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GOVERNMENT OF THE REPUBLIC OF ARMENIA

DECISION

N 1521-N, dated 13 October 2011

ON APPROVING PROCEDURES FOR SELECTING AND DETERMINING THE QUALIFYING STANDARDS FOR THE ORGANISER OF THE FREE ECONOMIC ZONES ELECTING OF AND DEFINING CRITERIA FOR AN ORGANIZER OF A FREE ECONOMIC ZONE, GRANTING AND WITHDRAWING PERMITS OF OPERATORS IN THE FREE ECONOMIC ZONE, AS WELL AS THE REQUIREMENTS TO AND THE EVALUATION PROCEDURE FOR A BUSINESS PLAN SUBMITTED BY AN OPERATOR AND TECHNICAL REQUIREMENTS SET FOR THE BORDERLINE OF THE FREE ECONOMIC ZONE, MAKING AMENDMENTS TO THE RA GOVERNMENT DECISION N 844 OF 22 JULY 2002, AND RECOGNIZING AN AUTHORIZED BODY IN THE FIELD OF STATE POLICY ON FREE ECONOMIC ZONES

(The heading edited by RA Government Decision N 1495-N, dated 17.12.15)

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 – translator.am

Annex N 1

To RA Decision N 1521-N, dated 13 October 2011

PROCEDURE

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

I. GENERAL PROVISIONS

1. This procedure (hereinafter “the Procedure”) defines the procedure for selecting and determining the qualifying standards for the organiser of the free economic zone in the Republic of Armenia.

2. Concepts used in the Procedure arise from the RA Law on Free Economic Zones and shall have the same meanings.

3. The organizer of the free economic zone shall perform its activities in the manner stipulated by the RA legislation, based on the contract signed with the RA Ministry of Economy on behalf of the RA Government (hereafter referred to as “the Authorized Body”).

II. THE PROCEDURE OF SELECTING AN ORGANIZER

4. For the purpose of organizing a free economic zone, a legal entity, by a decision of the RA Government, may be selected as an organizer of a free economic zone established in the following two cases:

- 1) on the initiative of the RA Government,
- 2) on the private initiative.

5. The selection of the organizer of the free economic zone established on the initiative of the RA Government and the signing of the contract shall be implemented in accordance with the following procedure:

1) After the RA Government adopts the decision on establishing the free economic zone, the Authorized Body shall implement the selection of the organizer of the free economic zone in the manner stipulated by the RA Law on Procurements, by applying the method of competitive dialogue (negotiations);

2) The organizer shall be selected in the result of evaluation of the bid, by applying the evaluation criteria specified in Section IV of the Procedure;

3) The Authorized Body shall submit the results of selection for the approval of the RA Government;

4) Within 30 (thirty) business days after the RA Government decision on the approval of the organizer of the free economic zone becomes effective, the RA Government, in the name of the Authorized Body, shall sign a contract on organizing the free economic zone with the selected organization.

6. The selection of the organizer of the free economic zone established on the private initiative and the signing of the contract shall be implemented in accordance with the following procedure:

1) For establishing a free economic zone in the territory of the Republic of Armenia, the initiator shall submit a bid to the Staff of the RA Government:

2) The bid shall represent in itself the integrity of the following documents_

a. an application

b. the list of services offered by the organizer and tariffs thereof

g. the description of the free economic zone, the purpose of its establishment and the main activity directions

d. the location of free economic zone, the plan of the area, and the design of structures in the area (if any), and

e. the business plan, which shall conform to the criteria specified in Section IV of the Procedure

3) To evaluate the bid submitted by the private organization for the establishment of the free economic zone, an interdepartmental standing committee shall be established by the decision of the RA Prime Minister (hereafter referred to as the “Committee”); the Staff of the RA Government shall deliver the bid to the Committee within 3 (three) business days;

4) The Committee, within 20 (twenty) business days, shall review the documents submitted by the bid, in accordance with the bid evaluation criteria defined by the Procedure, and submit a conclusion on the establishment of the free economic zone to the RA Government;

5) The RA Government shall discuss the issue of expediency of establishing a free economic zone and recognizing the private organization as the organizer of the free economic zone, and based on the discussion results issue a decision on satisfaction or rejection of the bid;

6) Within 3 (three) business days after the date of adoption of the decision, the Authorized Body shall inform the initiator about the decision of the RA Government;

7) Within 30 business days after the date when the RA Government decision on establishing a free economic zone and approving the organizer of the free economic zone becomes effective, the RA Government, in the name of the Authorized Body, shall sign with the initiator a contract on the organization of the free economic zone.

