



Anti-Corruption Network for Eastern Europe and Central Asia

Istanbul Anti-Corruption Action Plan

ARMENIA

Progress Report

This report is presented by Armenia at the 12th Monitoring Meeting on 23–25 September 2013.

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Report on the Implementation of Recommendations provided in the 2nd Round of Monitoring Report on Armenia adopted at the 10th Monitoring Meeting of the Istanbul Anti-Corruption Action Plan of the OECD Anti-Corruption Network For Eastern Europe and Central Asia on 29 September 2011

1. Anti-Corruption Policy

1.2. Anti-Corruption Policy Documents

The Anti-corruption strategy and action plan of 2009-2012 have been completed, and the Monitoring Commission conducted a research on the results of its implementation. As an outcome, the Monitoring Commission pointed out couple of recommendations based on the gaps and drawbacks of implementation. The report is going to be discussed in the upcoming Anti-Corruption Council Meeting.

1.3. Corruption Surveys

Road Police activities area

Based on the results of previous studies, and also taking into account the facts and information regularly reported by various non-governmental organisations, large-scale reforms covering both legal regulatory and organisational-technical areas have been implemented in 2011-2012 in corruption risk areas of the Road Police (registration and record of vehicles, issuance of driving licences and procedures for administrative violations), in particular:

1. Registration and record of vehicles, issuance of driving licences

The following principles have served as a ground for the activities undertaken for the purpose of simplifying the processes of registration and record of vehicles, and the issuance of driving licences, increasing the quality of the delivered services, as well as for the purpose of reducing corruption risks:

- to reduce the time required for the delivery of the service;
- to reduce the list of documents to be submitted ruling out also the possibility of requiring unnecessary documents;
- to rule out double submission of documents subject to submission;
- not to require documents that may be acquired by own means;
- to enable performing any operation in any subdivision irrespective of the place of registration of the person or vehicle;
- to rule out the need to apply more than once for the performance of one action;
- to reduce queues.

The following activities have been implemented based on the mentioned principles:

1. The new administrative building of Yerevan registration and examination unit and the autodrome for practical examinations have been constructed in Yerevan and put into operation in

2012; and one subdivision has been established instead of three subdivisions functioning in Yerevan.

2. A new software has been developed and introduced with the support of the Staff of Government of the Republic of Armenia that has enabled the population to apply — irrespective of the place of registration of their vehicle — to any registration and examination subdivision of the Road Police for registration and record of vehicles, as well as for matters related to driver qualification tests and obtaining of a driving license. The mentioned method for registration procedures has enabled eliminating the necessity for persons having acquired vehicles to visit two subdivisions for registration and examination and to pay a state duty in the amount of AMD 300 for “transit” registration number plates; instead, owners of vehicles are able to make all necessary registration and record operations, take statements of information, as well as obtain driving license by visiting only any subdivision.
3. The new conveyor-type system, that is “screening station - duty and fee payment place - customer service room - document printing and issuing room”, has been introduced for registration and record operations of vehicles which has made it possible to reduce the time required for performing registration and record operations to 25-30 minutes instead of several hours required in the past; while in Yerevan, the installed device for printing registration certificates in the form of a plastic card has enabled issuing a registration certificate for a vehicle within one working day, and the device for printing registration number plates has made it possible — in case of selecting desired or highly demanded number plates — to provide the plates of those registration numbers immediately.
4. A customer service point of Yerevan registration and examination unit has opened in the territory of the specialized customs house for customs formalities under the State Revenue “Committee adjunct to the Government of the Republic of Armenia, and it has become possible for car owners — immediately after the customs clearance without leaving the territory of the customs house — to perform the registration and record of the right of ownership to vehicles (against payment for registration numbers, including desired and highly demanded ones, and for registration certificate), that have been imported under the customs regime “Import for free circulation”, which has significantly reduced the workload of registration and examination subdivisions ruling out also the operation of vehicles on the roads of the Republic of Armenia without registration number plates.
5. For the purpose of reducing the time required for customer service provided to citizens, duty and fee payment services have been organised in the territory of the administrative building of Yerevan registration and examination unit of the Road Police enabling citizens to make the payments required for registration of vehicles, examinations and receipt of driving license without leaving the territory of the building.
6. Changes have been introduced also in the process of providing highly demanded registration numbers by replacing the time-consuming and complicated auction procedure with establishment of fixed prices for registration numbers; moreover, it has been made possible for purchasers of registration numbers, to choose by computer any registration number, find out its status (available or unavailable) and to register the car under the purchased registration number by paying a fixed amount without having to wait for the day of the auction and the list of registration numbers in the auction.
7. The new autodrome designed for qualification practical examinations has been put in operation in Yerevan registration and examination subdivision of the Road Police, and it has become

possible for citizens to take both theoretical and practical examinations without leaving the administrative territory of the subdivision, and the installed device for printing plastic driving licences has made it possible to provide driving licenses within one working day.

8. Computer -equipped examination rooms for theoretical examinations have been created in the registration and examination subdivisions of the Road Police which have enabled taking the theoretical qualification examinations by computers thus raising the level of impartiality in taking the examinations. For the purpose of making the examination procedure more transparent, the whole process of the examination is displayed on the screen installed in the waiting hall.
9. A citizen is no longer required to submit a written application for obtaining a driving license; instead, after submitting the required documents the citizen is immediately photographed through computer equipment, which serves as evidences of his or her application to the relevant law-enforcement body.
10. A person, having a driving license of any class, need not take theoretical examinations for obtaining any new driving license for driving any vehicle from among “Ae”, “Be”, “Ge” classes or “A1e”, “B1e”, “C1e” sub-classes.
11. For the purpose of obtaining a driving license for driving a “Be” class vehicle the practical examination is taken by using a vehicle with automatic gearbox and the driving license is given for driving that type of a vehicle.
12. The practical examination has one stage only in the autodrome or motor ground and — before the examination authorities provide such facilities — in real traffic conditions.
13. Medical examination reports are no longer required in the process of obtaining a driving license, and only in case of obvious health defects of the candidate for driver written letters of demand are issued requesting submission of medical examination reports. A requirement of undergoing a psychological test together with the theoretical examination has been introduced, which replaces the process of comparing the information on a citizen with the information provided by psychiatric medical institutions.
14. Driving licenses complying with the requirements defined by Vienna Convention on Road Traffic of 8 November 1968, irrespective of the country of issuance or the citizenship of the bearer, shall be replaced without taking qualification examinations.

The undertaken measures resulted in improvements. The study implemented by the Staff of the Government of the Republic of Armenia at the end of 2012 has revealed that throughout the Republic the registration and record of vehicles is carried out within 25-30 minutes, and issuance of driving licenses is carried out immediately after passing the examination or submitting the documents. Besides, there are almost no letters of complaint regarding the activities of registration and examination subdivisions.

2. Proceedings for cases of administrative offences

The following principles have served as a ground for the activities implemented for the purpose of protecting the rights of participants to the proceedings on administrative offences, adopting substantiated decisions, as well as reducing corruption risks:

- to reduce contact between the police officer and driver;

- to reduce the possibility of taking discretionary decisions;
- to reduce, to the possible extent, the time required for drawing up a protocol and taking a decision in the site of the offence;
- to acquire, as much as possible, evidence on the offence;
- to exclude stopping a vehicle where no offence is committed.

