

CHAPTER 1. GENERAL PROVISIONS

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Article 1. Subject of Regulation

This Law regulates legal relationships concerning privatization of state property, including unfinished construction sites.

This Law does not effect legal relationships deriving from the alienation of the state property to other states and international organizations for their representative activities in the Republic of Armenia, as well as legal relationships connected with the alienation of state housing stock.

Legal relationships connected with the privatization of property belonging to local authorities, including unfinished construction sites, are not regulated by this Law, except the case foreseen by item 2 (f) of Article 3 of this Law. Land privatization is implemented under the procedure defined by the Land Code of the RA.

Article 2. Definitions Used in the Law

Definitions used in this Law have the following meanings:

State property is the property belonging to the State under the ownership right, including the stocks of state companies, the state stocks of companies with state participation and non-state companies, as well as separate elements of property.

Unfinished construction site is:

? The site possessing design document confirmed under the established procedure and territory where construction-erection works have not been started.

? The site where construction-erection activities have been or are being carried out, and which has not been commissioned or conserved under the established procedure.

? The site conserved under the established procedure.

Non-state company is the company where more than 50% of the stocks are the property of citizens or legal persons.

Company with state participation is the company where 50% or more of the stocks are the property of the State or local authorities.

"Small" sites are legal persons or their separated divisions specialized in the spheres of public catering, consumer services and commerce. "Small" privatization is the privatization of those "small" sites, the total occupied territory of which does not exceed 200 sq. m at the moment of evaluation.

"Small" privatization is realized by means of direct sales of "small" sites to their personnel under the procedure defined by this Law.

At the moment of taking the decision on privatization of state property in conformity with this Law, the following are considered to be members of the personnel of a company (enterprise) or "small" site:

? People working in that company (enterprise) or "small" site.

? Persons having at least one year working experience in that company (enterprise) or "small" site during the last three years.

? Persons that have retired from that company (enterprise) or "small" site during the last ten years, having worked there continuously for at least two years.

? Handicapped persons of all categories that have at least one year uninterrupted working experience in that company (enterprise) or "small" site during the last ten years.

? Persons having in total at least eight years working experience in the company (enterprise) or "small" site.

? Officials relieved of their posts in management bodies that are being restructured or liquidated due to privatization of the companies (enterprises) or "small" sites who has at least one year uninterrupted working experience or at least two years working experience during the last three years in that body.

? Persons dismissed on the ground of staff reduction from the moment of the decision about companies (enterprises) or "small" privatization taken by the Government of the RA.

? Persons receiving pensions in view of the loss of the bread-winner who used to work in that company (enterprise) or "small" site.

? Persons called-up for military service from the given company (enterprise) or "small" site and serving in conformity with the Law of the RA on National Service and having at least one year working experience in that company (enterprise) or "small" site, as well as persons having been elected in elective state bodies, local self-governing bodies.

Citizens can, at their discretion, acquire the status of a member of personnel only in one company (enterprise) or "small" site.

Foreign persons are:

? Citizens of other countries and persons not possessing citizenship.

? Legal persons of other countries.

? International organizations.

? Companies (enterprises) entirely or maximally (with more than half of the property) belonging to physical and legal persons of other countries, international organizations, other states.

Article 3. Notion and Objects of Privatization

1. Privatization is alienation of the right of ownership or other property rights of state property in favor of the subjects of privatisation.

The decision about state property privatization except movable property under the management of state institutions is made by the Government of the RA under the procedure defined by this Law.

Privatization of the movable property under the management of state institutions is implemented under the procedure defined by the government of the RA.

2. The objects of privatization are:

? the stocks of state stock companies, the stocks belonging to the state in non-state companies and companies with state participation;

? the property of the company (enterprise) considered to be the share of the state and which is liquidated under the procedure defined by this Law without court decision;

? the state property given by utilization right, including real estate;

? non-dwelling territories belonging to the state which are not of common use in dwelling houses,

? unfinished construction sites;

? property rights belonging to the state and intangibles, including the right of subscription of newly issued stocks, right of utilization of underground and natural resources in cases defined by item 4 f), g) of this Article;

? state enterprises or their amalgamation after their being restructured into state stock companies.

? in the dwellings belonging to the local authorities, including the non-dwelling territories transferred to the local authorities with the conceptual right which are not of common use are as follows

? are leased to the legal and physical persons,

? are given to the "small" objects for leasing or permanent usage.

3. The following can not be considered as privatization:

? alienation of property in favor of the state under the right of ownership as a result of recovery, confiscation, heritage, gift, debts, as well as sales of the object of mortgage by the state;

? alienation of state property belonging to legal persons being liquidated under the court decision about insolvency;

? property being alienated from state reserve;

? recovery imposed under the decision of the court on the object of mortgage which is considered to be state property under the procedure defined by legislation, or sales of the object of mortgage by the mortgagee;

? alienation of state property within the framework of programs of financial conditions improvement of legal persons declared insolvent by the court decision;

? provision of underground for utilization under the procedure defined by the

Underground Code, except the provision of underground utilization right granted to state companies or companies with state participation for extraction of minerals;

? the utilization right of natural renewable resources, except the right of utilization of renewable resources granted to state companies or companies with state participation;

Article 4. Program of State Property Privatization

The aims, preference and restrictions of the current phase of privatization are defined by the programs of privatization of state property of the RA (hereafter Program).

