



Number	HO-137	The body	Official
Type	Law RAPA	Status Place of	Incorporation
Origin Receiving	1997.08.11/18 National Assembly	adoption Date of	It works.
authority Signatory	of the Republic of Armenia	adoption Date of signing	Yerevan
authority Ratifying	President of the Republic of Armenia	Date of ratification	24.06.1997
authority Effective date	21.08.1997	Expiration date	21.07.1997

Notification

Articles 11, 28, 29 and 30 of this law shall enter into force on January 1, 1998.  
The law has transitional provisions. See Article 43.

Links to other documents

Modifiers and Incorporations

LAW OF THE RA ON THE BUDGET SYSTEM OF THE RA

REPUBLIC OF ARMENIA

THE LAW

Adopted by the National Assembly  
June 24, 1997

ON THE BUDGET SYSTEM OF THE REPUBLIC OF ARMENIA

CHAPTER 1.

GENERAL PROVISIONS

Article 1. The subject of the law

This law defines the budgetary system of the Republic of Armenia and regulates the budget process.

Article 1<sup>1</sup>. Scope of the law

This law applies to all budget systems of the Republic of Armenia.  
on budgets of levels.

(1<sup>1</sup> (Article 102-N amended on 20.05.05))

Article 1.2. Definitions and concepts

For the purposes of this law:

1. Budget revenues are state and community budgets in accordance with the legislation.

The funds received and managed by the state body and local self-government bodies, respectively (except for the funds received from the alienation of non-financial assets listed in Part 7 of this Article and the funds classified as sources of financing the budget deficit (deficit) by this Law). 2. Budgetary expenditures are the funds allocated to the state and local self-

government bodies by the legislation.

funds allocated from the relevant budgets for the purpose of financial support of the functions assigned to them (except for the provision of loans and advances, repayment of borrowed funds, as well as the acquisition of shares and participation in the capital and other securities). 3. Expenses on capital or non-financial assets are those

expenses envisaged within the framework of state and community programs that lead to the creation (acquisition) of non-financial assets listed in Part 7 of this Article or an increase in their value. 4. Current expenses are those expenses that are not included in capital expenses. 5. Borrowed funds are funds received by the budgets from the placement of securities issued by the state or community, as well as in the form of loans and budget loans.

6. Financial assets are shares of legal entities owned by the state or community, other participation in the capital and other securities, budgetary loans and borrowings provided from budgets, as well as the free balance of budget funds at the beginning of the year. 7. Non-financial assets are assets owned by the state or community

fixed assets, high-value assets, non-produced assets, and commodity assets held in state strategic and community reserves.

8. Budgetary receipts are the funds received by the state or community budgets. Budgetary receipts include the budget revenues fixed by law for the given budget, the free balance of budget funds at the beginning of the year, the amounts received from the return of budget loans and borrowings provided by the budget, other non-monetary financial assets and the alienation of non-financial assets, as well as borrowed and other funds attracted.

9. Budgetary expenditures are those allocated to the state from state and community budgets by the Constitution and laws. and funds allocated to the exercise of powers vested in local self-government bodies. Budgetary expenditures include budget expenditures, as well as acquisitions of financial assets (excluding the free balance of budget funds at the beginning of the year) and repayments of borrowed funds.

10. Budgetary appropriations are the funds provided for in the legal act approving the budget in terms of the main budget allocations.

11. The legal act approving the budget is the law on the state budget of a given year adopted by the National Assembly in relation to the state budget, and the decision on the community budget adopted by the community council in relation to the community budget. The legal act approving the budget defines the revenues and expenditures of the relevant budget for a given year, the distribution of budget allocations according to their main determinants, as well as other regulatory provisions that are effective only for the period for which the budget was adopted (unless otherwise provided for in the legal act approving the budget).

12. The chief administrators of budget allocations are the state bodies and (or) state institutions specified in the departmental structure of the state budget expenditures of the given year in terms of allocations provided for by the state budget, in terms of the allocations provided for by them, and the head of the community in terms of allocations provided for by the community budget. In order to increase the efficiency of the implementation of programs provided for by the budgets, the powers of the chief administrator of budget allocations in terms of these programs may be assigned, by law or by a decision of the Government of the Republic of Armenia (in case these programs are provided for in the state budget) or by a decision of the community council (in case these programs are provided for in the community budget), to a separate subdivision of a state body or community administrative institution, or to another institution, respectively. The authority and responsibilities of the chief administrator of budget allocations are defined by legislation. 13. The state authorized body is the state

administration body authorized by the Government of the Republic of Armenia (hereinafter referred to as the Government) in the field of state finance management.