The following activities have been implemented based on the mentioned principles:

1. Video cameras have been installed in all patrol vehicles of the Road Police which enables taking more substantiated decisions.
2. Amendments have been made in the Code of the Republic of Armenia “On administrative offences”, and Road Police officers have been vested with the right to make on-the-spot decisions almost in all cases of offences, which considerably reduces the time for proceedings and rules out another contact with the police officer.
3. Traffic surveillance cameras and speed measuring devices have been installed in the city of Yerevan and on interstate roads.

In the Republic of Armenia 53 speed measuring devices and 171 traffic surveillance cameras in 35 intersections are in operation as of 2012:

- 45 speed measuring devices and 171 speed measuring devices in 35 intersections in the city of Yerevan;
- three speed measuring devices on M-4 Yerevan-Sevan-Ijevan-Azerbaijan interstate road (Yerevan-Sevan);
- two speed measuring devices on M-3 Republic of Turkey border-Maraga-Vanadzor-Tashir-Georgia border interstate road;
- two speed measuring devices on M-5 Yerevan-Armavir-Republic of Turkey border interstate road (Yerevan-Armavir);
- one speed measuring device on M-6 Vanadzor-Alaverdi-Georgia border interstate road (Bagratashen customs checkpoint).

In 2013 the process for installation of traffic surveillance systems (including speed control automatic systems) will continue. In particular, 120 traffic surveillance cameras are planned to be installed in 30 inter-sections, and 50 speed measuring devices — in the streets of Yerevan and on interstate roads.

Besides, daily control has been established over the activities of inspection personnel of the Road Police, and examination is carried out into any violation committed by Road Police officers and the offenders are subjected to disciplinary and in some cases also to criminal, liability.

As a result of the mentioned activities there has been a reduction by 50 percent in the number of complaints filed against unsubstantiated protocols and decisions made thereon, and in the number of cases of vehicles unduly stopped by the Road Police officers and violations of administrative procedure rules.

Passport and Visa Department activities area

A number of activities have been undertaken for the purpose of increasing the quality of services delivered to citizens by the Passport and Visa Department of the Police of the Republic of Armenia, as well as for reducing corruption risks, in particular:

1. In connection with acquiring citizenship of the Republic of Armenia the procedure and time limits for forwarding materials to the consideration of other state bodies, receiving relevant opinions and submitting the final list to the Staff of the President of the Republic of Armenia have been more clear and specified (the maximum time limit for submission to the Staff of the President of the Republic of Armenia is 65 days).
2. Taking into account the circumstance that persons, who are Armenians by nationality, are granted citizenship of the Republic of Armenia through a simplified procedure; the list of documents attesting the fact of being Armenian has been defined by the Decision of the Government of the Republic of Armenia No 1390-N of 23 November 2007.
3. Information on processing of applications on acquisition of citizenship and termination of citizenship of the Republic of Armenia are, within a period of three days, forwarded at the electronic address or to the mobile phone of the applicant where the applicant has indicated an electronic mail address or mobile phone number in the application-questionnaire. Moreover, notifications are sent on all cases even when the person stays or resides outside the territory of the Republic of Armenia.
4. The applicant may receive information on the processing of the application on acquisition of citizenship and termination of citizenship of the Republic of Armenia also through the website of the Passport and Visa Department by entering the individual code provided thereto. The individual code is provided together with the information that is sent at the electronic mail address or sent by an SMS to the mobile phone of the applicant after the application is registered in the Passport and Visa Department.

1.5. Raising Awareness and Public Education

1. Topics on “Corruption crimes and peculiarities of their detection”, “Criminal-law policy in the fight against corruption at European and national level”, “Criminological description of corruption offenses”, “Directions and measures for prevention of corruption offences in the Republic of Armenia”, “Potential risks of corruption practices in privatizing state property and in the sphere of public procurements”, “Offer, promise, request of an unlawful advantage, acceptance of an offer or a promise as corruption offences” and “Bribery of public servants as corruption offence” have been included in the courses of trainings organised for police officers to be appointed in community police subdivisions introduced within territorial units of Yerevan Department of the Police of the Republic of Armenia, operations deputy heads of units of the Police of the Republic of Armenia, heads of divisions for criminal investigation and juvenile matters; police officers holding mid-level positions in Road Police Service of the Police of the Republic of Armenia, head of police holding facilities of the Police of the Republic of Armenia, officers holding mid-level positions in public order maintenance units, police units on duty, inspectorate on juvenile matters and authorisation system, officers holding mid-level positions in criminal investigation divisions of the Police of the Republic of Armenia, services deputy heads of units and heads of preventive divisions of the Police of the Republic of Armenia, commanders of companies and deputy commanders of platoons in subdivisions of Yerevan and Marz Departments officers holding the positions of commanders of platoons and deputy commanders of platoons, operations deputy heads of departments and heads of units of the Police of the Republic of Armenia, officers holding mid-level positions in the General Investigation Department of the Police of the Republic of Armenia, police officers holding mid-level positions

specialized in investigation in the Police of the Republic of Armenia, police officers holding mid-level positions specialized in military mobilization and civil defence in the Police of the Republic of Armenia, police officers holding mid-level positions in the criminological service of the Police of the Republic of Armenia.

2. Guidebook on “Bribery of public servants as corruption offence” has been elaborated and its materials have been included in the programme course studying Criminal Law of the Republic of Armenia, and in the topics of trainings in the Police Educational Complex of the Republic of Armenia.

3. Guidebook on “Offer, promise, request of an unlawful advantage, acceptance of an offer or a promise as individual corruption offences” has been elaborated and its materials have also been included in the programme course studying Criminal Law of the Republic of Armenia, and in the topics of trainings in the Police Educational Complex of the Republic of Armenia; and the publication activities and delivery of these guidebooks to various subdivisions of the Police of the Republic of Armenia has been already organised.

4. For the purpose of raising public awareness on corruption, the Public Relations and Information Department of the Police of the Republic of Armenia during 2012 has — through “02” and “Police Unit on Duty” TV Programs — broadcasted 16 video materials on detection of corruption, and the texts thereon have been posted on the website and published in the “02” weekly of the Police of the Republic of Armenia.

2. Criminalisation of Corruption

1. Article 200 of the Criminal Code of the Republic of Armenia has — by Law HO-18-N adopted on 9 February 2012 by the National Assembly of the Republic of Armenia — been supplemented with a provision according to which any person giving a commercial bribe shall be released from criminal liability in case the bribe has been extorted. New provisions have been added in relation to all relevant criminal offences, whereunder a time-limit of maximum three days is provided for releasing from criminal liability, during which the person giving the bribe must voluntarily inform thereon to the law enforcement authorities.

2. Amendments have also been made by the same Law in Articles 200, 311 and 311.1 of the Criminal Code of the Republic of Armenia covering passive bribery. The scope of these criminal offences has been enlarged to include “requesting money, property, rights to property, securities or any other advantage or accepting a promise or an offer to receive”.