The Government of the RA submits the Draft Program to the session of the Supreme Council preceding the implementation period of the Program. The Supreme Council before the commencement of the Program, discusses and adopts the Program, as well as the report on implementation of the Program preceding the current Program in form of laws. In case if after termination of Program validity period, new Program is not adopted, the previous Program shall be valid.

The Program must contain:

- a) the principles of selection of the state property being privatized;
- b) the list of branches and spheres of economy (also in some cases companies and unfinished construction sites) privatization of which is not envisaged in the forthcoming year;
- c) the restrictions of the competence of ministries, departments and state management and local self-management bodies regarding the companies being in the process of privatization;
- d) the scale of payments in installments;
- e) the list of state stock companies, non-state companies and companies with state participation and unfinished construction sites envisaged by the Program for privatization, mentioning those to be privatized in the form of free subscription of stocks;
- f) the decision on issuance or non-issuance of privatization certificates for the given Program of privatization;
- g) the validity period of the privatization certificates issued within the framework of previous Programs;
- h) in case of issuance of privatization certificates for the given Program, the volume of emission of privatization certificates, information on persons who have the right to acquire certificates, the order of emission, distribution, circulation of certificates, nominal price and the amount of payment for receiving privatization certificates.

The companies (enterprises) or "small" sites included in the lists of previous Programs though not privatised are considered to be a part of new Program from the moment of its entering into force.

Article 5. Subjects of Privatization

The subjects of privatization are the legal and physical persons, and also, in cases defined by this Law, the members of personnel of the company or "small" site being privatised, communities.

Foreign persons have the same rights of participation in privatization as physical and legal persons of the RA.

State companies and companies with state participation can take part in privatization of separate elements of state property, if it is foreseen by the decision of the Government of the RA about privatization of that property.

The former owners of nationalized, confiscated companies or of companies nationalized in other forms, their heirs or successors participate in privatization of these companies on the basis of general principles.

Article 6. Means of Payment Used for Privatization

The currency of the RA, hard currency, privatization certificates can be used as means of payment for the privatization of the state property.

As other means of payment can be used also the replacement of debts with stocks, convertible bonds and other property, if privatization is being implemented under procedures defined by sub-items c), d) (except privatization to the members of the personnel and lessee), e) (except cases of open allotment of stocks), f) and g) of item 1 of Article 14 of this Law and if the utilization of the mentioned means for privatization of the state property is permitted by the decree of the Government of the RA. If the privatization is implemented by means defined by item 1e) of Article 14 of this Law, the payments made by the participants of privatization to the authorized capital of the company being privatized are considered to be means of payment for privatization. Privatization certificates cannot be used as means of payment in cases foreseen by the Article 17, Article 18 (except the cases when the state property is privatized to the members of the personnel or lessee), and Articles 19 and 21 of this Law.

Article 7. Privatization Certificates

The privatization certificates are securities issued by the Government of the Republic of Armenia. In cases defined by this Law, the states undertakes to accept them as means of payment against the alienation of property being privatized.

The nominal price of privatization certificates is expressed by the currency of the RA. The privatization certificates, except in cases defined by the Article 6 of this Law, are legitimate means of payment for acquisition of state property, shares and stocks being privatized and must be accepted on the

entire territory of the RA exclusively by their nominal price and within the period of their validity.

The exclusive right to get privatization certificates belongs to the citizens of the RA. The citizens of the RA, who are victims of repression, have the right to get one additional certificate. The rights of the minors are protected by their parents or authorized representatives.

The order and conditions of receiving privatization certificates, volume of their issue and validity term are defined by the Program.

The fact of receipt of the privatization certificate is evidenced by a relevant note in the document authenticating the identity of the citizen of the RA.

The privatization certificates are distributed among the citizens of the RA without payment for their nominal price. The amount of the payment for receiving certificates is determined by the Program proceeding from the necessity of covering the expenses of their printing, distribution, circulation and exchange.

Privatization certificates are subject to free sales in any form not forbidden by the legislation of the RA by formulation of free prices by their owners or intermediary organizations.

The number of privatization certificates owned by one person is not limited. The privatization certificates cannot be resold to the State. The State, that is state organizations and companies (enterprises) cannot buy or sell privatization certificates.

During any payment for privatization, the part paid in privatization certificates is not limited.

The privatization certificates that have served as means of payment for privatization shall be taken out of circulation and canceled under procedure defined by the Government of the RA.