(Provision 6 amended and edited by RA Government Decision N 1495-N, dated 17.12.15 N)

III. THE STRUCTURE (COMPOSITION) OF THE COMMITTEE

7. The Committee shall be comprised of 9 (nine) individuals – the Chairman, the Secretary and 7 members. The Chairman of the Committee shall be the head of the Authorized Body, and the Secretary – the head of the respective subdivision of the Authorized Body.

8. A protocol (minutes) shall be produced for each session of the Committee. The protocols (minutes) shall be signed by the Chairman of the Committee and the members attending the particular session.

9. The session of the Committee shall be deemed valid if attended by 2/3 (two-thirds) of the Committee members and, if the attendance is less than 2/3 of the Committee members, the session shall be deemed invalid and a new session shall be called. The Committee shall notify all the bidders about the date and the time of the new session.

10. In the event of absence of the Chairman of the Committee, one of the Committee members shall lead the works of the Committee, by the decision of the Chairman of the Committee.

IV. BID EVALUATION CRITERIA

11. Bid evaluation criteria shall be:

1) Conformity of the activity of each potential operator to the purpose of establishment of the free economic zone;

2) The list of services and tariffs offered by the organizer;

3) The amount, the direction and the terms of investments, including the forms of investments – financial and property;

4) The compliance with the requirements of Article 6 of the Law, including the architectural and construction design (hereinafter “the design”) and the visual layout design (maquette), or ensuring the necessary substantiations for non-observance of the requirements stipulated by part 1 of Article 6.1 of the Law;

5) Measures directed at international recognition of the free economic zone and the brand promotion, including availability of marketing contracts, works directed at, and expected outcomes of, attracting international brands and other operators in the free economic zone and supporting export of goods and services produced/offered in the free economic zone;

6) The experience in the area of organizing free economic zones (will be considered as advantage);

7) Delegation of responsibilities of the organizer and the state, and the ratio of participation of the parties;

8) The substantiation of the necessity to establish a free economic zone (only in case of the private initiative),

9) The environmental impact assessment, and

10) The number of jobs to be created by the organizer and the size of the average wage.

(The Annex amended and edited by RA Government Decision N 1495-N, dated 17.12.15)

Chief of the Staff of the Government of the Republic of Armenia

D. Sargsyan

**Annex N 2
To RA Government Decision N 1521-N, dated 13
October 2011**

PROCEDURE ON GRANTING AND WITHDRAWING THE PERMITS OF OPERATORS IN THE FREE ECONOMIC ZONE, AS WELL AS THE REQUIREMENTS TO AND THE EVALUATION PROCEDURE FOR A BUSINESS PLAN SUBMITTED BY AN OPERATOR

I. GENERAL PROVISIONS

1. This Procedure (hereinafter “the Procedure”) defines procedures related to granting and withdrawing permits of operators of free economic zones in the Republic of Armenia, as well as the requirements to and the evaluation procedure for a business plan submitted by an operator.

2. Concepts used in the Procedure arise from the RA Law on Free Economic Zones and shall have the same meanings.

3. An operator of a free economic zone (hereinafter referred to as “operator”) shall be deemed a commercial legal person, an individual entrepreneur or a representation of a foreign organization registered in the Republic of Armenia, who has obtained a relevant permit and signed a contract with the organizer in accordance with the procedure stipulated by the Procedure.

4. The permit of operation shall be issued for a term specified by the operator, which cannot be longer than the end of operation of the free economic zone.