14. Targeted budget revenues are: a)

amounts donated to the government (or community) or provided in the form of a loan (or from the monetization of goods donated or provided in the form of a loan) to implement certain budget expenditures stipulated by a transaction concluded between the government (or community) and the person allocating funds to the latter, within the framework of the authority vested in it by law.

<http://www.arlis.am/DocumentView.aspx?DocID=203967> 3/39 b) amounts transferred to the state or community budget in respect of

mandatory payments established by law for the purpose of financing separate budget expenditures. 15. A special-purpose budget fund is the totality of certain types of revenues

(or a clearly defined part thereof) separated from the budget revenues fixed by law or by decisions of the government or community council and financed exclusively at their expense. A special-purpose budget fund is an integral part of the relevant budget.

16. Off-budget (including deposit) accounts in the name of a state or community institution Sub-accounts operating outside the sub-account of state budget funds and community budget funds in the treasury unified account, as well as accounts operating in the banking system. Off-budget accounts are opened and intended for: a) in individual cases for targeted budget receipts and expenditures made at their expense (including:

for the implementation and separate accounting of receipts and disbursements of targeted budgetary funds.

b) by foreign states and international organizations to the Republic of Armenia for the accumulation of funds arising from the monetization of loans and grants provided in the form of goods; c) for the receipt of monetary funds

(including foreign currency) that are seized, confiscated, seized, deposited or pledged from legal entities and individuals on the basis of procedural and enforcement proceedings norms on behalf of judicial, pre-investigative and compulsory enforcement bodies and for ensuring their subsequent transfer to the recipients determined by law.

d) on behalf of the authorized state body - for the deposit of temporarily free funds of budgets, the collection and deposit of funds arising from the privatization (privatization) of state shares in commercial organizations, as well as for supporting the implementation of fiscal and budgetary and government debt management policies (including the management of the risk of government debt refinancing).

e) on behalf of a state or community institution, to ensure the collection and return of advance payments related to the organization of bidding; f) on behalf of state institutions, for payment and settlement services for legal entities; g) on behalf of state bodies, for the accumulation of funds received in the form of payments or contributions made by these entities in order to eliminate the negative consequences arising from the economic activities carried out by individual economic entities in certain sectors and to finance expenses related to risk management.

h) on behalf of state and community institutions - by law or by the government (community council) for the accumulation of funds for purposes other than those provided for by the decision.

17. The budget program is a logical grouping of policy implementation measures (hereinafter referred to as program measures) aimed at the same goal. Budget programs are approved by the Law on the State Budget. 17.1.

(part repealed by 12.02.25 HO-30-N)

17.2. Each budget program includes only one measure directed towards a given goal, attributable to the chief executive officer.

17.3. The purpose of a budget program is the specific social or public problem that the program is aimed at solving. 17.4.

17.5.

18. (part repealed on 14.07.19 in accordance with part 5 of Article 43 of this law)

18.1. Project activity is an activity carried out within the framework of the project for the purpose of implementing the policy. It is the intervention of the state, which is aimed at achieving the goal set for a given program.

19. The final results are the social, economic and environmental changes that The state seeks to achieve this through interventions defined in the form of program measures for the public. 19.1. The affected settlement is the settlement

of the community that is adjacent to the territory allocated to the royalty-paying organization by the mountain allocation act in accordance with Part 2 of Article 198 of the Tax Code of the Republic of Armenia.

19.2. Community contributions are amounts deposited in community fund budgets, which are targeted funds and are used for the implementation of community socio-economic development programs, giving priority to the affected settlement. 20. Transfers are financial and non-financial funds provided gratuitously and irrevocably to beneficiaries who do not have the status of a budgetary institution or to budgets of other levels of the budgetary system.

21. (part repealed on 14.07.19 in accordance with part 5 of Article 43 of this law)

22. The evaluation of the budget program is a systematic, objective and multifaceted assessment of programs and activities. The analysis is to identify their effectiveness and efficiency.