Article 8. Free Privatization of the Part of Property of State Enterprises

20% of the book value of the property of the state enterprise is privatized freely to those members of the personnel who at the moment of decision about privatization have at least one year uninterrupted working experience in that enterprise and have declared their will to take part in the free privatization of the part of the part.

The following persons can take part in the free privatization of the part of the property of the state enterprise:

? persons called-up for military service from that enterprise and having at least one year uninterrupted working experience in that enterprise at the moment of decision about the free privatization of the part of the property of the enterprise;

? persons that were called-up for military service from that enterprise after January 1, 1988 and volunteers who obtained disability category as a result of

- ? injuries, traumas and diseases obtained during the military service;
 - ? the heirs of the perished servicemen called-up for military service from that enterprise after January 1, 1988 and volunteers under the procedure defined by legislation;
 - ? persons who have quit their job because of professional traumas or diseases and disability category obtained as a result or persons receiving compensation for damage;
 - ? persons transferred to that enterprise under the procedure defined by the legislation and who, at the moment of decision about the free of charge privatization of the part of property of the enterprise, have at least one year uninterrupted working experience;
 - ? employees of trade unions being on the staff of the enterprise.
- By the decision of general meeting (meeting of authorized representatives or conference) of stock-holders of the stock company or by the decision of participants of the free privatization of the part, the following persons can take part in the free privatization of the part:
- ? persons who lost because of professional injury their bread-winners who used to work in that enterprise and receive compensation or pension from that enterprise;
 - ? persons who have retired from that enterprise and had at least ten years of uninterrupted working experience in that enterprise before the retirement.

The citizens can enjoy the right of participation in the free privatization of the part of the state enterprise only in one of the cases foreseen by one of the sub-items mentioned and only in one enterprise.

"Small" sites as well as the enterprises included in the list confirmed by the Supreme Council of the RA upon submission of the Government of the RA, cannot be included in the list of enterprises subject to the free privatization of the part.

The state enterprise confirms its will for the part to be privatized free of charge by the decision of the general meeting of its personnel (meeting of authorized representatives or conference) under the procedure and within the terms defined by the Government of the RA.

The free privatization of the part is implemented before the commencement of validity of the first Program of privatization and denationalization of state enterprises and unfinished construction sites, if no other terms are specified by the Law for separate enterprises.

Article 9. Investment Privatization of State Share of State Stock Companies

Created in the Result of the Free Privatization of the Part

The amount from the state share of not allotted profit of the reporting year of the stock company created as a result of the free privatization of the part directed to investment privatization fund is allotted free of charge to the

employees who at the moment of the allotment have at least one year uninterrupted working experience in that company (independent from the participation of these employees in the free privatization of the part) in the form of stocks or stock certificates.

The stock company cannot take a decision about direction of the profit to investment privatization fund after the decision of the Government of the RA about privatization of the state stocks (share) of the stock company.

Article 10.

Right of the Members of the Personnel in Privatization of Companies (Enterprises) and "Small" Privatization Sites

The persons considered to be members of the personnel of the company (enterprise) or "small" site to be privatized have equal rights for obtaining the property of the company (enterprise) or "small" site to be privatized. In case of free subscription of state stocks, by the decision of the general meeting (meeting of authorized representatives or conference) a definite part of state share is reserved for the members of the personnel, but not more than 20%, but only in case if more than 50% of the members of the personnel have expressed their will and have drawn subscription to up to 20% of state share of the company (enterprise).

In case of "small" privatization through direct sales the members of the personnel of these sites have preferential right of privatization of these sites. This privilege does not apply to the sites subject to "small" privatization through auction or tender.

In case of "small" privatization the personnel obtained these sites can enjoy the scale of payments in installments.

"Small" privatization sites incorporated in companies are privatized together with the companies, if the personnel of these "small" sites have not submitted application for privatization by the moment of entering of this Law into force.

Article 11. Relationship between the Privatized Company and Its Personnel after Privatization

If more than 50% of the stocks of the company are being privatized, the Government of the RA may restrict the right of the new owners (owner) of the privatized company or their (his) authorized bodies for a period of six months to change the minimum number of the employees except in cases defined by legislation. The new owner with the consent of the members of the personnel can change the restriction imposed on the minimum number of employees. In this case, the employee is dismissed ahead of the defined term and the owner shall recover the losses of the employee paying him for the rest of the term on the basis of the average wage of the employee for the last year. The new owners of the privatized site or their authorized bodies shall sign within six months period personnel or labor contracts with the personnel. Before the signing of

the new contracts the old labor contracts shall be valid.