3. The Criminal Code of the Republic of Armenia has been supplemented by the same Law with Article 312.2, which criminalises receiving unlawful remuneration for the use of real or alleged influence, and which covers “receiving or requesting money, property, rights to property, securities or any other advantage or accepting a promise or an offer to receive”. Thus, the specified Articles of the Criminal Code of the Republic of Armenia have been brought in line with the requirements of Article 18 of UN Convention against Corruption and Article 12 of Criminal Law Convention on Corruption of the Council of Europe.

4. In relation to bribery in the private sector it should be noted that according to the revisions of the Criminal Code of the Republic of Armenia Article 200 has been reformulated so as to state that persons, who implement instructive or special managerial functions or permanently, temporarily or with special powers hold any other position in commercial organisations, shall be subject to liability for committing the crime provided for in the given Article.

5. Article 20, Illicit Enrichment, of the UN Convention against Corruption is not covered by the criminal legislation of the Republic of Armenia. Besides, the word “may” used in Article 20 of the UN Convention against Corruption implies that States may as well adopt no measures for criminalising the given act.

6. The Law HO 256-N adopted on 5 December 2006 by the National Assembly of the Republic of Armenia has repealed the provision which was legalising the receipt of a gift in the amount not exceeding the five-fold of salary of the official.

As regards establishing liability for legal persons, we inform that the draft concept of the new Code of the Republic of Armenia has been put into circulation which envisages establishment of criminal liability for legal persons for committing corruption, economic and environmental crimes.

Money-laundering

The following activities have been implemented for the implementation of guidance presented with respect to Recommendation 22 of the Report.

After the 2009 Third Round Evaluation Report on anti money laundering and combating the financing of terrorism regime (hereinafter referred to as “AML/CFT”), prepared by Council of Europe’s MONEYVAL Committee and experts from the International Monetary Fund (IMF), continuous efforts are underway, in pursuit of implementing the recommendations presented in the evaluation report, for the improvement of mechanisms necessary for AML/CFT, as well as for introduction of legislation that is largely compliant with international standards.

Thus, draft laws have been prepared, with the involvement of specialists from the Financial Monitoring Centre of the Central Bank of the Republic of Armenia (hereinafter referred to as “FMC”) and from interested ministries of the Republic of Armenia, for making amendments and supplements in the Law of the Republic of Armenia “On combating money laundering and terrorism financing” and in 14 other laws, and the drafts have been sent to the Government of the Republic of Armenia after being improved on the basis of recommendations and comments from interested ministries, as well as after being submitted for regulatory impact assessment in the spheres of economy, including small and medium entrepreneurship, competition, budgeting, nature protection, healthcare, social security and anticorruption. The major amendments envisaged by the legislative package are the following:

- To clarify and specify the competences of FMC and supervisory bodies as regards exercising control over reporting entities and applying measures of responsibility;
- To vest the Central Bank of the Republic of Armenia with the authority to adopt regulatory legal acts in pursuit of applying the requirements prescribed by law for reporting non-financial institutions and persons;
- To improve and clarify issues as regards customer due diligence, recognising a transaction or business relationship as suspicious, documenting the analyses carried out;
- To bring in line with international standards the mechanisms for freezing, confiscation of funds or other assets linked to terrorism;
- To define a new threshold for submitting reports on cash transactions subject to mandatory reporting;
- To clarify the scope of elements of crime preceding money laundering, etc.

In 2010 the Progress Report on the fight against ML/FT in the Republic of Armenia has been discussed and approved in the plenary session of the Council of Europe’s MONEYVAL Committee reflecting the progress made during the previous one year, that is the fact of existence of draft laws of

the Republic of Armenia providing for amendments and supplemented in the above-mentioned 15 laws relating to the area of combating ML/FT. Intensive activities are currently implemented for the finalization of the mentioned laws and adoption thereof as prescribed by law.

A draft 2013-2015 National Strategy for Combating Money Laundering and Terrorism Financing has been elaborated based on the Strategic Analysis of Money Laundering and Terrorism Financing Risk in the Republic of Armenia. The draft is planned to be submitted for the approval of the Interagency Commission on the Fight against Counterfeiting of Money, Fraud in Plastic Cards and Other Payment Instruments, Money Laundering and Terrorism Financing.

In 2011 five judgements have been rendered on elements of money laundering combined with preceding criminal offences, and in case of three of them the preceding criminal offences included corruption related offences, embezzlement or peculation (Article 179 of the Criminal Code of the Republic of Armenia).

2.7. International Cooperation and mutual legal assistance

Bilateral agreements are in force between the Police of the Republic of Armenia and relevant authorities of a number of countries that regulate international cooperation and mutual legal assistance in fighting against corruption related offences; such countries are: United Arab Emirates, Republic of Belarus, Republic of Bulgaria, Federal Republic of Germany, Arab Republic of Egypt, Republic of Estonia, Republic of Turkmenistan, Republic of Latvia, Republic of Poland, Republic of Lithuania, Republic of Cyprus, Republic of Greece, Republic of Kazakhstan, Republic of Kyrgyzstan, Republic of Moldova, Republic of Romania, Russian Federation, Syrian Arab Republic, Republic of Tajikistan, Georgia, Ukraine, Republic of Uzbekistan, Republic of France.

2.8. Application, interpretation and procedure

Armenia should ensure that law enforcement agencies have necessary access to financial data for detecting and investigating corruption-related offences. In particular, allow access to financial data of a broader range of persons than suspects and accused persons in criminal investigations, including, for example, family members or other close persons, when there are enough suspicions that those persons participated, helped or are aware of the committed crime or when there are grounds to believe that the money are provided by the suspect without any legal justification, respecting international standards for data protection.

Armenia should extend the time period of preliminary investigations of criminal case on corruption-offences currently referred to in Article 197 of the Criminal Procedure Code.

In 2012 the Police of the Republic of Armenia has developed and put into circulation the draft laws of the Republic of Armenia “On making an amendment in the Law of the Republic of Armenia “On bank secrecy” and “On making amendments to the Criminal Procedure Code of the Republic of Armenia” which envisage enlarging the scope of persons whereon the criminal prosecution body may, in the course of criminal proceedings, receive information comprising bank secret. Adoption of the draft law would solve for law enforcement bodies the issue of accessibility of financial data. However, based on joint discussions it has been decided to consider the issues, raised in the drafts, within the framework of the new draft Criminal Procedure Code of the Republic of Armenia, and the activities in connection with this are in the finalisation stage.

Meanwhile, we would like to inform that the position of the Central Bank of the Republic of Armenia with regard to this issue is definite; in particular, the Central Bank of the Republic of Armenia proposes revising the recommendation presented in Point 2.8 “Application, interpretation and procedure” of the Report which relates to allowing law enforcement bodies to have access to

financial data — that comprise bank secret — of persons other than suspects and accused persons (in particular, family members or other affiliated persons), since no amendments are envisaged for the protection, provision and disclosure regime of secrets within the framework of the current policy on protection of bank secrecy.

The Law of the Republic of Armenia on “Public service” has been adopted on 26 May 2011, which covers also service in the Police. The law defines also the code of ethics for public servants and high ranking officials.