23. Effectiveness shows the extent to which implemented programs and activities have provided the intended goals and final results.

(Article 1.2 supplemented by 30.04.13 HO-45-N, amended, supplemented by 14.12.17 HO-304-N, 21.01.20 HO-40-N, supplemented. 26.10.22 HO-396-N, 04.03.22 HO-52-N, 12.06.24 HO-289-N, amended, supplemented 12.02.25 HO-30-N)

(04.03.22 [HO-52-N](#) the law has a transitional provision) (26.10.22 [HO-396-N](#)

the law has a [transitional provision](#)) (parts 17.4 and 17.5 of the article 12.02.25

[HO-30-N](#) (with regard to the amendment to Article 1, Clause 6 of the [Law, shall enter into force on January 1, 2026](#))

(12.02.25 [HO-30-N](#)) the law has a transitional provision)

## Article 2. State and community budgets

(title amended by 20.05.05 HO-102-N, 24.10.07 HO-224-N)

1. State and community budgets are financial programs for a certain period of time for the formation and expenditure of funds necessary for the implementation of the powers vested in the state and local self-government bodies by the Constitution and laws.

2. Budgets are prepared, discussed and approved in accordance with the procedure established by the Constitution and law.

(Article 2 amended by 20.05.05 HO-102-N, 24.10.07 HO-224-N)

## Article 3.

### The budget system of the Republic of Armenia

1. The budget system of the Republic of Armenia is the set of the following two-level budgets based on the economic relations of the Republic of Armenia regulated by legal norms and the state structure of the Republic of Armenia:

a) first level: state budget. b) second level:

community budgets. 2. State and community

budgets are based on a single financial, monetary and tax system.

on state policy.

3. The budget system in the Republic of Armenia is based on the following general principles: a) unity of the budget system. b) separation of budget revenues

and expenditures between budgets of different levels included in the budget system. c) independence of budgets.

d) completeness

of reflection of budget revenues

and expenditures. e) balanced budgets. f) complete (gross)

coverage of budget expenditures.

g) efficiency of use of budget funds. h) publicity of budgets. i)

targeting and purposefulness of budget funds. j) realism of

budgets.

(Article 3 amended by 11.04.03 HO-541-N, supplemented by 20.05.05 HO-102-N, amended by 24.10.07 HO-224-N)

## Article 4.

### Consolidated budget of the Republic of Armenia

The state budget and community budgets (hereinafter referred to as budgets) constitute the budget of the Republic of Armenia. The consolidated budget, the revenues of which are the sums of funds formed (formed) from sources fixed by law for the budgets listed in this article (excluding revenues from inter-budgetary transfers), and the expenditures are the corresponding sums of funds spent (spent) in the directions defined by law (excluding expenditures from inter-budgetary transfers).

(Article 4 amended by 11.04.03 HO-541-N, amended by 24.10.07 HO-224-N)

## Article 5.

### Budgetary institution

1. For the purposes of this law, budgetary institutions are state and community institutions financed from budgets. 2.

Estimated expenses for the maintenance of a state body within the limits of general allocations shall be approved by its head in accordance with the procedure established by law and other legal

acts. 3. The estimate of the expenses for the maintenance of a local self-government body within the limits of the general allocations approved by the community budget shall be approved by the head of the community in accordance with the procedure established by law and

other legal acts. 4. The estimate of the expenses for the maintenance of a budgetary institution that is not a state or local self-government body within the limits of the general allocations shall be approved by the head of the superior management body in accordance with the procedure established by law and other legal acts.

(Article 5 amended by Law No. 541-N of 11.04.03)

#### Article 6. Budget process

1. Budget process: the process of preparing, discussing, and approving the budgets for each fiscal year. and implementation, and the approval of their annual report, are regulated by law by state and local self-government bodies. 2. Budget drafts are prepared to support government

activities, as well as community development. in accordance with the

programs. 3. The budget year in the Republic of Armenia begins on January 1 of each year and ends on December 31 of the same year.

During the first month of the year following the budget year, the Government may, by decision, the formulation of operations on the obligations of the previous budget year (hereinafter referred to as the final turnover) shall continue, unless otherwise provided for by the law on the state budget of the given year. 4. The

budget process for the given budget year shall begin on the date specified in Part 1 of Article 21 of this Law. The budget process for the upcoming year begins on the day the Prime Minister of the Republic of Armenia adopts a decision to begin the budget process in accordance with the requirements and ends on the day the report on the implementation of the budgets for the given budget year is approved.

