

GOVERNMENT OF THE REPUBLIC OF ARMENIA

DECISION

No 1262-N of 5 October 2017

ON APPROVING THE PROCEDURE FOR CARRYING OUT MONITORING
OF FINANCIAL AND ECONOMIC SITUATION OF COMMERCIAL ORGANISATIONS
WITH STATE PARTICIPATION OF MORE THAN 50 PER CENT BY STATE
ADMINISTRATION BODIES, ANALYSING THE ACTIVITIES THEREOF AND
SUMMERISING THE RESULTS, DETERMINING THE EFFICIENCY OF ACTIVITIES,
EVALUATING THE WORK PERFORMED BY HEADS OF EXECUTIVE BODIES AND
SUBMITTING RECOMMENDATIONS, AND ON REPEALING DECISION
OF THE GOVERNMENT OF THE REPUBLIC OF ARMENIA
NO 1844-N OF 18 NOVEMBER 2004

Based on Article 37 of the Law of the Republic of Armenia "On joint-stock companies", in order to implement a policy in the field of state property management, the Government of the Republic of Armenia **decides**:

1. To approve:

- (1) the procedure for carrying out, by State administration bodies of the Republic of Armenia, monitoring of financial and economic situation of commercial organisations with state participation of more than 50 per cent (hereinafter referred to as "organisations"), analysing the activities thereof and summerising the results (hereinafter referred to as "monitoring") in accordance with Annex No 1;

- (2) the forms of statements on semi-annual and annual indicators provided to the State Property Management Department adjunct to the Government of the Republic of Armenia as a result of financial and economic monitoring carried out by the State administration bodies of the Republic of Armenia, in accordance with Annexes No 2 and No 3;
- (3) the procedure for determining the efficiency of activities of organisations, evaluating the work performed by Heads of Executive bodies and submitting recommendations, in accordance with Annex No 4.

2. To establish that:

- (1) the State administration bodies of the Republic of Armenia, which have the authority to manage the stocks of organisations belonging to the state by the right of ownership, shall carry out the monitoring of the organisations in accordance with the procedure approved by subpoint 1 of Point 1 of this Decision and the data required by the monitoring forms approved by subpoint 2;
- (2) the organisations subject to monitoring should have:
 - (a) business plans with specific financial and economic indicators on a quarterly, semi-annual and annual basis;
 - (b) the management of commercial organisations should be carried out on the principle of corporate governance;
- (3) the State administration bodies of the Republic of Armenia, based on peculiarities of the field of activities of commercial organisations subordinate to them, shall annually approve three non-financial indicators for determining the efficiency of activities of organisations and evaluating the work in the field of management, and shall submit the information required in accordance with the procedure approved by subpoint 3 of Point 1 of this Decision to the State Property Management Department adjunct to the Government of the Republic of Armenia;

- (4) State administration bodies of the Republic of Armenia:
- (a) shall, within the framework of the monitoring, submit the information to the State Property Management Department adjunct to the Government of the Republic of Armenia in accordance with the monitoring forms approved by Annexes No 2 and No 3 on a semi-annual and annual basis, moreover, for the first semester — prior to the first day of the month following the reporting semester, and the final adjusted annual indicators by May 5 of the year following each reporting year. The commercial organisations, the management whereof is carried out on the basis of trust management, concession, lease or other public-private partnership agreements, and for which an audit has been conducted, shall submit only the conclusion of the annual audit;
 - (b) in order to determine the efficiency of the activities of the organisations, to evaluate the work performed by the Heads of the Executive bodies and to submit recommendations, the information shall be submitted on a quarterly basis prior to the tenth day of the month following the quarter, in accordance with Annex No 5;
- (5) since the second semester of 2018, commercial organisations shall submit monitoring indicators electronically in accordance with the established forms;
- (6) the Head of the State Property Management Department adjunct to the Government of the Republic of Armenia, within the scope of the powers reserved to him/her by this Decision, shall submit the statements on the analysis of financial and economic monitoring results to the Prime Minister of the Republic of Armenia prior to the end of the third month following the first semester, and the annual ones — prior to June 5 of the year

following each reporting year. The copy of the statement submitted shall also be submitted to the Ministry of Finance of the Republic of Armenia;