In addition, the code of ethics for police officers has been established still in 11 April 2005 by the law establishing service discipline in the Police (Chapter 5 of the Law of the Republic of Armenia on “Approving the disciplinary code of the Police of the Republic of Armenia”, which entered into force on 28 May 2005).

According to the Law of the Republic of Armenia on “Approving the disciplinary code of the Police of the Republic of Armenia” the goals of official investigation include timely disclosure of each violation of disciplinary and ethical rules committed by a police officer.

As a result of amendments made in the Law of the Republic of Armenia on “Approving the disciplinary code of the Police of the Republic of Armenia” on 19 March 2012 the Law has been supplemented with a new Article, which envisages establishment of a police disciplinary commission. The latter will examine the materials of official investigation and the conclusion rendered on the basis thereof prior to submitting to the person responsible for initiation of official investigation for adopting a relevant decision.

The law defines that, in addition to police officers, representatives from other state bodies and non-governmental associations will be included in the membership composition of the police disciplinary commission. A draft decision of the Government of the Republic of Armenia “On establishing the membership composition and rules of procedure of the Police Disciplinary Commission” has been prepared on the basis of the Law and put into circulation, which has been presented to the consideration of international experts through the Ministry of Foreign Affairs of the Republic of Armenia, thereafter it will be submitted for the discussion of the Government of the Republic of Armenia.

2.9. Specialized anti-corruption law-enforcement bodies

Implementation of the recommendation is conditional on adoption of the new draft Criminal Procedure Code of the Republic of Armenia and other legal acts conditioned by its adoption.

Continue with efforts in the area of corruption-specific joint trainings for police, prosecutors, judges and other law enforcement officials; provide adequate resources for the enforcement of anti-corruption legislation.

A round table discussion has been organised in the Educational Complex of the Police of the Republic of Armenia on “Offer, promise, request of an unlawful advantage, acceptance of an offer or a promise as corruption offences” and “Bribery of public servants as corruption offence” with the participation of representatives from the General Prosecutor’s Office, Ministry of Justice of the Republic of Armenia, OSCE Yerevan Office, Headquarters, Legal Department, General Department of Criminal Intelligence, General Department for Fight against Organized Crime of the Police of the Republic of Armenia and the academic teaching staff.

2.10. Statistical data on enforcement of criminal legislation on corruption

In the Police of the Republic of Armenia statistical reports are prepared in accordance with the list of corruption offences defined by the Order of Prosecutor General of the Republic of Armenia No 82 of 19 November 2008, in which analysis is carried out regarding each type of crime based on the dynamics of criminal offences existing in materials and criminal cases recorded and pending during the same period of the previous year, and the number of persons, including officials, subjected to liability for those criminal offences, with the indication of the number of instigated criminal cases that, with the relevant indictment, have been sent to the court. Statistical reports are currently prepared once in six months (every month, if necessary) and are sent to the Staff of the President of the Republic of Armenia and to the General Prosecutor's Office. For each type of crime the information on the size of material damage caused and the value of assets, whereon attachment has been imposed by investigators, will be covered by the new directive "On uniform record-keeping of crimes" which is currently prepared in the Information Centre of the Police of the Republic of Armenia. It will be put into circulation upon the Decision of the Government of the Republic of Armenia after adoption of the new Criminal Procedure Code of the Republic of Armenia. As regards corruption related administrative offences of state servants, after defining their list the Information Centre will have the possibility to provide the required information also on corruption related administrative offences.

3. Prevention of Corruption

3.2. Integrity of public service

The draft law of the Republic of Armenia "On the code of ethics of civil servants" provides for measures ensuring adequate disclosure of activities and findings of ethics commissions, including the Ethics Commission for High-Ranking Officials.

The mentioned legal act also provides for coordination between the public service coordinating bodies and the human resource management departments in each body.

A score-based system for assessing the interview stage in the process of competition and performance appraisal system of civil servants have been introduced and are used now with a view to strengthen the systems for merit-based recruitment and promotion.

As to strengthening the personnel selection capacity of separate institutions, to this end a new system has been introduced for recruitment in junior positions of civil service. It should be noted that prior to introduction of the system, a training on assessment of knowledge, capacities and value systems of civil servants and candidates for vacancies has been organised and carried out for chiefs of staff of all bodies of civil service and employees of subdivisions.

In connection with the issue of "out-of-competition" procedure for recruitment of civil servants, we would like to note that only a civil servant, who is registered in the short-term personnel reserve of civil service as a result of reduction of staff positions, and a civil servant, who is considered an employee of the structural subdivision with the vacant position and complies with the requirements set for occupying that position, may be appointed through "out-of-competition" procedure to a vacant position in civil service.

In connection with the issue we would like to inform that the 2012-2017 Programme of the Government of the Republic of Armenia provides for establishing a uniform and fair system for remuneration of officials in all branches of public administration system, which will take into

account productivity of each employee and work efficiency, as well as continuing the policy of introduction of social guarantees for raising attractiveness of employment in public sector.

In the sector of public service issues related to conflict of interests, incompatibilities and gifts are regulated by the Law of the Republic of Armenia “On public service”. In addition, the Civil Service Council has prepared a draft law of the Republic of Armenia “On the code of ethics of civil servants” which will define the principles, rules of ethics of civil servants, and legal relations pertaining to situations of conflict of interest. The draft provides also for adoption of secondary legislation necessary for the practical enforcement of the mentioned issues.

For the purpose of ensuring the fulfilment of obligation to report on suspicions related to corruption and practically guaranteeing the protection of state officials reporting on corruption, a public/civil servant must, in accordance with the Law of the Republic of Armenia “On public service”, report to competent officials on offences committed by other servants and on any illegal, including corruptive, operations related to public service. According to the mentioned Law competent authorities must guarantee the security of that public servant. The procedure for reporting and guaranteeing the security of public/civil servant has been established by the Decision of the Government of the Republic of Armenia No 1816-N of 15 December 2011.

Mandatory trainings of civil servants on “Principles of integrity”, “Introductory course on anticorruption”, approved by the Civil Service Council of the Republic of Armenia, are currently being conducted in pursuit of organising practical training courses on ethics in public service and involving public service employees in such training programmes. Within the period of 2012 training programme one group of civil servants has undergone the training by the same programme and the training of another group is planned for September.

The Civil Service Council of the Republic of Armenia has been involved also in needs assessment joint activities, initiated by OECD SIGMA, for the development of training programs on ethics, and — based on the results of assessment of needs of the civil service system in Armenia — training programmes will be developed with the support of SIGMA.

3.4. Control Chamber

Pursuant to the information submitted by the Control Chamber of the Republic of Armenia, though the Control Chamber constantly attempts to be guided, in its activities, by the requirements of the Lima Declaration and the audit standards approved by the International Organisation of Supreme Audit Institutions (INTOSAI), there are, however, numerous unsettled problems that notably obstruct further progress of the Control Chamber.