CHAPTER 2. COMPETENCE OF STATE BODIES IN PRIVATIZATION PROCEDURE

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Article 12. Competence of the Government of the Republic of Armenia in Privatization Procedure

The Government of the RA:

? passes draft laws on privatization programs as well as amendments to the Programs under the procedure defined by Article 4 of this Law and submits them to the Supreme Council of the RA;

? submits annual reports to the Supreme Council of the RA. The report about implementation process of the Program of state property privatization shall include:

? the level of implementation of activities mentioned in the Program during the reporting period

? the description of the measures implemented by the Government of the RA, information about state property privatization during the reporting year, including quantity indicators of privatization transactions by privatization types and enterprises, amounts transferred to state budget resulting from privatization, as well as about actual investments done as a result of privatization and investment obligations.

The reporting period of the Program includes calendar year. The report about the implementation of the Program during the current year is submitted to the Supreme Council of the RA by May 1st of the next year.

? implements restrictions towards companies being in the process of privatization,

? takes decisions about state property privatization.

The decision of the Government of the RA about state property privatization shall include the type of privatization, terms, means and terms of payment, content of preparatory activities, privileges granted to the participants of privatization, information about the lands proposed for privatisation in the structure of the property being privatised (price, terms of giving for utilization, restrictions).

In case if any buildings, constructions and other objects of property declared under the Law or other legislative acts of historic-cultural value, are

included in the list of property to be privatized, the decision of the Government of the RA shall contain their utilization restrictions, particularly restrictions on their protection and any external or internal changes.

- ? confirms the procedure of state property assessment and the procedure of assessment methods application;
- ? confirms the procedures of privatization types defined by this Law;
- ? issues privatization certificates, organizes their distribution and their acceptance, replacement and redemption as means of payment for privatization;
- ? confirms the price for 1m² of the territory of "small" sites, the minimum and maximum sizes of calculation coefficients.

Article 13. Competence of the State Management Authorized Body Realizing Privatization

The state management authorized body (hereafter state authorized body) realizing privatization:

- ? elaborates draft laws on privatization programs and amendments to be done to the programs and submits them to the Government of the RA for confirmation;
- ? implements the preparatory activities of privatization confirmed by the Government of the RA;
- ? concludes privatization transactions (transfer of the right of ownership to the new owner) on behalf of the Government of the RA, monitors the implementation of contract liabilities, in case of their default applies means foreseen by the legislation of the RA and the privatization contract;
- ? accepts "small" privatization applications and takes decisions under the defined procedure;
- ? with the purpose of implementation of preparatory activities in the companies, appoints a manager and hire experts, in case if foreseen by the decision of the Government of the RA;
- ? confirms the coefficient of value calculation of the territory of "small" sites proceeding from the price defined by the Government of the RA for 1m² and minimal and maximal amounts of these coefficients;
- ? calculates the starting price of the state property to be privatized in case of privatization through free subscription of stocks of the companies or auction;
- ? discusses the proposals, applications, complaints concerning privatization;
- ? monitors and analyzes the progress of privatization receiving information from state managerial and judicial bodies, effectuate other competence defined by the Government of the RA.

CHAPTER 3. PROCEDURE OF PRIVATIZATION

OF STATE PROPERTY

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Article 14. Forms of State Property Privatization

The privatization of state property is realized in the form of:

- ? free subscription to stocks
- ? auction,
- ? tender,
- ? direct sales,
- ? open or closed allotment of new stocks,
- ? issuance of bonds with the right of converting into stocks,
- ? sales of stocks in specialized markets,
- ? transfer of the state right of utilization of state property, as well as of physical and legal persons and local authorities.

The decision about the choice of the form of privatization of state property is taken by the Government of the RA under the procedure defined by this Law. Under the decision of the Government of the RA one of the privatization forms as well as their combination can be applied.

The choice of form of privatization can be done proceeding from:

- ? the specifications of the branch,
- ? the position in internal and external markets,
- ? the financial condition of the enterprise,
- ? the advisability of privatization of state property as operating company,
- ? the need for investments.

Article 15. Privatization of State Property through Free Subscription to Stocks

1. Privatization of state property through free subscription to stocks is the sales of state share in total or partially of the given company through open auction of the quantity of stocks.

The state property privatization through free subscription is realized by means of closed subscription for the members of the personnel and open subscription for other persons. The members of the personnel have the right to take part in open subscription on the usual terms. In case of privatization of the state property through free subscription to stocks, the starting price of the company to be privatized is defined by the decision of the Government of the RA, which includes the initial quantity and the stock nominal price, which must be a multiple of 100 but not exceed twenty thousand drams. The Government

of the RA also defines the terms for publication of announcement, the responsibilities of the company at the moment of property evaluation, including arrears for taxes, duties and other mandatory payments, penalties and fines.

In case of state property privatization through free subscription to stocks, the Government of the RA has the right to define minimal margin of subscription.

2. The state property privatization through free subscription to stocks is realized by the state authorized body beginning from the tenth day after the date of the announcement publication.

The state authorized body implements open and closed subscriptions to stocks in parallel.

The subscription shall be implemented within thirty five days, including one month for the closed subscription for the members of the personnel.