II. THE PROCEDURE OF GRANTING PERMIT

5. The permit of operators in the free economic zone shall be granted by a decision of the RA Government issued based on the conclusion of the bidder’s business plan evaluation results provided by the Committee specified in provision 6 (3) of Annex N 1 to the Procedure approved by RA Decision N 1521-N, dated 13 October 2011.

(Provision 5 amended and restated by RA Government Decision N 1495-N, dated 17.12.15)

6. The bid submitted to the Authorized Body shall represent in itself the integrity of the following documents_

1) an application (as per the form);

2) the business plan, which shall conform to the criteria specified in Section IV of the Procedure, and

3) a statement provided by the organizer about conditions of performing activities in the free economic zone.

(Provision 6 amended by RA Government Decision N 1373-N, dated 29.12.16)

7. Within a business day after receiving the bid, the Authorized Body shall send it electronically to the Committee members. Within 5 (five) business days after the date of receiving the bid, the Committee members shall review the submitted documents based on criteria defined by the Procedure and submit a bid evaluation.

(Provision 7 edited by RA Government Decision N 1373-N of 29.12.16)

7.1. The bid evaluations shall be submitted electronically.

(Provision 7.1 restated by RA Government Decision N 1373-N, dated 29.12.16)

7.2. In instances where a member of the Committee fails to submit a bid evaluation within 5 (five) business days, the results of evaluation of the particular member shall not be considered during the evaluation of the bid.

(Provision 7.2 restated by RA Government Decision N 1373-N, dated 29.12.16)

7.3. A session of the Committee shall be called in the following cases (grounds):

a. if the bid has not met the lowest passing threshold in the result of the bid evaluation;

b. if the bid has not been evaluated by at least 1/3 (one-thirds) of the Committee members, or a member of the Committee has submitted the Chairman a substantiation on the necessity of holding additional discussion concerning the bid.

(Provision 7.3 restated by RA Government Decision N 1373-N as of 29.12.16)

7.4. The Chairman of the Committee shall call a session of the Committee in 2 (two) business days after the occurrence of any of the grounds stipulated by provision 7.3 of the Procedure.

(Provision 7.4 restated by RA Government Decision N 1373-N as of 29.12.16)

7.5. Within 10 (ten) business days after the date of receiving the bid, the Authorized Body shall submit the bid evaluated by the Committee and the relevant conclusion to the consideration of the RA Government.

(Provision 7.5 restated by RA Government Decision N 1373-N as of 29.12.16)

8. Within 15 (fifteen) business days after receiving the conclusion, the RA Government shall:

a. adopt a relevant decision on granting or rejecting the permit, and

b. inform the Authorized Body about it.

Incompliance of the bid with the requirements to a business plan set forth under this Procedure shall serve as basis for rejecting the application. The Authorized Body shall inform the applicant about the

decision of the RA Government on granting or rejecting the permit within 3 (three) business days after the decision enters into force.

(Provision 8 edited by RA Government Decision N 1495-N from 17.12.15, and amended by RA Government Decision N 1373-N, dated 29.12.16)

9. Within 2 (two) months following the date when the decision on granting the permit enters into force, the bidder and the organizer shall sign a contract. The organizer shall furnish the Authorized Body with a copy of the contract.

(Provision 9 amended by RA Government Decision N 1495-N as of 17.12.15 and restated by RA Government Decision N 1373-N, dated 29.12.16)

10. Within 2 (two) business days after the date of receiving the copy of the contract, the Authorized Body shall provide a permit certificate to the organizer. The template of the certificate shall be defined by the joint decree of the head of the Authorized Body and the Minister of Finance of the Republic of Armenia.

(Provision 10 edited by RA Government Decision N 1373-N, dated 29.12.16)

11. Within a business day following the date of issuing a permit certificate, the Authorized Body shall send a copy of the certificate to the RA State Revenue Committee at the RA Government (RA SRS).