(Article 6 supplemented, amended by Law No. 102-N of 20.05.05)

### CHAPTER 2.

#### BASIS FOR REGULATION OF BUDGETARY RELATIONS

#### Article 7. Regulation of budgetary relations

1. Regulation of budgetary relations is the activity of competent bodies, within the limits of their powers conferred by law, in the field of organization of the budgetary system, definition of its structure, distribution of revenues between budgets, execution of budgets, reporting and control, budgetary classification and implementation of amendments and (or) supplements to budgets. 2. Budget relations are regulated by the principles underlying the

budgetary system established by this Law.

(Article 7 supplemented, amended by Law No. 541-N of 11.04.03)

#### Article 8. Principles underlying the budget system

(title amended by Law No. 541-N of 11.04.03)

1. The principle of unity of the budget system means the legal basis, monetary system, forms of budget documents, budget classification, principles of the budget process, measures of responsibility applied for violations of budget legislation, as well as the financing and

Unified procedure for maintaining budget accounting of budget funds.

2. Budgetary receipts and expenditures between budgets of different levels within the budget system

The principle of separation means the establishment of the respective types of budgetary revenues (in whole or in part) to the state and community budgets, as well as the powers reserved for state and local self-government bodies regarding the implementation of expenditures from these budgets.

3. The principle of budget autonomy means: a) the right of state and local self-government bodies to each element of the budgetary system

independently implement the budget process in accordance with the legislation at the level;

b) budget revenues of each level of the budgetary system, in accordance with the legislation availability of identifiable own sources.

c) the right of state and local self-government bodies, in accordance with the legislation to independently determine the directions of spending funds from the relevant budgets;

d) the right of state authorities and local self-government bodies to independently determine, in accordance with the legislation, the sources of financing the deficit of the respective budgets;

e) unearned revenues and additional expenditures during the implementation of laws (decisions) on budgets

Inadmissibility of compensation at the expense of budgets of other levels of the budgetary system.

4. The principle of completeness of budget receipts and expenditures means that the receipts and expenditures of the budgets defined by the legislation are subject to mandatory and full reflection in the budgets. All expenditures of the state and community budgets are subject to financing at the expense of the budget funds accumulated in the budget system. 5. The principle of balanced budgets means that the volume of expenditures

provided for by the budget should not exceed the volume of receipts. 6. The principle of complete (gross) coverage of budget expenditures means that all budget

Expenditures must be covered by budget revenues. Revenues cannot be linked to specific expenditures, except in cases of receipt of targeted budget revenues, or in cases of creation of targeted budget funds by legislation, their revenues. 7. The principle of efficiency of use of budget funds means that in the preparation and

during implementation, one should proceed from the need to achieve the intended result with the minimum amount of budget funds or the best result with the amount of funds provided for in the budget. 8. The principle of budget transparency means: a) mandatory

publication of approved budgets and reports on their implementation in

the press (in accordance with the requirements of Articles 26 and 36 of this Law), availability of information on the process of budget implementation.

b) mandatory transparency in the process of discussing draft budgets and making decisions

for the public and the mass media. Unlike community budgets, confidential items may be approved in the state budget.

9. The principle of targeting and purposefulness of budgetary funds means that budgetary

Funds are allocated to specific recipients in accordance with the legislation, with clear funding objectives specified.

Any action outside the scope of the legislation when allocating budget funds, which leads to a violation of the targeting of funds provided for in the budget or the redirection of these funds to purposes not provided for in the budget, is qualified as a violation of the legislation.

10. The principle of budget realism means the realism of forecasting the development of the relevant territory (country, community) and calculating budget revenues and expenditures based on it.

(Article 8 amended by 11.04.03 HO-541-N, amended by 24.10.07 HO-224-N)

Article 9. Budget cash inflows and outflows

(Article repealed on 30.04.13 HO-45-N)

Article 10. Budgetary credits and loans

1. Budget loans based on the principles of repayment, maturity, valuation and payment

These are funds provided in monetary form from the state budget to communities, legal entities and individuals, as well as foreign states and international organizations.