3. If during the terms foreseen for the closed subscription the number of applicants does not exceed 50% of the members of the personnel, the closed subscription cannot be realized and the stocks reserved for the personnel for closed subscription shall be subject to sales through open subscription.

4. If the privatization is considered to be implemented the number of the stocks reserved for the members of the personnel is defined proceeding from their specific weight which is calculated by dividing the number of the stocks obtained through closed subscription with number of the stocks defined by the decision of the Government of the RA.

In case if:

? the number of the stocks obtained through subscription exceeds the number defined by the Government of the RA, than the number of the stocks intended for the members of the personnel under the closed subscription shall be increased so that it would comply with the defined specific weight. In this case additional stocks shall be given free of charge.

? the number of the stocks obtained is less than is defined by the Government of the RA, the number of the stocks intended for the members of the personnel under the closed subscription shall be decreased so that it would comply with the defined specific weight. In this case the payments for the decreased number of stocks shall be returned to the members of the personnel under the procedure defined by the Government of the RA in the form of payment by which the stocks have been obtained.

5. In case if in accordance with the Article 8 of this Law the free privatization of the part has been taken place in the company or if in accordance with the Article 9 of this Law investment privatization of the state share has been taken place, the number of the stocks intended for those persons who have taken part in the free privatization of the part or in investment privatization of the state share shall be calculated so that their correlation with the state share prior to privatization of the company through

free subscription shall be maintained.

6. The state authorized body is responsible for the data included in the announcement of privatization through free subscription to stocks.

Article 16. State Property Privatization through Auction

In case of state property privatization through auction, the right of ownership of this property is granted to the bidder who has proposed the maximal price during the auction.

The sales of the state property through auction is held in case if there are no conditions to be implemented by the purchaser.

The availability of only one bidder cannot be enough reason for cancellation of the auction without naming the winner.

In case of state property privatization through auction the Government of the RA defines the types of auction – Russian, Dutch, wholly or by lots, starting price of the state property being privatized and terms of auction implementation. Also the responsibilities of the company subject to privatization at the moment of taking the decision, including arrears for taxes, duties and other mandatory payments, penalties and fines are defined by the decision of the Government of the RA.

The state property privatization through auction shall be implemented by the state authorized body within the terms defined by the decision of the Government of the RA.

In case of state property privatization through auction no other price limits, except the starting price, are applied.

Article 17. State Property Privatization Through Tender

The state property is considered as being privatized through tender, if the state property is being privatized to a person whose bid maximally meets the requirements set beforehand.

By the decision of the Government of the RA, the tender may be implemented by preliminary qualification of participants.

By the decision of the Government of the RA, for determination of the tender winner the following conditions may be proposed:

? price

? amount of investments

? social guarantees;

? tariffs for provision of services, if the state share of company implementing activities licensed by the legislation or other legal acts is being privatized;

? the aggregation comprised of conditions mentioned in items "a" and "d" of this Article or of proportions of some of them set beforehand.

? Other terms

In case of state property privatization through tender a tender commission may be established and its composition and responsibilities defined by the decision of the Government of the RA.

The tender commission or in case of non-establishment of the latter the state authorized body are authorized to carry out direct negotiations with the tender participants for the purpose of clarification of tender proposals if it is foreseen by the decision of the Government of the RA about privatization of state property through tender.

The tender shall be published at least one month before the commencement of the tender if not otherwise foreseen by the decision of the Government of the RA.

The person whose bids satisfy maximally the requirements proposed shall be declared as tender winner.

For effective tender implementation the tender commission or in case of non-establishment of the latter the state authorized body, are authorized to involve specialized organizations in tender preparatory and organizational activities.

The availability of only one bidder cannot be enough reason for cancellation of the tender without naming the winner.

If the tender has not taken place within the defined time period due to absence of proposals or if it is canceled without naming the winner, the tender is considered invalid.

Article 18. State Property Privatization through Direct Sales

1. The state property is privatized through direct sales to:

? the personnel of the company,

? the leaseholder of state property,

? the owner (owners) of non-state share of the company,

? the possible purchaser of the given company if it is known beforehand.

2. The basis for privatization of the state property included in the privatization project to the working staff through direct sales may be the application submitted to the state authorized body by the staff. The form, procedure and data for submitting, discussing and denying of the application are defined by the Government of the RA. The decision of the Government of the RA about state property privatization through direct sales shall particularly contain: the name of the purchaser, the price of the state property being privatized, the forms of payment for privatization, payment terms and specifications.

3. After the decision taken by the Government of the RA about privatization of state property through direct sales to the personnel of the given company, the general meeting of the personnel (meeting of authorized representatives or conference) within the terms defined by this decision in accordance with this Law shall realize the distribution of the state property being privatized among the persons considered to be members of the personnel, elect the Initiative group, which is authorized to represent the personnel during the purchase of the state share. The general meeting of the personnel (meeting of authorized representatives or conference) by the ? majority of votes may define for the members of the Initiate group the size of their participation in future company, as well as involve in the Initiative group persons, not more than three, who are not members of the personnel. The legal persons and enterprises not possessing the statues of legal persons can not be members of the Initiative group, if not otherwise defined by the decision of the Government of the RA.