Such problems also include the considerations that are specified in the second round of report, in particular:

- the issue of the independence of the Control Chamber,
- the issues of improving the activities of the Control Chamber to detect “fraud” and “corruption incidents”;
- the issue of developing cooperation with the law enforcement authorities in alerting them on suspicions of corruption;
- the issue of using the experience of the Control Chamber in organising trainings for public servants;
- ensuring cooperation with newly established internal audit units in private sector;

- the issue of establishing an additional function for the Control Chamber to submit recommendations for the purpose of raising the reliability of the public procurement system.

The Control Chamber has developed and approved, with the aim of addressing the mentioned and any other important issues, the Programme for Strategic Development of the Control Chamber of the Republic of Armenia and 2011-2016 Action Plan for Implementation thereof. The stated document has been coordinated with the EU SIGMA project. The action plan includes clear actions that are to be carried out using both own and partners' resources. To this end, the Control Chamber is holding active negotiations with international and donor organisations at this stage.

Thus, the guidance regarding the Control Chamber, included in the Second Round of the Monitoring Report on Armenia, Istanbul Anti-Corruption Action Plan, are in the process of implementation.

As regards financial control and audit, a number of activities have been carried out to this end, in particular:

Methodological instructions for applying the Standards of the Republic of Armenia for the Professional Practice of Internal Auditing that are designed for assisting internal auditors in applying the internal auditing standards correctly, were approved by the order of the Minister of Finance of the Republic of Armenia, in December 2011.

Internal audit manuals and guidelines for drafting a regulation were approved by the order of the Minister of Finance of the Republic of Armenia in February 2012. The mentioned guidelines establish all the procedures for internal auditing in organisations of the public sector, as well as the sample forms of reporting in accordance with international standards.

The general requirements for the internal audit unit and the Internal Audit Committee were also approved by the order of the Minister of Finance in February 2012.

The uniform system for information management of internal audit has been developed and has already been introduced and tested in 17 public administration and local self-government bodies of the Republic of Armenia due to which the documentation of planning, implementation, reporting and inspection procedures are carried out through the relevant computer software.

Pursuant to the schedule approved by the Annex to the Decision no 179-N "On making amendments to the Decision of the Government of the Republic of Armenia no 1233-N of 11 August 2011", during the 1st half of 2012, internal audit system was introduced in 54 public administration bodies, and appropriate activities, aimed at introducing internal audit system, were carried out in organisations and state non-commercial organisations that from 1 January 2011 to 31 December 2011 had a turnover or a gross income of more than AMD 500 million and with state participation of more than 50 per cent.

Currently, training of internal auditors is underway for the purpose of studying the new legislation. As of 25 June 2012, 75 employees from internal audit units of public administration bodies participated to the specified training courses.

The order of the Minister of Finance of the Republic of Armenia "On approving the procedures for holding qualification examinations that set the appropriate professionalism level of internal auditor and for continuous professional training of internal auditor" has been drafted, which will be submitted for approval after discussions with the concerned authorities. The above-mentioned procedure that will be implemented from January 2013, establishes the procedure for

holding qualification examinations and for conducting continuous professional training for internal auditor.

The Decision of the Government of the Republic of Armenia “On approving the procedures for conducting assessments of internal audit system of an organisation by persons not related to the activities of the organisation, for the purpose of guaranteeing and improving the internal audit quality of organisations, as well as the procedures for cooperation with external audit bodies in the sphere of internal audit” has been drafted that has been submitted to the consideration of the concerned bodies.

On 23 June of this year, the Law of the Republic of Armenia “On making amendments and supplements to the Law of the Republic of Armenia “On organising and conducting inspections in the Republic of Armenia” was adopted by the National Assembly of the Republic of Armenia which provided for introduction of a new risk-based system for conducting inspections. Pursuant to Article 2 of the Law, the Government of the Republic of Armenia establishes the methodology of risk-based inspections and the overview of the standards that define the potential risk. For the purpose of complying with the stated requirement of the Law, the bodies defined by the Law that conduct inspections, shall elaborate and submit to the approval of the Government of the Republic of Armenia the methodology of risk-based inspections in their sphere and the overview of the standards that define the potential risk. Based on the above-stated, the Inspectorate of Financial Control of the staff of the Ministry of Finance of the Republic of Armenia (hereinafter referred to as “the Inspectorate”) has elaborated, and the Government of the Republic of Armenia adopted, on 23 February 2012, the Decision no 207 of the Government of the Republic of Armenia “On approving the methodology of risk-based inspections to be conducted by the Inspectorate of Financial Control of the staff of the Ministry of Finance of the Republic of Armenia and the overview of the standards that define the potential risk”. In 2013, the annual programme of inspections to be conducted by the Inspectorate will be prepared based on the standards that define the potential risk, as approved by the above-stated Decision.

3.4. Financial control and audit

1. The Decision of the Government of the Republic of Armenia “On approving the procedures for conducting assessments of internal audit system of an organisation by persons not related to the activities of the organisation, for the purpose of guaranteeing and improving the internal audit quality of organisations, as well as the procedures for cooperation with external audit bodies in the sphere of internal audit” has been drafted and submitted to the approval of the Government of the Republic of Armenia under the prescribed procedure. Adoption of the specified draft decision will offer an opportunity for cooperation with external audit bodies in the sphere of internal audit in the organisations of private sector, as well as for the assessment of the effectiveness of the internal audit system.

2. Pursuant to 2011-2013 Strategy and Action Plan for Introduction of Public Internal Financial Control System, the following were elaborated and approved in 2012:

Order no 1050-N of 30 November 2012 of the Minister of Finance of the Republic of Armenia “On approving the procedure for establishing the internal audit framework and for describing the functions of the organisations of the public sector of the Republic of Armenia”;

Order no 1096 of 12 December 2012 of the Minister of Finance of the Republic of Armenia “On approving the sample form of internal audit regulation and the characteristics of its preparation”.

3. Pursuant to the schedule approved by the Annex to the Decision no 179-N “On making amendments to the Decision no 1233-N of 11 August 2011 of the Government of the Republic of Armenia”, in the course of 2012 internal audit system was introduced in 54 public administration bodies, in organisations acting under the governance thereof and state non-commercial organisations that from 1 January 2011 to 31 December 2011 had a turnover or a gross income of more than AMD 500 million, and with state participation of more than 50 per cent, as well as in 45 municipal communities of the Republic of Armenia, in commercial organisations with municipal, community participation that act under the governance of municipal communities, in municipal, community non-commercial organisations, in the institutions of municipal communities, in organisations, state non-commercial organisations that from 1 January 2011 to 31 December 2011 had a turnover or a gross income of more than AMD 500 million and with state participation of more than 50 per cent.

4. The continuous professional training of internal auditors of the private sector of the Republic of Armenia has been included in the list of priorities of the activities of the Government of the Republic of Armenia for 2013. The above-mentioned training is also provided for by Article 13(4)(2) of the Law of the Republic of Armenia “On internal audit”. For the purpose of compliance with the requirement of the Legislation, the Order of the Minister of Finance of the Republic of Armenia “On approving the procedure for continuous professional training of internal auditor” has been drafted that has been submitted to the consideration of the bodies concerned. The opinions received upon the draft order are currently summarised, whereafter the draft order will be submitted for approval and state registration, as prescribed by law.