(Provision 11 amended by RA Government Decisions N 1495-N dated 17.12.15 and N 459-N dated 05.05.16)

12. The Authorized Body shall maintain a register of permits granted to operators (hereinafter “the Register”), which shall be published at the official website of the Authorized Body and updated within one business day after the date of granting a permit certificate to each new operator.

(Provision 12 restated by RA Government Decision N 1495-N dated 17.12.15 and edited by RA Government Decision N 1373-N of 29.12.16)

12.1. The Register shall contain the following information:

- 1) the name of the operator of the free economic zone,
- 2) the registration number,
- 3) the number of the relevant decision of the RA Government on granting the permit to the operator,

and

4) the copy of the permit certificate for carrying out the activity of an operator in the free economic zone.

(Provision 12.1 edited by RA Government Decision N 1373-N, dated 29.12.16)

13. The availability of the Register shall serve as a ground for exercising the privileges granted to the operator under the legislation of the Republic of Armenia.

III. THE PROCEDURE OF WITHDRAWING THE PERMIT OF AN OPERATOR

14. A decision on withdrawing the permit of an operator shall be issued by the RA Government, based on the conclusion of the Authorized Body.

15. The permit of an operator shall be withdrawn upon occurrence of any of the grounds specified below:

- 1) at the request of the operator;
- 2) termination of the contract between the organizer and the operator;
- 3) liquidation of the free economic zone;
- 4) expiration of the term defined by the permit;
- 5) breach of or failure to fulfill requirements defined by the permit, and
- 6) violation of the requirements stipulated by Article 11.1 of the RA Law on Free Economic Zones.

15.1. The request to withdraw the permit of an operator on the initiative of the operator or the Authorized Body (in this case, the request shall contain respective grounds) shall be sent to the Committee in one business day after the date of submission of such request.

(Provision 15.1 restated by RA Government Decision N 1495-N, dated 17.12.15)

15.2. Within 3 (three) business days after the date of receiving the documents, the Committee shall review the documents and provide a relevant conclusion to the consideration of the RA Government.

(Provision 15.2 restated by RA Government Decision N 1495-N, dated 17.12.15)

15.3. Within 15 (fifteen) business days after receiving the conclusion, the RA Government shall issue a corresponding decision on withdrawing the permit.

(Provision 15.3 restated by RA Government Decision N 1495-N from 17.12.15 and amended by RA Government Decision N 1373-N from 29.12.16)

15.4. The Authorized Body shall inform the applicant about the decision of the RA Government on withdrawing the permit, within 3 (three) business days after the decision enters into force. Within one business day after the date of adoption of the decision, the Authorized Body shall send the decision to the RA SRS and make relevant changes in the Register. Within one business day after receiving the decision, the operator shall deliver the permit certificate to the Authorized Body.

(Provision 15.4 restated by RA Government Decision N 1495-N of 17.12.15 and amended by RA Government Decision N 459-N of 05.05.16)

16. Disputed related to the withdrawal of the permit shall be regulated in the manner stipulated by the RA legislation.

IV. REQUIREMENTS TO AND EVALUATION CRITERIA FOR A BUSINESS PLAN

17. A business plan (hereinafter also referred to as the “plan”) shall be evaluated by the Committee, by means of applying weighting coefficients for each evaluation criterion, where the total of all criteria shall not exceed 100 scores. Coming out of the operational purpose of the free economic zone, the Committee shall define the weighted value assigned to each criterion, each time prior to carrying out the evaluation.

18. The plan shall be evaluated based on the following criteria:

- 1) export directions and volumes;
- 2) conformity of the plan to the purposes of establishing the free economic zone and its operational type;
- 3) application of technological innovations;
- 4) number of jobs and other social measures, and
- 5) the total amount of investments.

6) *(The sub-clause invalidated by RA Government Decision N 1373-N, dated 29.12.16)*

(Provision 18 edited and amended by RA Government Decision N 1373-N, dated 29.12.16)

19. The evaluation criteria defined by provision 18 of the Procedure shall also be deemed as requirements to a business plan.

**Chief of the Staff of the Government of the
Republic of Armenia**

D. Sargsyan