4. The state property leaseholders have the preferential right of privatization of that property, if:

? that property is not considered to be part of property belonging to companies included in the programs of privatization;

? it is not a territory leased in administrative and public buildings and constructions;

5. The basis for discussion of the problem of state property privatization to the leaseholders is the application submitted to the state authorized body. The form and procedure for submitting the application are defined by the Government of the RA.

6. The authorized state body shall discuss the application within two months. The written answer about official acceptance or refusal of the application shall be sent to the applicants.

The refusal of the application is possible to take place, if:

? the applicant can not act as a person obtaining ownership rights as a result of privatization;

? restrictions by legislation or other legal acts are foreseen for privatization of the given property;

? due to privatization the utilization of non-leased property belonging to lessor may become impossible.

The refusal of the application for purchase of the leased property can be appealed to the court.

7. In case of absence of any grounds for application refusal defined by item 6 of this Article, the Government of the RA, upon the submission of the state authorized body, shall take within two months a decision about permission of

privatization of the leased property to the leaseholder through direct sales.
8. The state property privatization through direct sales realizes the state authorized body within the terms defined by the decision of the Government of the RA.

Article 19. Privatization of State Property through Issuance of New Stocks and Convertible Bonds

1. Privatization of state property through issuance of new stocks is realized with the purpose of increase of authorized capital of state stock companies and stock companies with state participation by the decision of the Government of the RA, which shall include the terms of subscription, the volume of increase of the authorized capital, types and nominal prices of the stocks being issued and participation restrictions. On the basis of and within the terms defined by the mentioned decision state stock companies and stock companies with state participation shall take decisions under the procedure defined by legislation about increase of the volume of authorized capital. In case of allotment of stocks through free subscription no restrictions of participation are imposed.

In case of allotment of stocks through close subscription the members of the personnel, non-state shareholders of that company can act as participants, and in case of allotment of stocks through tender - only persons qualified beforehand.

2. The privatization of state property through issuance of bonds that can be converted into stocks is realized with the purpose of issuance of bonds giving the right of converting the stocks of state stock companies or stock companies with state participation under the decision of the Government of the RA, which particularly shall contain the terms and volumes of allotment, the types of convertible bonds being issued, nominal prices and privatization restrictions. On the basis of and within the terms defined by the mentioned decision state stock companies and stock companies with state participation shall take decisions under the procedure defined by legislation about converting and allotment of convertible bonds.

Article 19'. Privatization of State Property in Specialized Markets

According to the decision of the Government of the RA privatization of state property through share sales in specialized markets is implemented in specialized markets by the stock markets of the RA and other countries in accordance with the rules of the markets.

Article 20. Privatization of State Property through Transfer of Utilization Right

1. In case of privatization of state share of state companies or companies

with state participation under the procedure defined by this Law the utilization rights of the property belonging to these companies shall be valid also after the privatization if not otherwise foreseen by the decision of the Government of the RA about privatization of the state property.

2. The right of state companies and companies with state participation of extraction of minerals, utilization of natural renewable resources or the right of provision of services considered to be natural monopoly (water supply, sewage, energy supply, etc.) is privatized with whole volume and without changes of utilization conditions together with the privatization of the state share of these companies if not otherwise foreseen by the decision of the Government of the RA.

3. By the decision of the Government of the RA also changes of rights of extraction of minerals, utilization of natural renewable resources, provision of services considered to be natural monopoly may be foreseen, particularly changes of terms, amount and form of payment, expenses compensation and right of utilization monopoly defined by the contracts and/or licenses of utilization of underground, natural renewable resources and provision of services considered to be natural monopoly.

4. If in accordance with item 3 of this Article the rights of extraction of minerals and utilization of natural renewable resources or provision of services considered to be natural monopoly are transferred partly or are not transferred at all, the non-transferred rights may be privatized to other persons, including to companies with state participation through privatization forms defined by this Law. Privatization of the property right being implemented under this item may be not included in Privatization program.

Article 21. Privatization of Property of Companies (Enterprises) Considered To Be State Share

The property of companies (enterprises) considered to be state share can be privatized through forms defined by this Law either as separate elements of the property or by the creation of new company on the basis of this property or part of it.

Article 22. Leasing of Separate Elements of the Property of Liquidated Companies (Enterprises)

The property of liquidated companies can be leased for short or long term. The lessor of the separate elements of the state property is the state authorized body.

In case of leasing of the state property through tender the main conditions are the lease payment and the tenure.

The lease payments against the leasing of the state property (without expenses made for provision of leasing) are transferred to state budget.