5. For the purpose of ensuring the process of accreditation of internal auditors in accordance with the requirement of Article 15(2) of the Law of the Republic of Armenia “On internal audit”, training courses on the topic of “Internal audit of the public sector” have been organised by the Ministry of Finance of the Republic of Armenia starting from 19 March 2012. Up to now, 217 employees from public administration bodies, Yerevan municipality and internal audit units of municipal communities have participated to the specified training courses. In compliance with the requirement of Article 13(4)(2) of the Law of the Republic of Armenia “On internal audit”, the Order of the Minister of Finance of the Republic of Armenia “On approving the procedure for holding qualification exams that set the appropriate professionalism level of internal auditor” has been drafted and submitted to the consideration of the concerned bodies, in order to ensure the accreditation process since 2013.

- Meanwhile, we recommend supplementing the Subsection “Financial control, internal audit and inspection” of Section 3.4 “Financial control and audit” of the Report with the following paragraph:

“The Law of the Republic of Armenia “On making amendments and supplements to the Law of the Republic of Armenia “On organising and conducting inspections in the Republic of Armenia”” was adopted by the National Assembly of the Republic of Armenia on 23 June 2011, which provided for introduction of a new risk-based system for conducting inspections. Pursuant to Article 2 of the Law, the Government of the Republic of Armenia shall establish the methodology of risk-based inspections and the overview of the standards that define the potential risk. For the purpose of complying with the stated requirement of the Law, the bodies defined by the Law that conduct inspections, shall elaborate and submit to the approval of the Government of the Republic of Armenia the methodology of risk-based inspections in their sphere and the overview of the standards that define the potential risk. Based on the above-stated, the Inspectorate of Financial Control of the staff of the Ministry of Finance of the Republic of Armenia has elaborated and the Government of the Republic of Armenia adopted, on 23 February 2012, the Decision no 207 of the Government of the

Republic of Armenia “On approving the methodology of risk-based inspections carried out by the Inspectorate of Financial Control of the staff of the Ministry of Finance of the Republic of Armenia and the overview of the standards that define the potential risk”. The annual programme of inspections conducted by the Inspectorate in 2013 has already been prepared based on the standards defining the potential risk approved by the above-stated Decision and has been posted on the official website of the Ministry of Finance of the Republic of Armenia in compliance with the requirements of the law.

3.5. Corruption in public procurement

Since 1 January 2012, the use of e-procurement system of the Republic of Armenia has been implemented, as a result of which open procurement processes are organised electronically by the public administration bodies of the Republic of Armenia, through www.armeps.am website. In particular, almost 35 open procedures were organised electronically during the first half of 2012. Monitoring over the implementation of the use of e-procurement system has also been exercised by the Ministry of Finance of the Republic of Armenia, and customers and procurement participants have been provided with necessary methodical assistance. Works are underway aimed at revealing the inconsistencies that exist between the procurement processes organised by the procedure established by the procurement legislation of the Republic of Armenia and though the mentioned website at the time of application of open and simplified procedures, framework agreements provided for by the Law of the Republic of Armenia “On procurement”, as a result of which measures will be taken to eliminate them.

Pursuant to the new Law of the Republic of Armenia “On procurement”, adopted on 22 December 2010 by the National Assembly of the Republic of Armenia and entered into force on 1 January 2011, that complies with the standards established by the EU, Complaint Review Board was established that was composed of not only the representatives of the state authorities of the Republic of Armenia, but also of the representatives of the communities, the Central Bank of the Republic of Armenia and the non-governmental organisations representing the private sector. The list of the members to the Complaint Review Board is published in www.gnumner.am website of the authorised body (Ministry of Finance of the Republic of Armenia).

The Procedure for the Activity of the Procurement Complaint Review Board was approved by the Procurement Complaint Review Board on 5 March 2012.

Seminar-workshops were organised for the members of the Procurement Complaint Review Board by the experts of the EU SIGMA project in February and May of 2012, as a result of which the participants were introduced with the EU procurement directives.

In cooperation with the GIZ, a new project has been launched which is envisaged for regulating the procurement information flows submitted to the Ministry of Finance of the Republic of Armenia, as well as for carrying out activities aimed at standardisation of such information flows and preparation of electronic databases.

For the purpose of assessing the qualification of procurement coordinators, examinations on procurement legislation of the Republic of Armenia have been organised for assessing the knowledge of 78 procurement coordinators from the ministries of the Republic of Armenia. As a consequence, 59 procurement coordinators have passed the mentioned examinations and have been included in the list of qualified procurement specialists, which shall be published by the Ministry of Finance of the Republic of Armenia. The specified process is still ongoing: currently, procurement coordinators from

other public administration bodies of the Republic of Armenia take examinations, while procurement coordinators of other customers will take the examinations till the end of 2012.

3.6. Access to information

1. In order to ensure implementation of the Law of the Republic of Armenia “On Freedom of Information”, non-confidential information shall be recorded by the secretariat of the Head of the Police pursuant to the requirements of the Order of the Head of the Police of the Republic of Armenia no 12 of 27 December 2003. Non-confidential documents shall be registered and recorded in the register of non-confidential documents. In the Police of the Republic of Armenia, confidential information shall be recorded in the confidential letters registration and record book, pursuant to the requirements of the Order of the Head of the Police of the Republic of Armenia no 2-NG of 18 February 2005. Information subject to classification shall be kept on electronic carriers that shall be recorded in relevant registers.

All the subdivisions of the Police of the Republic of Armenia shall be provided with the above-mentioned registration and record books.

2. Through the official website of the Police of the Republic of Armenia citizens may make electronic requests to the Head of the Police of the Republic of Armenia, the deputy heads of the Police of the Republic of Armenia, the heads of separate services regarding both the failure to answer the inquiries made by them and other illegal actions of police officers. Such requests serve as a basis for the management of the Police to study and verify once again the legal grounds for rejecting the inquiries made by citizens. The Police definitely inform, by electronic or any other means, the citizen having made the request about the verification process and the decisions made following it.
3. “Defamation” and “Offence” types of crime were decriminalised by the Law of the RA National Assembly of HO-98-N of 18 May 2010, and the procedure and conditions of compensation for the damage incurred thereby were prescribed by civil legislation.
4. Pursuant to Article 27(g) of the Law of the Republic of Armenia “On legal acts”, public discussions on all types of regulatory and legal acts are definitely carried out in the Republic of Armenia.

3.7. Political corruption

Funding of political parties and electoral campaigns

The legal relationships of funding of political parties and electoral campaigns are regulated by the Law of 3 July 2002 “On political parties” and the Electoral Code adopted on 26 May 2011.

The last paragraph of the mentioned section of the Report specifies that no restrictions are provided for by the Law of the Republic of Armenia “On political parties” with regard to the amount of donations to political parties by natural and legal persons. It should be stated in this connection that a relevant amendment was made to the Law of the Republic of Armenia “On political parties” on 9 February 2012, according to which: “*The total amount of donation made to the political party, and of the works performed for and the services delivered to a political party, expressed in monetary terms (hereinafter referred to as “donation”), in the course of one year, may not exceed one-million-fold of the prescribed minimum salary, including:*

- 1) *ten-thousand-fold of the prescribed minimum salary, when received from one commercial organisation;*

- 2) *thousand-fold of the prescribed minimum salary, when received from one non-commercial organisation;*
 - 3) *ten-thousand-fold of the prescribed minimum salary, when received from one natural person.*
- (Article 25(2) of the Law of the Republic of Armenia “On political parties”).*

By the way, pursuant to Article 3 of the Law of the Republic of Armenia “On minimum salary”, the basis for calculating the minimum salary shall be AMD 1000.