For the purposes of this law, the following are also considered budget loans:

a) (the clause was repealed by Law HO-224-N of 24.10.07)

b) the transaction of restructuring (debt transfer) of non-tax liabilities of a legal entity to another legal entity towards the state budget as a result of the settlement of mutual liabilities of several legal entities within the framework of a program approved by the government;

c) claims arising from the payment of a budgetary guarantee; d) claims for goods from the state, repaid in cash by the borrower under the loan agreement;

Loans granted in the form of cash (in the amount repayable in cash).

2. Budgetary loans are funds provided in cash from the state budget and community budgets to communities for the purpose of financing individual programs or expenses, without the principle of repayment, valuation and maturity. Budgetary loans to communities are provided for a period not exceeding six months and are subject to repayment by the specified borrowers in the same budget year. 3. The procedure for providing budget credits and loans is established by the Government in accordance with the requirements of this Law.

(Article 10 amended by 11.04.03 HO-541-N, supplemented by 20.05.05 HO-102-N, amended by 24.10.07 HO-224-N, 30.04.13 HO-45-N)

#### Article 11. Budgetary guarantees

1. A budget guarantee is an obligation that guarantees the proper fulfillment of debt obligations of the community, legal entities and individuals, as well as a foreign state, international organization (hereinafter referred to as the principals) towards the person receiving the budget guarantee, at the expense of state budget funds.

2. Amounts due to non-fulfillment of guaranteed debt obligations are paid at the expense of the reserve fund provided for by the state budget and reflected in a separate line.

3. The budget guarantee is drawn up as a separate document and is signed only by the head of the authorized state body or his temporary acting representative. The provisions on the guarantee (guarantee) provided for in other written transactions have no legal force, with the exception of the provisions established by international treaties of the Republic of Armenia.

**Procedure** for issuing budget guarantees The **Government** shall determine the amount of the budget guarantee in accordance with this Law. A fee may be charged for the provision of budget guarantees to the state budget.

4. The total amount of guaranteed liabilities in a given budget year (except for guarantees provided for by international treaties concluded on behalf of the Republic of Armenia) may not exceed 10 percent of the state budget tax revenues of the previous budget year. 5. The Republic of Armenia shall have the right to claim a refund upon payment of guarantees.

(Article 11 supplemented, amended by 11.04.03 HO-541-N, amended by 30.04.13 HO-45-N)

#### Provision of a budgetary guarantee to the Deposit Guarantee Fund

##### Article 11.1.

1. If at the time of the occurrence of a compensation event the banking system of the Republic of Armenia may be endangered the stability (liquidity and/or solvency) of the system, then the Deposit Guarantee Fund may be provided with a budgetary guarantee for a period of at least three years without collateral by decision of the Government of the Republic of Armenia.

2. The budgetary guarantee provided to the Deposit Guarantee Fund is signed by the head of the authorized state body or his temporary acting representative, based on the decision of the Government of the Republic of Armenia provided for in part one of this article.

3. The rules of the second paragraph of part three and part four of Article 11 of this Law shall not apply to the relations of providing a budgetary guarantee to the Deposit Guarantee Fund.

(Article 11.1 supplemented by 24.06.10 HO-109-N, amended by 30.04.13 HO-45-N)

#### Article 12. Budget deficit and surplus

(title amended by Law No. 541-N of 11.04.03)

1. The expenditures provided for in the budgets for a budget year may not exceed the estimated cash receipts provided for in the budgets for that year.
2. The excess of revenues over budget expenditures constitutes the budget surplus. 3. The excess of expenditures over budget revenues constitutes the budget deficit (deficit). The deficit (deficit) of the state budget is financed at the expense of net borrowed funds received from internal and external sources, net funds received from the return of borrowed funds provided by the state budget, as well as the free balance of funds of this budget at the beginning of the year. Moreover, funds received from the state participation in the authorized capital of legal entities (except for transactions carried out for the purposes of developing the infrastructure of the gas supply system of the natural gas sector until January 31, 2014), from the privatization of real estate considered state property, including unfinished construction facilities, are directed to the state budget in the amount of 70 percent (in the case of transactions carried out for the purposes of developing the infrastructure of the gas supply system of the natural gas sector until January 31, 2014 - 100 percent), regardless of the property. Until the completion of the privatization process of state property under programs approved by the National Assembly, the deficit (shortfall) of the state and community budgets may also be financed, in accordance with this law, at the expense of funds received from the privatization of state property included in the aforementioned programs, including unfinished construction facilities.