Article 23. Privatization of Unfinished Construction Sites

1. Unfinished construction sites, except unfinished residential buildings where distribution of apartments have been done under the defined procedure, included in property of state companies or companies with state participation shall be privatized with that property, if they have not been separated after the preparatory activities.
2. Unfinished residential buildings, where distribution of apartments have been done under the defined procedure, shall be transferred to local authorities under the right of ownership.
3. During preparatory works for the published information, as well as for declarations, data is responsible the preparing organization. Unfinished construction sites which are not included in the composition of state companies or companies with state participation or have been separated from the composition of these companies after preparatory activities shall be privatized under the decision of the Government of the RA through one of the forms defined by this Law.
4. Under the decision of the Government of the RA about privatization of unfinished construction sites conditions may be foreseen for completion of construction under the confirmed design within determined time period, changes of the design document or implementation of the construction under a new design document as well as other conditions including, the condition of construction, operation and transfer of the site to the state under the right of ownership.

Article 24. Preparation of the State Property for Privatization

1. The preparation of the state property is a complex of measures preceding the privatization.
The contents, terms and implementing bodies of preparatory activities are defined by the decision of the Government of the RA about privatization of state property.
2. The preparatory activities can include:
 - ? restructuring of state enterprises into state stock companies,
 - ? in case of privatization of state share of state stock companies:
 - ? division, separation of the company, as well as association and amalgamation with other companies,
 - ? implementation of financial-economic audit of companies,
 - ? restructuring of the debts of companies,
 - ? elaboration of plan of activities of companies,
 - ? preparatory activities for issuance of new stocks,
 - ? implementation of measures with the aim to familiarize the persons who declared about their will to take part in privatization with financial-

- economic activities of the company,
- ? publication of information on activities of the company,
- ? evaluation of the assets and liabilities of the company,
- ? price evaluation of stocks,
- ? review of licenses in case of licensed activities.

For the implementation of preparatory activities by the decision of the Government of the RA specialized organizations and experts can be involved in these activities.

The persons implementing preparatory works must report to the state authorized body.

Article 24'. Privatization of State Property

1. The decision of the state property privatization is made by the Government of the RA.
2. If the state property privatization doesn't take place the Government of the RA makes a new decision about the privatization or liquidation of the property under the procedure defined by this Law.
3. If the state property privatization doesn't take place under the procedures defined by the subparagraphs ?a?, ?b?, ?d? of the paragraph 1 of the Article 14 of this Law, before a new decision of the Government of the RA about the property privatization subjects of privatization may apply to the state authorized body to obtain the property under the conditions defined by the last decision of the Government of the RA about the given property privatization.
4. If the state property privatization doesn't take place under the procedure defined by the subparagraph ?c? of the paragraph 1 of the Article 14 of this Law, before a new decision of the Government of the RA about the property privatization subjects of privatization may apply to the state authorized body to obtain the property under the conditions defined by the last decision of the Government of the RA about the given property privatization, if all conditions defined by the last decision of the Government of the RA about the given property privatization are expressed in numerical values.
5. After getting the application of the subject of privatization the state authorized body during one month privatizes state property through direct sales under the procedure defined by the Government of the RA taking into account dram equivalent of .

Article 25. Price of the Enterprise to Be Privatized and Forms of Payment

1. The price of the property being privatized is formulated as a result of privatization.

The price calculations methods are:

- ? balance method,
- ? method of definition of current prices of cash flow,
- ? method of similar enterprises or market price of property,
- ? method of income (profit) multiplier,
- ? other methods recognized methods.

The property subject to privatization starting price is determined by one of the above mentioned methods or their combination.

The Government of the RA have the right to define the minimal (starting) price.

The selection of the methods of calculation of state property being privatized shall be realized under the procedure defined by the Government of the RA.

2. The prices of "small" sites are being calculated preceding from the value of the property and occupied territory under the procedure defined by the Government of the RA.

3. For definition of the starting price the Government of the RA has the right to invite experts or specialized organizations.

Article 26. Procedure of "Small" Privatization

1. The state authorized body by the relevant decision of the Government of the RA proposes in written for "small" privatization sites being privatized to the personnel.

2. Within 20 days after the receipt of the written proposal the personnel shall submit to the state authorized body a written consent to purchase the site by the mentioned price and the decision of the general meeting about the establishment of an economic association or a limited company as well as make an advanced payment equaling to the 5% of the value of the site.

3. The distribution of the shares among the members of the personnel is carried out by the decision of the members of the personnel (in accordance with item 6a) of Article 2 of this Law) with majority of voices taking into consideration the equal right for obtaining stocks. If a member of the personnel declines his share, than his share is distributed equally among the other members of the personnel. A "small" site can be privatized to the members of the personnel if more than 50% of its personnel expressed their will to become owners and made relevant investments.

4. In case of non-fulfillment of the conditions mentioned in items 2 and 3 of the Article the personnel shall be deprived of its preferential right.

