration. Currently, the draft law is being revised, the final version of which will be submitted to the beneficiary public management bodies for consideration in the established manner.

At the same time, it is worth mentioning that the presentation "Public internal financial control development in Armenia" organized by the EU SIGMA project was held on 13.03.2015. It aimed at submitting suggestions to the RA Government on behalf of the RA ministry of Finance for improving and advancing the Public internal financial control system in the public management sphere. During the presentation, the EU SIGMA project experts presented the actual status of financial management and control and internal audit spheres in the Republic of Armenia, the strong and weak points, as well as suggestions to support Central Harmonization Unit and PIFS system and its further development.

3. In accordance with assessment report (the report has been awarded quality assurance by PEFA CHECK) of public expenditures and financial Accountability of Armenia (PEFA) prepared in 2013 and published in 2014 compared with previous evaluation, and progress has been recorded in 11 indicators out of 31. In addition, the main improvements have been recorded in the spheres of realistic budget, transparency and budget execution.

3. **On Public Reporting**

1. The representatives of the majority political parties (coalitions) represented in the RA National Assembly are included in the discussions of the draft medium-term expenditure (MTEF) framework the basis of which is the draft law on state budget of the coming year. The MTEF adopted by the RA Government is then published in the “The RA official newsletter”, periodical on the website of Armenia legal information system:www.arlis.am, the official website of the RA Ministry of Finance:www.minfin.am, as well as submitted to the RA national Assembly.

In accordance with the requirements of the Article 26 of the RA law "On the Budgetary System of the Republic of Armenia" after having submitted to the RA National Assembly the draft law on state budget of the coming year, the RA Government publishes it in the press within three
days and on the official internet website http://www.azdarar.am for public notices of the Republic of Armenia, with the exception of the issues containing state secret. The discussion in the RA National Assembly of the draft law on state budget of the coming year is covered in the media with the exception of the issues containing state secret.

The draft law on state budget of the coming year (draft law and government's budget message), as well as the draft law on state budget of the coming year approved by the RA National Assembly are then published in the “The RA official newsletter” periodical, on the website of Armenia legal information system: www.arlis.am, the official website of the RA Ministry of Finance: www.minfin.am, as well as the official website of the RA National Assembly: www.parliament.am.

2. For the purposes of making the projects being implemented at the expenses of the budget more accessible to the public and their implementation more effective and controlled, activities for gradual introduction of program budgeting are being currently carried out. The gradual introduction of program budgeting will enable to introduce qualitative changes in the process of state budget performance results verification by laying special emphasis on the implementation of the outlined policy objectives from the processes of state budget treasury performance and on assuring the principle “Value for money”.

In the framework of reforms for the introduction of program budgeting, in the recent years, with the initiative and support of the RA Ministry of Finance, the RA line ministries have developed and the RA Government has approved the non-financial/output indicators of expenditure programs execution envisaged by the law of the state budget of each year, on the execution of which state bodies have submitted reports (within the budget reports submitted by them). For the purposes of formulating the complete programme budgeting system, the stage by stage establishment and introduction of budget programs description is being implemented.

About 35 budget programs descriptions have been already created which are published on the official website of the RA Ministry of Finance: www.minfin.am. It should be mentioned that the budget programs description is such a tool which allows summarizing and submitting all the important financial and non-financial indicators and targets needed for expenditure planning and performance evaluation of the project. In this context, it is envisaged to establish budget programs descriptions system for 83 budget programs from 153 included in the format drawn up in accordance with the requirements of program budgeting of the RA state budget for 2015.
(which are of interest for the users of budget information and public). In view of the mentioned
the schedule for establishing budget program descriptions has been elaborated by the RA
Ministry of Finance and approved by the RA Government protocol decree №53/18, dated
December 18, 2014 according to which 48 budget program descriptions should be established by
2018, including 15 budget program descriptions in 2015, 17 budget program descriptions in
2016 and 16 budget program descriptions in 2017.

With the initiative of the RA Government, legal basis have been established by the changes
to the RA Law "On Budget system of the Republic of Armenia" in 2013 in order to incorporate
the program budgeting into the budget processes. Hereinafter, the document in the form of
software presenting the budget outflows envisaged by the draft law of on state budget is the
integral part of the RA Government budget message submitted by the RA National Assembly by
force of the law. In accordance with the requirement of the same law, the RA Government
approves the budget outflows stipulated by law after having adopted the RA Law "On State
Budget".

The document in the form of software is the part for the RA Government decision on
measures ensuring the state budget execution adopted each year, which in the established
manner is published in "The RA official newsletter" periodical, on the website of Armenia legal
information system: www.arlis.am, and the official website of the RA Ministry of
Finance: www.minfin.am.