- (7) the information in accordance with the procedures approved by subpoints 1 and 3 of point 1 and the statements approved by subpoint 2 of point 1 of this Decision prior to signing the agreement of privatisation of commercial organisations subject to monitoring or the moment of entry into force of the decision of the Government of the Republic of Armenia on liquidation thereof, as well as the moment of entry into force of the decision of the court on declaring the organisations bankrupt in the manner prescribed by the Law of the Republic of Armenia “On Bankruptcy”, after which no monitoring is carried out for those organisations;
 - (8) the procedure approved by subpoint 3 of point 1 of this Decision shall enter into force on 1 January 2019, and shall apply to those organisations, the book value of assets whereof exceeds one billion drams (excluding the assets not used by the organisation) at the end of the reporting year (for which financial statements are to be prepared), and/or the revenue from activities carried out in the reporting year exceeds one billion drams;
 - (9) in case of failing to submit the required information by the public administration bodies of the Republic of Armenia within the time limits prescribed, it shall be deemed that monitoring of commercial organisations subordinate to the given body has not been carried out, which shall be mentioned in the summary statement.
3. To assign the Heads of State administration bodies of the Republic of Armenia to submit, for consideration and approval, the issue of providing information in accordance with the monitoring forms approved by this Decision at the forthcoming regular or extraordinary general meetings of the organisations.

4. When making relevant notes on information containing trade secrets by organisations, the State administration bodies shall use them in the manner prescribed by the legislation of the Republic of Armenia.
5. To assign the Head of the State Property Management Department adjunct to the Government of the Republic of Armenia to develop a methodological guide on the procedure for filling in the reports and the formulas for calculating the indicators within three months after the entry into force of this Decision.
6. To repeal Decision of the Government of the Republic of Armenia No 1844-N of 18 November 2004 “On carrying out monitoring and analysis of financial and economic situation of commercial organisations with state participation by the State administration bodies of the Republic of Armenia and repealing Decision of the Government of the Republic of Armenia No 898 of 25 September 2001”.

**Prime Minister
of the Republic of Armenia**

K. Karapetyan

16 October 2017

Yerevan

Annex No 1

**to Decision of the Government
of the Republic of Armenia
No 1262-N of 5 October 2017**

PROCEDURE

**FOR CARRYING OUT MONITORING OF FINANCIAL AND ECONOMIC SITUATION
OF COMMERCIAL ORGANISATIONS WITH STATE PARTICIPATION OF MORE
THAN 50 PER CENT BY STATE ADMINISTRATION BODIES, ANALYSING
THE ACTIVITIES THEREOF AND SUMMERISING THE RESULTS**

1. This Procedure shall regulate the relations connected with the objectives of, procedures and time limits for carrying out monitoring of financial and economic situation of commercial organisations with state participation of more than 50 per cent by State administration bodies of the Republic of Armenia (with the exception of companies included in the lists of the Law of the Republic of Armenia “On the Program for Privatisation of State Property”) (hereinafter referred to as “Organisations”), analysing the activities thereof and summerising the results (hereinafter referred to as "Monitoring").
2. The main objectives of the Monitoring shall be the following:
 - (1) raising the management effectiveness of organisations;
 - (2) controlling the progress of implementation of program indicators (business plans) of economic activity of organisations;
 - (3) ensuring the transparency of the activity of organisations for the public, state authorities and potential investors.

3. Monitoring of the organisations, in cooperation with the authorised State administration bodies, shall be carried out by the State Property Management Department adjunct to the Government of the Republic of Armenia, through receiving information from those bodies in accordance with the forms approved by subpoint 2 of point 1 of Decision of the Government of the Republic of Armenia N 1262-N of 5 October 2017.
4. State administration bodies of the Republic of Armenia:
 - (1) shall submit to the Department of State Property Management adjunct to the Government of the Republic of Armenia — prior to February 1 of each year — the lists of organisations, the powers for managing state shares (stocks) whereof are reserved to those bodies as of January 1 of the given year;
 - (2) in case of changes, the data shall be submitted to the State Property Management Department adjunct to the Government of the Republic of Armenia no later than one week after registration by the authority carrying out state registration of legal entities within the Ministry of Justice of the Republic of Armenia and handing over the maintenance of the registry of shareholders to specialised organizations.
5. In case of existence of measures aimed at and envisaged for financial recovery or improvement of the organisations subject to monitoring, they are submitted to the State Property Management Department adjunct to the Government of the Republic of Armenia in the form of a separate statement attached to the reports.
6. The State Property Management Department adjunct to the Government of the Republic of Armenia:
 - (1) in order to raise the management effectiveness, comparing the indicators received based on the analysis of the monitoring results with the corresponding indicators of the previous year, shall submit proposals to the

State administration bodies of the Republic of Armenia to include the organisation in the privatisation program, to transfer the rights certified with stocks for trust management, transfer the organisation to management under concession contract, to reorganise the organisation, and in the course of the analysis, in case of availability of one of the following indicators:

- (a) negative value of net assets (owners' equity) of the organisation in the reporting year;
 - (b) the annual increase of the accumulated losses of the organisation in the reporting year in comparison with the previous year by more than 50%;
 - (c) in case of one of the options to reduce the statutory capital or to liquidate the organisation;
- (2) in case of recording deterioration of the financial and economic situation of organisations (on semi-annual and annual basis), may request relevant information from the State administration bodies of the Republic of Armenia on the causes of deterioration and the measures taken;
 - (3) shall provide necessary methodological assistance regarding monitoring to the State administration bodies of the Republic of Armenia;
 - (4) may hold joint discussions with the authorised representatives of the relevant organisation and/or the authorised State administration body in order to conduct comprehensive analysis or submit recommendations on improving the financial and economic activities of commercial organisations during the monitoring of organisations.

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

V. Stepanyan

Annex No 2

to Decision of the Government of the Republic of Armenia No 1262-N of 5 October 2017

STATEMENT

ON INDICATORS PROVIDED BY THE STATE ADMINISTRATION BODIES OF THE REPUBLIC OF ARMENIA DURING THE IMPLEMENTATION OF FINANCIAL AND ECONOMIC MONITORING TO THE STATE PROPERTY MANAGEMENT DEPARTMENT ADJUNCT TO THE GOVERNMENT OF THE REPUBLIC OF ARMENIA

(reporting period)

NN in sequence	Name of commercial organisation	Amount (per cent) of state participation	Total noncur rent assets	Fixed assets	Total current assets	Including:		Total owners ' equity	Including:			Total: noncurr ent liabilities	Including:		Total: current liabilities	Including:			Balance	Sales reve re from products, goods, employees, services	Net profit (loss) after deducting profit tax	Average listed number of employees	Total income	Total income from main activity	Total expenses	Total expenses for main activity
						Acco unts recei vable	Monetary funds and their equivalents		Net sum of statutory (share) capital	Accum ulated profit (loss)	Capital reserve		Long- term bank credits and loans	Grants regarding assets		Account payable	Short- term accounts payable to the budget	Short-term accounts payable on salaries and other short-term allocations to employees								
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27
1.																										
2.																										

(drawn up by /name of the subdivision/)

Head _____
(surname, name, father's name)

(signature)

(phone)

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

V. Stepanayan

Annex No 3
to Decision of the Government
of the Republic of Armenia
No 1262-N of 5 October 2017

Name of the State administration body

Name of the Company

REPORT

on financial results of the activity of the commercial organisation

Reporting period: January/20...

(thousand drams)

NN in sequence	Name of the indicator	Accounted*
1	2	3
I	Total income	
1.	Total income from main activities (sales revenue from products, goods, works and services), including:	
1.1.	Name of the product, goods, work or service sold -----	
1.2.	-----	
1.3.	Sales revenue from other products, goods, works and services	

 * Indicate the amounts that have been defined as revenue or expense according to the law of the Republic of Armenia.

2.	Total income from other activities, including:	
2.1.	Renting	
2.2.	Alienation of assets	
2.3.	Dividends	
2.4.	-----	
2.5.	-----	
3.	Other income in total, including**:	
3.1.	Exchange rate difference	
3.2.	Writing off accounts payable	
3.3.	Revaluation of assets	
3.4.	-----	
3.5.	-----	
II	Total Expenses	
1.	Total expenses related to main activities, including:	
1.1.	Raw material, materials, perishable goods	
1.2.	Electricity	
1.3.	Salary	
1.4.	Depreciation	
1.5.	-----	
1.6.	-----	
2.	Total expenses related to other activities, including:	
2.1.	Electricity	
2.2.	Salary	
2.3.	Depreciation	
2.4.	Other expenses, including:	
(a)	secondment;	
(b)	representative expenses;	
(c)	interest payments;	
(d)	-----	
(e)	-----	
3.	Other expenses in total**	

** The items of income or expense shall be indicated that do not generate or anticipate actual cash flows

	including:	
3.1.	Exchange rate difference	
3.2.	Writing off accounts receivable	
3.3.	Revaluation of assets	
3.4.	-----	
3.5.	-----	
III	Net profit (loss) before deducting profit tax	
IV	Net profit (loss) after deducting profit tax	

Director _____

 /signature/ (name, surname, father's name)

Chief _____

 /signature/ (name, surname, father's name)

Accountant _____

 /signature/ (name, surname, father's name)