Limitations are envisaged for donations to election funds of the candidates for the President of the Republic, the deputies of the National Assembly, the head of community and members of council of elders. Though such limitations existed also previously, the amounts of contribution made to election funds of the candidates were reviewed due to the change of the principle of creation of election funds of candidates and political parties by the new Electoral Code. So, the change of the principle is that legal persons have been deprived of the right to make contributions to election funds, and conditions have been created so that such funds are largely made up of voluntary contributions of natural persons having the right of suffrage (Electoral Code of the Republic of Armenia, Article 25(2) and (3)).

Thus, the maximum amount of expenditures in the election fund of the candidate for the President of the Republic shall not exceed 100 000-fold of the minimum salary, from which up to 5000-fold may be paid by the candidate, 25 000-fold - by the political party having nominated the candidate, and the other 70 000-fold should be made up of voluntary contributions of natural persons having the right of suffrage, in the amount of 100-fold of the minimum salary paid by each natural person. (Electoral Code of the Republic of Armenia, Article 88).

The maximum amount of expenditures in the election fund of the political parties running in the elections to the National Assembly under the proportional electoral system, the alliances of political parties shall not exceed 100 000-fold of the minimum salary, from which up to 15 000-fold may be paid by political party running in the elections under the proportional electoral system or by the political parties included in the alliance of parties, and the other 85 000-fold should be made up of voluntary contributions of natural persons having the right of suffrage, in the amount of 100-fold of the minimum salary paid by each natural person. (Electoral Code of the Republic of Armenia, Article 122).

The maximum amount of expenditures in the election fund of the candidates for deputies under the majoritarian electoral system shall not exceed 10 000-fold of the minimum salary, from which up to 1 000-fold may be paid by the candidate, 2 000-fold — by the political party having nominated the candidate, and the other 7 000-fold should be made up of voluntary contributions of natural persons having the right of suffrage, in the amount of 100-fold of the minimum salary paid by each natural person. (Electoral Code of the Republic of Armenia, Article 122).

Certain limits are also envisaged for the maximum amount of the expenditures of the election funds of the candidates for a head of community and a member of council of elders and for the contributions made to the fund, which, for every specific case, is based on the number of the electors of the community where the elections are conducted. (Electoral Code of the Republic of Armenia, Article 140).

Transparency and control of funding of political party and electoral campaigns

Important recommendations regarding the transparency of funding of political parties and electoral campaigns and control over them have also been made by GRECO in its Third Round of Assessment Report on “Transparency of funding of political parties in

Armenia”. The recommendations have been taken into account while making amendments and supplements to the Law of the Republic of Armenia “On political parties” and adopting the new Electoral Code. In particular, in order to ensure a higher level of transparency and publicity of funding of political parties, the Law of the Republic of Armenia “On political parties” has enshrined that political parties shall, in addition to publishing their financial statements through mass media, be obliged to publish such financial statements in the official website of public announcements of the Republic of Armenia (Law of the Republic of Armenia “On political parties”, Article 28(2)).

It has been envisaged that the political parties possessing assets with the value exceeding the ten-thousand-fold of the minimum salary defined by law and the political parties having received funding from the State Budget as prescribed by law, shall be obliged to publish the statements only after undergoing audit and along with the audit opinion. (Law of the Republic of Armenia “On political parties”, Article 28.1)

Significant progress has also been made in the sphere of transparency of funding of election campaigns. In particular, pursuant to Article 25(1) of the Electoral Code: *“Candidates, political parties running in the elections under the proportional electoral system, alliances of political parties shall open an election fund for the purpose of funding their election campaign”*. Pursuant to part 7 of the same Article: *“Banks where temporary special accounts are opened, shall submit a statement on financial inflows and outflows of elections funds of candidates, political parties and alliances of political parties to the Oversight and Audit Service of the Central Electoral Commission with a periodicity of three working days after the expiry of the time limit specified by the Electoral Code for registration of electoral lists of candidates, political parties and alliances of political parties. The Oversight and Audit Service shall summarise such data, compile a brief statement and post it on the website of the Central Electoral Commission.”*

Candidates, political parties, alliances of political parties shall submit a declaration, in their turn, to the Oversight and Audit Service of the Central Electoral Commission on the contributions made to their election funds and the use thereof, on the tenth and twentieth day after commencing the election campaign, as well as not later than three days before the relevant time limits defined by this Code for summarising election results. Copies of documents substantiating the campaign expenditures shall be attached to declaration (contracts, payment orders, invoices, etc.). (Electoral Code of the Republic of Armenia, Article 27(1)).

The Oversight and Audit Service shall, within two days after receiving the declarations on the use of means of election funds of candidates, political parties, alliances of political parties, verify, prepare a statement based on the results of the verification and submit it to the consideration of the Central Electoral Commission. After being discussed in the session of the Commission, the statement and the declarations shall be posted in the website of the Central Electoral Commission (Electoral Code of the Republic of Armenia, Article 27(4) and Article 28(6)).

Previously, control over the current financial activities of political parties was exercised by the Ministry of Justice, and the Oversight and Audit Service of the Central Electoral Commission exercised supervision over the funding of election campaign. Consequently, the fact that these two functions were carried out by different bodies and the lack of coordination between them, made it impossible to have the overall picture of financial activities of political parties. To improve the situation, as well as to examine the alleged violations of regulatory norms regarding the funding of political parties and to impose sanctions, as appropriate, it was necessary to create a single body that would exercise supervision over the funding of political parties and election campaign and would be empowered with necessary powers.

Thus, Article 28 of the Electoral Code adopted on 26 May 2011 stipulated: *“In order to exercise supervision over the use of funds provided to electoral commissions, the staff of the Central Electoral Commission, contributions made to election funds, their calculation and expenditures, the*

Central Electoral Commission shall create an Oversight and Audit Service. The Oversight and Audit Service shall also exercise supervision over current financial activities of political parties”.

It was stipulated by the third part of the same Article that the post of the Head of the Oversight and Audit Service shall be a civil position and that he shall be appointed by the decision of the Central Electoral Commission and may not be a member of any political party; while the other two employees of the Service shall be civil servants.

