

GOVERNMENT OF THE REPUBLIC OF ARMENIA

D E C I S I O N

No 1521-N of 13 October 2011

ON APPROVING THE PROCEDURES FOR SELECTING AND DETERMINING THE QUALIFYING STANDARDS FOR THE ORGANISER OF THE FREE ECONOMIC ZONE, ISSUING PERMITS TO THE OPERATORS IN THE FREE ECONOMIC ZONE AND TERMINATION THEREOF, AS WELL AS REQUIREMENTS FOR THE BUSINESS PLAN SUBMITTED BY THE OPERATOR AND EVALUATION THEREOF AND TECHNICAL REQUIREMENTS FOR BORDERLINE OF THE FREE ECONOMIC ZONE, AS WELL AS MAKING AMENDMENTS TO THE DECISION No 844 OF 22 JUNE 2002

Having regard to parts (1), (3), and (6) of Article 4 and point (2) of part (1) of Article 6 of the Law of the Republic of Armenia "On Free Economic Zones" (hereinafter referred to as "the Law"), the Government of the Republic of Armenia hereby d e c i d e s:

1. To approve:

(1) the procedure for selecting and determining the qualifying standards for the organiser of the free economic zone;

(2) the qualifying requirements for issuing permits to the operators in free economic zones and termination thereof, as well as the requirements for the business plan submitted by the operator and its evaluation, in accordance with Annex 2;

(3) the procedure for qualifying technical requirements for the borderline of the free economic zone, in accordance with Annex 3.

2. To recognise the Ministry of Economy of the Republic of Armenia as the authorised public administration body defined by law.

3. To the Minister of Economy of the Republic of Armenia and the Minister of Finance of the Republic of Armenia - to approve the form of the permit certificate within a three-month period following the entry into force of this Decision.

4. To repeal subpoints 1(g) and (j) of the Decision of the Government of the Republic of Armenia No 844 of 22 June 2002 “On approving the procedures for licensing certain types of activities subject to license under the Customs Code of the Republic of Armenia”.

5. This Decision shall enter into force on the tenth day following the day of the official promulgation.

PRIME MINISTER

OF THE REPUBLIC OF ARMENIA

T. SARGSYAN

1 November 2011

Yerevan

to the Decision of the Government of the Republic of Armenia

No 1521-N of 13 October 2011

P R O C E D U R E

FOR SELECTING AND DETERMINING THE QUALIFYING STANDARDS FOR THE ORGANISER OF THE FREE ECONOMIC ZONE

I. G E N E R A L P R O V I S I O N S

1. This Procedure (hereinafter referred to as “the Procedure”) determines the procedures and standards for the selection of the organiser of the free economic zone in the Republic of Armenia.
2. The definitions used in this procedure derive from the Law of the Republic of Armenia “On Free Economic Zones” and shall have the same meanings as per the referred Law.
3. The organiser shall carry out its activities in the manner defined by the legislation of the Republic of Armenia, on behalf of the Government of the Republic of Armenia based on the agreement concluded with the Ministry of Economy of the Republic of Armenia (hereinafter referred to as “the authorised body”).

II. P R O C E D U R E F O R S E L E C T I N G T H E O R G A N I S E R

4. With a view to organising a free economic zone, upon the decision of the Government of the Republic of Armenia, the legal person may be selected as the organiser of the free economic zone, in the following two cases of establishing free economic zones:
 - (1) at the initiative of the Government of the Republic of Armenia;
 - (2) at the private initiative.

5. The selection of the organiser of the free economic zone created at the initiative of the Government of the Republic of Armenia and the conclusion of the agreement shall be carried out in accordance with the following procedure:

(1) following the adoption of the Decision of the Government of the Republic of Armenia “On establishing a free economic zone”, the authorised body shall carry out the selection of the Organiser of the free economic zone in accordance with the procedure defined by the Law of the Republic of Armenia “On Procurements”, applying competitive dialogue procedure;

(2) the Organiser shall be selected upon the evaluation results of bids based on the evaluation standards referred to in Chapter IV of the Procedure;

(3) the authorised body shall send the selection results to the Government of the Republic of Armenia for its approval;

(4) within 30 days after the Decision of the Government of the Republic of Armenia “On approving the Organiser of the free economic zone” enters into force, the Government of the Republic of Armenia represented by the authorised body shall conclude an agreement on organising a free economic zone with the selected organisation.