Article 27. Information about Privatization

Information about free subscription to stocks of state property, auction and "small" privatization shall be published and announced through mass media at least ten days prior to privatization. The procedure of publication of the

information about privatization in other forms foreseen by this Law is defined by the relevant decision of the Government of the RA about privatization. The results of privatization transaction shall be published with one month from the date of termination of these transactions under the procedure defined by the Government.

CHAPTER 4. USE OF THE MEANS OBTAINED FROM PRIVATIZATION

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Article 28. Use of the Means Obtained from Privatization

1. The means obtained from the privatization, except the cases foreseen by this Article Provisions 2 and 3 are transferred to the state budget and in cases foreseen by Article 19, Provisions 1 and 2 of this Law – to the account of the relevant company compensating in advance those expenses made during the privatization which are not foreseen by the state budget.
2. In case of privatization of the dwellings belonging to the local authorities, including the non-dwelling territories transferred to the local authorities with the conceptual right which are not of common use after January 1, 1999, the means gained from privatization are transferred to the relevant local authority budget.
3. In the dwellings belonging to the local authorities, including the non-dwelling territories transferred to the local authorities with the conceptual right which are not of common use leased to the non-state business entities or physical persons up to December 15, 1997, in case of their privatization after January 1, 1999, the means gained from privatization that are paid for the occupied territory privatization are transferred to the relevant local authority budget.

CHAPTER 5. PRIVATIZATION TRANSACTIONS

CHAPTER 5. PRIVATIZATION TRANSACTIONS

Article 29. Privatization Contract

The transfer of the right of ownership as a result of privatization is ratified by state property privatization transaction, which is signed in written form between the state authorized body and purchaser under the procedure defined by the Government of the RA.

The right of ownership of stocks and convertible bonds is considered to be transferred from the moment of registration of the stocks or their certificates in the register under the defined procedure.

Purchaser's ownership rights to the real estate being privatized begins after the state registration of privatization deal (contract).

Article 30. Obligations of the Seller

The state authorized body shall provide the purchasers with information and documents about the property to be privatized, responsibilities and financial-economic activities, submit after conclusion of the privatization transaction to the purchaser the package of stocks being privatized, as well as implement all obligations envisaged by the privatization contract.

The obligations of the seller mentioned in this Article shall be discontinued from the moment of registration of the contract between him and the purchaser or registration of the stocks under the procedure defined by the legislation of the RA.

Article 31. State Guarantees of Privatization Participants

The Republic of Armenia guarantees the rights of the participants of privatization. In case of violation of these rights, perpetrators shall be sued under the procedures defined by legislation and other legal acts. All information about the participants of privatization obtained by the state authorized body during or as a result of privatization is not subject to publication without the consent of the latter, except in cases foreseen by the law.

Article 32. Declaration of the Privatization Transactions Invalid

The transactions of privatization are considered invalid under the court procedure if the privatized property is not subject to privatization under this Law, or if the person who has obtained state property as a result of privatization does not have the right to participate in privatization under this Law. In the latter case the transaction may be declared invalid only by the part of that person.

In case if the payment for privatization, including subsequent payment, is not effected as well as non-fulfillment of terms of privatization transaction the state authorized body submits a claim to the court to impose compensatory procedures on the property belonging to the purchaser under the right of ownership or to implement other means of responsibility foreseen by the privatization contract .

Article 33. Payment of Taxes, Duties and Other Mandatory Payments Defined by the State

During privatization of more than half of the state property of state companies or companies with state participation in case of detection of

violation of legislation regulating the payments of taxes and mandatory payments defined by the state no tax responsibilities will arise if the violation has been detected after the moment of entering into force of the decision of the Government of the RA about privatization and concerns to the period preceding the moment of transfer of ownership right as a result of privatization defined by this Law.

CHAPTER 6. RESPONSIBILITY FOR THE VIOLATION OF LEGISLATION

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Article 34. Responsibility for the Violation of the Legislation on Privatization of State Property

The violation of the Legislation on privatization entails responsibility in the order defined by the legislation of the RA.

Article 35. Transition Terms

1. From the time of this law entering into force the Law of the Republic of Armenia on "Privatization and Denationalization of State Enterprises and Unfinished Construction Sites" with all additions and amendments is declared void.

2. Article 9 of this Law shall be valid till July 1, 1998, and the investment privatization taken place shall be set down through the results of the economic activities of the company during 1997.

For those companies the actual state share privatization of which takes place before January 1, 1998, the above-mentioned Article shall be valid till that moment.

The Article 32 of the Law regulates relations following the contracts signed before the entering into force of this Law, except the cases when there is a legal court decision entered into force about the confiscation or declaring invalid the privatization contract.

3. The validity of the Law shall not be applied to state share privatization of those companies (enterprises) where the decision on privatization has been taken by the Government of the RA before entering into force of this Law.

ARTICLE 36.

This Law is in force from the next day of official publication.

President of the Republic of Armenia
Levon Ter-Petrosyan

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