Drawn up _____
 on /date/ _____

Phone _____

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

V. Stepanyan

Annex No 4

**to Decision of the Government
of the Republic of Armenia
No 1262-N of 5 October 2017**

PROCEDURE

**ON DETERMINING THE EFFICIENCY OF ACTIVITIES OF ORGANISATIONS,
EVALUATING THE WORK PERFORMED BY THE HEADS OF THE EXECUTIVE
BODIES AND SUBMITTING RECOMMENDATIONS**

1. This Procedure shall regulate the relations connected with the procedure and time limits for determining the efficiency of activity of commercial organisations with state participation of more than 50 per cent by State administration bodies of the Republic of Armenia (with the exception of companies included in the lists of the Law of the Republic of Armenia “On the Program for Privatisation of State Property”) (hereinafter referred to as “Organisations”).
2. The main objective of determining the efficiency of activities shall be:
 - (1) raising the management effectiveness of organisations;
 - (2) development and implementation of the most effective measures in the field of activities of organisations.
3. The effectiveness of organisations shall be determined on the basis of annual indicators of their activities — main and additional financial indicators and non-financial indicators:
 - (1) the amount of profit from the main activity;

- (2) profitability index, moreover, the profitability index shall be calculated according to the sales revenue;
 - (3) sales revenue;
 - (4) labour productivity, which is the ratio of sales revenue to the average number of listed employees;
 - (5) current liquidity index, calculated as a ratio of current assets to current liabilities;
 - (6) debt indicator, calculated as a ratio of total liabilities to total assets.
4. To establish:
- (1) the State administration bodies, for determining the efficiency of activities of organisations subordinate to each of them and for evaluating the work in the field of management, based on the peculiarities of their field of activity, shall set 3 non-financial indicators (for example, production of electricity (kWh), delivery of electricity (kWh) in the energy sector, disease treatment indicators, specialist bed occupancy, hospital mortality, medical staff training and raising of qualification for healthcare organisations, number of services provided, number of technical system deviations in the field of civil aviation, etc.);
 - (2) a predetermined threshold for profitability shall be set for the evaluation of efficiency of organisations, which is the average percentage of short-term government loans; if necessary, based on the sectoral characteristics of organisations, another threshold for profitability may be set for social and strategic reasons;
 - (3) State administration bodies, for evaluating the efficiency of organisations with a lower profitability level than the predetermined level of profitability, based on the peculiarities of their activities, shall set a minimum threshold

for the profitability of their subordinate organisations each year, aiming to reach the predetermined threshold in the coming years.

5. Profit volume and profitability shall be considered as main indicators for evaluating the efficiency of organisations.
6. Additional indicators for evaluating the efficiency of organisations shall be considered the following:
 - (1) sales revenue;
 - (2) productivity of the work;
 - (3) current liquidity index;
 - (4) debt indicator.
7. The evaluation of efficiency of organisations shall be performed based on the predetermined level of profitability, the dynamics of the main and additional financial indicators and non-financial indicators, in accordance with the evaluation scale mentioned in Table N 1.

Table No 1

THE PROFITABILITY RATIO IS HIGHER THAN THE PREDETERMINED LEVEL OF PROFITABILITY	THE AGGREGATE ESTIMATE OF FINANCIAL AND NON-FINANCIAL INDICATORS IS GREATER THAN 50%	ESTIMATE OF EFFICIENCY OF THE ORGANISATION
yes	Yes	positive
yes	No	satisfactory
no	Yes	conditionally satisfactory
no	No	unsatisfactory

8. The aggregate estimate of financial and non-financial indicators includes the specific weights corresponding to the indicators for which the organisation had a positive shift in the reporting year compared to the previous year. The specific weights of the indicators are presented in Table No 2.

Table No 2

NN in sequence	Name of the indicator	Portion (%)
1.	Profit	30
2.	Revenue	20
3.	Current liquidity index;	20
4.	Debt indicator*	10
5.	Productivity of the work	5
6.	Indicators proposed by the State administration bodies**	15
	Total	100

- In case of positive shift for other indicators.

**Head of Staff of the Government
of the Republic of Armenia**

V. Stepanayan

* The shift in regard to this indicator is positive, if the indicator of the reporting year has decreased compared to the previous year.

** The specific weight is distributed among the indicators proposed by the State administration bodies by the corresponding specific weights proposed by the State administration bodies.

Annex No 5

**to Decision of the Government
of the Republic of Armenia
No 1262-N of 5 October 2017**

STATEMENT

**ON INDICATORS PRESENTED FOR THE EVALUATION OF EFFICIENCY
OF ACTIVITIES OF ORGANISATIONS ON A QUARTERLY BASIS**

NN in sequence	Name of the organisation	Sales revenue	Productivity of the work	Current liquidity index	Debt indicator
1.					
2.					

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

V. Stepanayan