

Finance and Budgetary Provisions

Introduction

The Armenian legislation regulating the field of finance and budgetary provisions partially complies with the requirements of the EU legislation. However, the majority of rules stipulated by the EU legislation, including those on financial control, do not exist in the legislation of Armenia.

The EU legislation in the field of finance and budgetary provisions regulates legal relations relating to the protection of financial interests of the European Community, European Anti-Fraud Office and investigations carried out by the Office, European Community's own resources, financial perspectives, general regulation applicable to the European budget and detailed description of its implementation rules. A part of the mentioned issues is currently not subject to legislative approximation in the Republic of Armenia as they are related to EU Member States only. Legislative approximation highlights the legal relations of common regulation applicable to the budget and detailed description of its implementation rules. These deal with issues relating to the principles, approval and structure and implementation of the budget, procurements, grants, budgetary accounts and accounting, external audit. Legal relations arising from the mentioned issues in Armenia are regulated by the RoA laws on the Budgetary System¹, on the Chamber of Control of the National Assembly², on the Procurements³, on 2005 State Budget⁴ and other legal acts.

The EU legislation on the principles of budget clearly defines unity, universality, specification, annuality, unit of account, budget accuracy, equilibrium, sound financial management and transparency. Rules on the approval of the budget and its structure regulate legal relations relating to the budget. Based on the screening results it should be mentioned that the RoA Law on Budgetary System defines principles of the budget, however these principles either do not cover all requirements for the principles of the European Union budget or they do not exist at all. The Armenian legislation on the Approval of budget and its structure also needs to be amended.

The EU legislation on budget implementation defines general provisions and methods for budget implementation. These include methods of centralized management, non-centralized common management and common management with international organizations. Obligations of financial participants are clearly separated. These refer to the obligations of officers responsible for authorizing and accounting. Legal relations relating to the revenue and expenditure of the budget are regulated by separate subdivisions. The EU legislation imposes each organization to have a responsible officer for internal audit and also stipulates his rights and obligations. Moreover, the officer responsible for internal audit should be independent in his decisions. Based on the screening results, it can be concluded that there is a gap in the Armenian legislative framework relating to the legal relations of these issues and it should be filled through relevant amendments.

The EU legislation on procurements defines public agreements, procurement agreements, regulates procurement procedures, legal relations relating to the activities of the participants of procurement process. Based on the screening results, it can be concluded that although the RoA Law on Procurements regulates legal relations mentioned above, the EU legislation includes some rules which do not exist in that of Armenia. Thus, the RoA Law on Procurements shall be amended.

¹ HO-137, 24.06.1997

² HO-65, 29.05.1996

³ HO-160, 06.12.2004

⁴ HO-192, 24.12.2004

The EU legislation on regulation of grants defines what allocations can be considered as grants and separates them from expenditures which cannot be regarded as grants. It regulates also principles, objectives of providing grants and financing risks. This field in the Armenian legislation is regulated by the Government Decree on Establishing the procedure for issuing subsidiaries and grants to the legal persons from the state budget⁵, but does not cover most of the rules required by the EU legislation.

There is also a gap in the regulation of legal relations of budgetary accounts and accounting, which is of key importance for the given field of the EU legislation. EU legislation on budgetary accounts and accounting lays down the submission order of information on the budgetary accounts and budget implementation. It regulates also the accounting system of the budget, which covers common and budgetary accounts.

The EU legislation on external audit regulates issues relating to the control over the implementation of the European Union budget. Although the RoA Law on the Chamber of Control of the National Assembly clearly regulates legal relations relating to the control over the budget, however with the purpose of harmonizing it with the EU legislation certain amendments shall be made.

Within the framework of the Programme, it is envisaged to fully approximate the subchapter "Finance and budgetary provisions" with the requirements of the EU legislation by the second quarter of 2009.

Y2008

The Armenian legislation relating to Finance and Budgetary Provisions shall be approximated with the Council Regulation No 1605/2002 of 25 June 2002.⁶

Particularly, RoA Law on Budgetary System shall be amended with a view to approximating the legislation governing issues relating to the principles of the budget, approval and structure of the budget, implementation and accounting of the budget.

To approximate the Armenian legislation on Procurements, amendments shall be made to the RoA Law on Procurements.

To approximate the Armenian legislation relating to grants, amendments shall be made to the Government Decree No 1937-N on the Establishing the procedure for providing subsidies and grants to legal persons from the state budget.

To approximate the Armenian legislation on external audit, the RoA Law on the Chamber of Control of the National Assembly shall be amended.

Y2009

The Armenian legislation on Finance and budgetary provisions shall be approximated with the Council Regulation No 2342/2002 of 23 December 2002.⁷

⁵ 1937-N 23.02.2004

⁶ Council Regulation No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities

⁷ Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities

A draft Government Decree on Implementation of the Budgetary System of the Republic of Armenia shall be elaborated. It will regulate rules relating to the implementation of the RoA Laws on Budgetary System, on the Chamber of Control of the National Assembly, on the Procurements and the Government Decree No 1937-N on the Establishing the procedure for providing subsidies and grants to legal persons from the state budget of the Republic of Armenia.

1. Legislative Approximation

0	1	2	3	4	5	6
NN	Measure	EU Legal Source	Responsible Institution	Submission Date	Necessary Resources (man/ days)	EU Technical Assistance
2008						
1.	<ul style="list-style-type: none"> • Elaboration of a draft law on making amendments to the RoA Law on Budgetary System • Elaboration of a draft Government Decree on making amendments to the RoA Law on the Chamber of Control of the National Assembly • Elaboration of a draft law on making amendments to the RoA Law on Procurements • Elaboration of a draft Government Decree on making amendments to the Government Decree No 1937-N of 23 February 2004 on Establishing the procedure for providing subsidies and grants to legal persons from the state budget of the Republic of Armenia 	Council Regulation (EC, EURATOM) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities	Ministry of Finance and Economy of Armenia	2 nd quarter	222	Consultancy, provisional expertise
TOTAL					222	

2009

2.	Elaboration of a draft Government Decree on the Implementation of the budgetary system of the Republic of Armenia	Commission Regulation (EC, EURATOM) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, EURATOM) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities	Ministry of Finance and Economy of Armenia	2 nd quarter	360	Consultancy, provisional expertise
TOTAL					360	
TOTAL					582	

2. Institutional Capacities

0	1	2	3	4
NN	Institution	Reorganization	Training Needs	Technical Assistance Needs
1.	Ministry of Finance and Economy of Armenia	-	Training courses on Financial regulation applicable to the general budget of the European Communities (10 days / 2008)	Consultancy