For the purpose of ensuring the practical application of this legislative norm, the Central Electoral Commission adopted the Decision no 54-N “On creating an Oversight and Audit Service and establishing the procedure for the activity of the Oversight and Audit Service” on 11 August 2011. Then, the Decision no 67-N of 26 January 2012 of the Government of the Republic of Armenia “On making amendments to the Decision no 56-N of 5 February 2004 of the Government of the Republic of Armenia” has stipulated the following: “The Ministry of Justice of the Republic of Armenia shall be recognised as the state authorised body exercising supervision — except for the supervision over the current financial activities of political parties — over the compliance, by political parties, with the requirements of the Law of the Republic of Armenia “On political parties”. The correlated analysis of the above-mentioned legal norms makes it clear that the state authorised body that exercises supervision over the current financial activities of political parties, is deemed to be the Central Electoral Commission of the Republic of Armenia, represented by the Oversight and Audit Service established thereby. Then, for implementation of Article 28(3) of the Law of the Republic of Armenia “On political parties” the Central Electoral Commission, by its Decision no 26-N of 6 February 2012, established the procedure for submission of financial statements to the Central Electoral Commission of the Republic of Armenia by political parties, the form of the statements and the procedure for filling it in, based on which the political parties submitted their financial statements to the Oversight and Audit Service of the Central Electoral Commission of the Republic of Armenia in 2011.

In our opinion, it is not appropriate to speak about effective supervision over the funding of political parties and election campaign by the Oversight and Audit Service of the Central Electoral Commission without having any power to examine the alleged violations of the regulatory norms concerning the funding and, where necessary, to impose sanctions. Thus, the logical continuation of the above-mentioned reforms was the relevant amendments and supplements made to the Administrative Offences Code of the Republic of Armenia on 9 February 2012, as a result of which the Administrative Offences Code was supplemented with four new articles (189.13, 189.14, 189.15 and 189.16), which imposed liability for failure to provide the state authorised body with the report on the funds received and spent by the political party for the reporting year or to publish it, for failure to provide the state authorised body with the documents defined by law, failure to make non-cash contributions to political parties exceeding 100-fold of the prescribed minimum salary, failure to transfer the donations, received by political parties, exceeding the amount defined by the law or not permitted to the State Budget within the defined time limits defined by law or failure to transfer them to the donor. By virtue of Article 214 and 223.2 of the same Code, the Central Electoral Commission has been considered as the authorised body for investigating cases relating to administrative offences provided for by Articles 189.13, 189.14 and 189.15 of the Code. In our opinion, the above-stated reforms ensure necessary favourable environment for more effective supervision over funding of political parties and election campaign.

Certain penalties have also been envisaged for violating the procedure established for funding of election campaign. In particular, pursuant to Article 26 of the Electoral Code: “Where it is substantiated that the goods or services rendered for election campaign are not included in the expenditures of election fund in their market value, the Central Electoral Commission shall make a decision that a candidate, a political party, an alliance of political parties shall be obliged to transfer

an amount in the three-fold of the expenditures not included in the expenditures of election fund to the State Budget”.

Where it is substantiated that the expenditures made for election campaign of a candidate, a political party, an alliance of political parties have exceeded the limit of election fund defined by the Code, electoral commission shall make a decision that a candidate, a political party, an alliance of political parties shall be obliged to transfer to the State Budget an amount in the three-fold of the amount exceeding the limit of election fund prescribed by this Code.

Where the difference between the limit of the amount spent for election campaign and of the amount defined by Article 26(3) and (4) to be paid to the State Budget and the limit of the election fund defined by this Code is more than ten per cent of the limit of election fund prescribed by this Code, the court, upon application of the electoral commission, shall repeal the registration of the candidate or of the electoral list of the political party, or the alliance of political parties.

By summing up the above-stated and referring to the new recommendation 3.7 of the Report, it should be stated that they are fully reflected in legal acts regulating the legal relationships of funding of political parties and election campaign.

In particular:

1. Pursuant to Article 28(2) and (3) of the Law of the Republic of Armenia “On political parties”: “Every year not later than 25 March following the reporting year, political parties shall be obliged to publish in printed media, under the procedure prescribed by law, a statement on the funds received and spent by the parties during the reporting year, and, in the cases provided for the law, the audit opinion thereon, as well as to post it, under the prescribed procedure, in the official website of public announcements of the Republic of Armenia.

The statement on the funds received and spent by the party during the reporting year shall contain data on sources and amounts of funds deposited on the account of the party, spending of such funds, as well as the property in possession and its value.

The Electoral Code of the Republic of Armenia has ensured, in its turn, the publicity of contributions made to election funds of candidates, political parties and alliances of political parties and of declarations regarding the use thereof, as well as that of the statements prepared based on such declarations. Thus, the Code has enshrined that the Oversight and Audit Service shall, within two days after receiving the declarations on the use of means of election funds of candidates, political parties and alliances of political parties, verify, prepare a statement based on the results of the verification and submit it to the consideration of the Central Electoral Commission. After being discussed in the session of the Commission, the statement and the declarations shall be posted in the website of the Central Electoral Commission.

2. The staff of the Central Electoral Commission of the Republic of Armenia, and the Oversight and Audit Service have the required number of staff employees. The Oversight and Audit Service, in addition to the head of the Service, whose post is a civil position, has two more employees that are considered as civil servants, and they have been selected and appointed in strict compliance with the requirements of the legislation on civil service. The issue of civil independence of the Head and employees of the Service has also been addressed by legislation. In particular, pursuant to Article 28(3) of the Electoral Code: “The Head of the Service may not be a member to any political party” and as regards the employees of the Service, the principle of political restraint of civil servants specified by Article 5(e) of the Law of the Republic of Armenia “On civil Service” shall apply.

Besides, Article 28(5) of the Code provides a possibility of involving up to five specialists in the Oversight and Audit Service on contractual basis for up to one month period at national elections,

elections to the Yerevan Council of Elders and local self-government bodies. Selection of the specialists shall also be carried out based on their qualification, experience and other standards.

The Electoral Code has also enshrined that: *“For the purpose of exercising supervision over the contributions made to election funds, the calculation and expenditures thereof, every faction of the National Assembly shall, within a period of ten days after calling national elections and elections to the Yerevan Council of Elders, shall appoint one auditor having received an auditor’s qualification in the Republic of Armenia and having the right of suffrage. Auditors appointed to the Service by the factions of the National Assembly shall work on a voluntary basis. Their activities shall cease on the fifth day following the publication of results of the elections”*.

3. As regards the development of effective cooperation between the Central Electoral Commission and the Oversight and Audit Service, it should be mentioned that effective collaborative relations have been established between them which makes it possible to address promptly any problem regarding the public funding of political parties.

3.8. Corruption in the Judiciary

Develop a dialogue between government and private sector on prevention of corruption and further involve private sector in development and simplification of business legislation.

Raise awareness by government on integrity in business, corporate responsibility and public-private partnerships.

In connection with the issues raised in Subsection “Corporate ethics, government-private sector dialogue” of Sector 3.9 (“Integrity in the private sector”) of the Report, we would like to inform that the Corporate Governance Code of the Republic of Armenia (hereinafter referred to as “the Code”) has been approved by the Decision no 1769 of 30 December 2012 of the Government of the Republic of Armenia. The Code has been drafted due to the constructive dialogue launched among the Government of the Republic of Armenia and the Central Bank of the Republic of Armenia, NASDAQ OMX ARMENIA as the operator of the stock exchange of Armenia, European Bank for Reconstruction and Development (EBRD) and International Finance Corporation (IFC) aiming at drafting optional provisions that should be applied by the listed companies, banks, insurance companies, pension funds and state-owned companies for the purpose of improving their corporate governance practice.