6. The establishment of a free economic zone at the private initiative, the selection of the Organiser and the conclusion of the agreement shall be carried out in accordance with the following procedure:

(1) With a view to establishing a free economic zone in the territory of the Republic of Armenia at the private initiative, the initiator shall submit a bid to the Government of the Republic of Armenia;

(2) The bid shall comprise the following documents:

(a) the application;

(b) the list and tariffs of services provided by the Organiser;

(c) the description of the free economic zone, the objective of its establishment, main directions of activities;

(d) the location, blueprint of the premises, as well as the design of constructions in case there are any constructions available at the premises;

(e) the business plan, which should be consistent with the standards referred to in Chapter IV of the Procedure;

(3) with a view to evaluating the bid of the private organisation submitted for the establishment of a free economic zone, a standing interagency commission shall be established upon the decision of the Prime Minister of the Republic of Armenia (hereinafter referred to as “the Commission”);

(4) the Commission shall, within 20 days, evaluate the documents included in the bid in accordance with the bid evaluation standards defined in the Procedure, and shall submit a conclusion on the establishment of a free economic zone to the Government of the Republic of Armenia;

(5) The Government of the Republic of Armenia shall consider the issue of appropriateness of establishing a free economic zone and recognising a private entity as the Organiser of a free economic zone, as a result of which the bid shall be either awarded or refused;

(6) the authorised body shall, within 3 days following the rendered decision, communicate to the initiator of the Decision of the Government of the Republic of Armenia;

(7) within 30 working days after the decision of the Government of the Republic of Armenia on establishing a free economic zone and approving the Organiser of the free economic zone enters into force, the Government of the Republic of Armenia represented by the authorised body, shall conclude an agreement on organising a free economic zone.

III. STRUCTURE OF THE COMMISSION

7. The Commission shall comprise 9 persons: the chairperson, secretary and 7 members. The chairperson of the Commission shall be the head of the authorised body, and the secretary shall be the head of the relevant subdivision of the authorised body.

8. The minutes of each Commission sitting shall be taken. The minutes shall be signed by the chairperson of the Commission and by other members having attended the sitting.

9. The sitting of the Commission shall have a quorum, if attended by at least two thirds of the members of the Commission, and in case less than two thirds of the members of the Commission attended, the sitting shall be considered failed and a new sitting shall be appointed. The Commission shall inform all bidders of the day and time of the new sitting.

10. In case of the absence of the chairperson of the Commission, the activities of the Commission shall be managed by any member of the Commission upon the decision of the chairperson.

IV. BID EVALUATION STANDARDS

11. The following are the bid evaluation standards:

- (1) The compliance of the activities of each potential operator with the objective of establishing a free economic zone;
- (2) the list and tariffs for services provided by the Organiser;
- (3) the amount, purpose and terms of the investments, including the types of investments, whether financial or property;
- (4) the compliance with the requirements referred to in Article 6 of the Law, including engineering design (hereinafter referred to as “the design”) and visual outline, or the provision of grounds for not observing the requirements referred to in Article 6(1)(1) of the Law;
- (5) measures aimed at recognising the free economic zone and branding, including availability of marketing contracts, involving international brands and other operators in the free economic zone and activities aimed at supporting export of the products manufactured and services provided in the free economic zone and expected outputs;
- (6) experience in the field of organising a free economic zone (will be considered as advantage);
- (7) division of obligations between the Organiser and the state, and the extent of involvement of the parties;
- (8) justification of the necessity to establish a free economic zone (only in case of the private initiative);
- (9) environmental assessment;
- (10) the number of jobs to be created by the Organiser and the amount of average salary.

CHIEF OF STAFF OF THE GOVERNMENT

OF THE REPUBLIC OF ARMENIA

D. SARGSYAN

to the Decision of the Government of the Republic of Armenia

No 1521-N of 13 October 2011

**PROCEDURE FOR THE GRANTING OF PERMITS TO THE OPERATORS OF FREE
ECONOMIC ZONES AND FOR THE TERMINATION THEREOF, AS WELL AS BUSINESS PLAN
REQUIREMENTS SUBMITTED BY THE OPERATOR AND THE ASSESSMENT PROCEDURE
THEREOF**

I. GENERAL PROVISIONS

1. This Procedure (hereinafter referred to as "the Procedure") shall define the procedures for the granting of permits to the operators of free economic zones and for the termination thereof, as well as business plan requirements submitted by the operator and the assessment procedure thereof.
2. Definitions used in this Regulation shall arise from the Law of the Republic of Armenia "On Free Economic Zones" and shall have the meanings envisaged by the referred law.
3. Operators of free economic zones shall be deemed to be commercial legal persons, individual entrepreneurs and representations of foreign organisations (hereinafter referred to as "operator"), which have been granted the relevant permit as prescribed by this Procedure, have concluded a contract with the Organiser and are registered within the Republic of Armenia.
4. The permit to operate within the free economic zone shall be granted for the period requested by the operator, but not longer than the end of operation of the free economic zone.

II. THE PROCEDURE FOR GRANTING THE PERMIT

5. The permit to operate within the free economic zone shall be granted upon the Decision of the Government of the Republic of Armenia, based on the opinion submitted by the Commission following the assessment of the applicant's business plan as prescribed by point 10 of the Annex No 1 of the Decision of the Government of the Republic of Armenia No 1521 of 13 October 2011.

6. The application submitted to the Commission shall comprise the following documents:

(1) application (in prescribed form);

(2) business plan, which must meet the standards referred to in Chapter IV of the Regulation;

(3) statement submitted by the Organiser on conditions of carrying out activities within the free economic zone.

7. The Commission shall, within a 15-day period, examine the submitted documents, assess the business plan on the basis of standards defined in the Procedure and submit a relevant opinion to the Government of the Republic of Armenia for consideration.

8. The Government of the Republic of Armenia shall, within a 21-day period, adopt a relevant decision on either granting a permit or refusing the application. The ground for refusing the application shall be the non-compliance of the application with business plan requirements prescribed by this Procedure.

9. The applicant and the Organiser shall conclude a contract within 3 months after the decision to grant the permit enters into force.

10. Following the conclusion of the contract, the Ministry of Economy of the Republic of Armenia (hereinafter referred to as "the authorised body") shall, within a 3-day period, grant a permit certificate to the applicant. The form of the certificate shall be defined upon the joint Decision of the head of the authorised body and the Minister of Finance of the Republic of Armenia.

11. Upon granting the certificate, the authorised body shall, within a 1-day period, submit the copy of the certificate to the State Revenue Committee adjunct to the Government of the Republic of Armenia.

12. The authorised body shall keep a register of permits granted to the operators, which shall be published on the official website of the authorised body.

13. The availability of the register shall serve as a ground for applying the privileges granted to the operator as per the legislation of the Republic of Armenia.

III. THE PROCEDURE FOR TERMINATING THE OPERATOR'S PERMIT

14. The decision on terminating the operator's permit shall be adopted by the Government of the Republic of Armenia on the basis of the opinion submitted by the authorised body.

15. The operator's permit shall be terminated upon one of the following reasons:

- (1) the request of the operator;
- (2) the termination of the contract between the organiser and the operator;
- (3) the liquidation of the free economic zone;
- (4) the expiry of the term set by the permit;
- (5) the violation of or non-compliance with the requirements prescribed by the permit;
- (6) the violation of the requirements of Article 11(1) of the Law of the Republic of Armenia "On free economic zones".

16. Disputes regarding the termination of the permit shall be regulated as prescribed by the legislation of the Republic of Armenia.

IV. BUSINESS PLAN REQUIREMENTS AND ITS ASSESSMENT STANDARDS

17. The business plan (hereinafter referred to as "the plan") shall be assessed by the Commission, by applying weight coefficients for each of the assessment standards where the sum

total of these coefficients should not exceed 100 units. Considering the operational significance of the free economic zone, the weight coefficient for each of the standards shall be determined by the Commission prior to the assessment.

18. The plan shall be assessed based on the following standards:

- (1) export policy, destinations and volumes;
- (2) compliance of the plan with the aims of establishing the free economic zone and its operational nature;
- (3) use of technological innovations;
- (4) number of employees and other social actions;
- (5) amount of total investments;
- (6) information on key strategic partners (where appropriate).

19. The assessment standards defined by point 18 of this Procedure shall also be included in the business plan requirements.

CHIEF OF STAFF OF THE GOVERNMENT

OF THE REPUBLIC OF ARMENIA

D. SARGSYAN

To the head of the authorised body

Applicants' full name_____

Legal address_____

Phone number_____

A P P L I C A T I O N

FOR RECEIVING A PERMIT TO OPERATE WITHIN THE FREE ECONOMIC ZONE

1. The Applicant_____

(applicant's full name and current address)

in the person of_____

(position, name, last name, patronymic name)

operating on the basis of _____

requests a permit to carry out _____

(type of activity)

«_____»

(name of the free economic zone)

(type of the free economic zone)

within the territory of the free economic zone.

2. Applicant's information

Registered address: _____

Phone number: _____

Fax: _____

Applicant's legal form as registered in the state register and registration number _____

3. Responsible contact person

Name, last name, patronymic _____

Position _____

Phone number: _____

Fax: _____

Mailing address: _____

E-mail address: _____

4. List of attached documents:

Statement

I hereby confirm that the information provided in this document is correct to the best of my knowledge and complete. I fully acknowledge that any false document or information shall entail criminal and administrative liability as prescribed by law. I agree to notify the authorised body of any change in the information provided by me above.

Signature _____

Date _____

day/month/year

to the Decision of the Government of the Republic of Armenia

No 1521-N of 13 October 2011

PROCEDURE

ON TECHNICAL REQUIREMENTS SET FOR THE BOUNDARIES OF THE FREE ECONOMIC ZONE

I. GENERAL PROVISIONS

1. This Procedure defines the technical requirements set for the boundaries of the free economic zones within the Republic of Armenia.
2. The entry and exit of the free economic zone are under the control of the Organiser and the customs authorities of the Republic of Armenia.

II. THE TECHNICAL REQUIREMENTS SET FOR THE BOUNDARY OF THE FREE ECONOMIC ZONE

3. Those free economic zones within the Republic of Armenia, the operational type whereof implies imports and exports of goods, must be demarcated in a way as to ensure its separation from the customs territory of the Republic of Armenia.

4. The boundaries of the free economic zone separating it from the customs territory of the Republic of Armenia must be demarcated by fencing it so that to exclude the possibility of importing and exporting or damaging goods beyond the customs control from the free economic zone. The fence of the free economic zone must be built at such a distance from the buildings and structures constructed in the territory of the free economic zone in order to exclude the possibilities of importing and exporting goods beyond the customs control from the free economic zone.

5. The following technical requirements are set for fencing the free economic zone:

(1) the fence must be built of stone, concrete or other material which ensures the isolation of the territory;

(2) the height of the fence must be not less than 2.5 metres;

(3) the fence must be uninterrupted through its whole borderline, except for the entry for natural persons, as well as the checkpoints intended for imports and exports of goods and transportation means;

(4) video cameras must be placed along the fence at such a distance so that it becomes possible to ensure the visibility of the whole territory;

(5) the fence must be illuminated from the two sides (inside and outside).

6. The whole outer part of the fence of the free economic zone is deemed to be the customs boundary of the Republic of Armenia.

7. In the event that the free economic zone is based in a building or several parts of a building, the windows of the building or the part of the building must be latticed with a metallic lattice, and the entry and exit must be separated and demarcated ensuring its detachment from the customs territory of the Republic of Armenia in order to exclude the possibilities of importing and exporting goods beyond customs control from the territory of the free economic zone.

8. The building or the part of the building deemed to be the free economic zone must be illuminated from the outside.

9. Video surveillance means must be placed in the building or the part of the building deemed as the free economic zone, keeping the whole of the building or the part thereof visible.

10. For the purpose of conducting due security control, the Organiser must be supplied with an area necessary for video surveillance conducted by customs authorities and the Organiser's security bodies (checkpoint).

11. The following technical requirements are set for the checkpoint of the free economic zone:

- (1) the checkpoint must have an area intended for carrying out customs formalities;
- (2) the checkpoint must have an area intended for carrying out customs control;
- (3) the checkpoint must have a separated area supplied with the appropriate equipment for customs brokers;
- (4) the checkpoint must be provided with buildings or equipment specially separated and adjusted for maintenance of goods, which are under the maintenance of customs authorities, and require special maintenance conditions (fragile and perishable items, requiring a certain regime of humidity and temperature – flammable, hazardous for the environment);
- (5) the checkpoint must be equipped with electronic weighing scales (including scales having the capacity of weighing at least 80 tonnes of vehicle and at least 150 tonnes of railways in the event that the supply of goods into and from the free economic zone is to be carried out via railway or automobile transport);
- (6) the checkpoint must be provided with devices and equipments necessary for detailed examination (x-raying, detecting radioactive means, etc.) pursuant to the requirements by the superior customs authority;
- (7) the checkpoint must be provided with communication and electronic technical equipments, internet and radio-telecommunication necessary for the officers of the customs authority to organise the customs formalities on-site;
- (8) the checkpoint must be provided with other technical means necessary for loading, unloading, carriage or transportation of goods;
- (9) the checkpoint must be provided with an audiovisual recording system.

12. The Organiser of the free economic zone must ensure the availability of the security service (own or hired) and the sound condition of security equipment for the purpose of assuring the protection of the territory of the free economic zone and checkpoint control, as well as of video and audio recording of the actions in the whole territory via remote controlled video cameras.

The video and audio records for each day must be kept separately in the computer or any other external media, which will give an opportunity to watch and hear the video and audio record clearly via numbering according to the date. The video records must indicate the date and hour of recording. The recorded video and audio sources must be kept at least for three years.

13. In the event of a damage of the fence during the exploitation of the free economic zone, the Organiser must forthwith eliminate the deficiencies and damages, moreover, during these activities the responsibility of ensuring the security of the free economic zone must be borne by the Organiser together with the security services.

CHIEF OF STAFF OF THE GOVERNMENT

OF THE REPUBLIC OF ARMENIA

D. SARGSYAN