The size of the state budget deficit (shortfall) or surplus is determined by the law on the state budget for a given year, and the size of the community budget deficit (shortfall) or surplus is determined by the decision of the community council on the community budget for a given year.

In the draft law on the state budget for the coming year submitted to the National Assembly in accordance with the procedure established by this law, the state budget deficit (deficit) may not exceed 7.5 percent of the gross domestic product for the coming year specified in the government's budget message, except for the exceptional cases defined in Part 8.3 of Article 21 of this law.

In the draft decision of the community council on the budget of the community for the upcoming year submitted to the community council in accordance with the procedure prescribed by this law, the amount of the

deficit (shortage) of the community budget: a) provided by the sources of financing of the administrative part cannot exceed the amount of the free balance of funds at the beginning of the year of the administrative part of the community budget of the upcoming year, which is directed to the financing of existing liabilities for expenses subject to financing from the administrative part in the budget year preceding the upcoming year (closed), but not financed, as well as the sum of the difference between the amounts to be received in the upcoming year from the return of funds from the administrative part of the community budget in the years preceding the upcoming year and the amounts to be repaid in that year from the administrative part of the budget for loans received in the years preceding the upcoming year. b) the amount of net (in the amount of the positive difference between received and repaid borrowed funds) inflows from borrowed funds (including from the issuance of community securities) attracted for the purpose of financing the deficit (shortage) of the fund part cannot exceed 30 percent of the average annual amount of the actual revenues received in the fund part of the community budget in the second and third budget years preceding that year (excluding the amounts of official grants and funds transferred to the fund part from the reserve fund provided for in the administrative part of the community budget).

(Article 12 supplemented by 12.10.99 HO-9, edited, amended, supplemented by 11.04.03 HO-541-N, supplemented by 13.12.04 HO-126-N, amended, edited by 20.05.05 HO-102-N, amended, supplemented by 24.10.07 HO-224-N, amended by 02.06.09 HO-133-N, 30.04.13 HO-45-N, supplemented by 23.12.13 HO-193-N, amended by 20.12.17 HO-5-N, 12.09.23 HO-277-N)  
(12.09.23 [HO-277-N](#)) the law has a transitional provision)

Article 13. Free balance of budget funds at the beginning of the year

1. The free balance of the budget funds of the given year at the beginning of the year during the implementation of the budget of the previous year. The excess of revenues over expenditures. The free balance of budget funds at the beginning of the year is the revenue of the respective budgets for the given year.

2. The following shall be included in the state budget revenues of the given year, approved in accordance with the procedure established by this Law: In case the amount of the free balance of the corresponding budget funds at the beginning of the year is not planned or is planned in an amount less than the actually formed amount, the government is authorized to direct the part of the actual amount of the free balance of the state budget at the beginning of the year not planned by the approved relevant budget to the fulfillment of existing overdue liabilities planned by the state budget in the previous (closed) budget year, but not funded, as well as to the financing of expenditures planned by the state budget of the given year, in relation to them.

within the annual amounts of allocations provided for in those respective budgets.

3. The amount of the free balance of the state budget at the beginning of the year for purposes not specified in Part 2 of this Article The directions of use are defined by the law on the state budget for each year.

4. The free balance of the community budget funds at the beginning of the year shall be determined by the decision of the community council in accordance with paragraph 5 of this article. In accordance with the provisions of this article, it can be used for additional financing of expenditures provided for in the budget of a given year or for financing unforeseen expenditures.

5. The amount of the free balance of the administrative part of the community budget at the beginning of the year shall be directed to: a) the fulfillment of existing obligations in terms of expenditures subject to financing from the administrative part but not financed in the previous (closed) budget year;

b) the remaining funds generated after fulfilling the obligations specified in point "a" of this part shall be directed to the fund part of the community budget for financing the expenses determined by the decision of the community council.

(Article 13 amended by 11.04.03 HO-541-N, supplemented by 20.05.05 HO-102-N, amended by 24.10.07 HO-224-N)

#### Article 14. Capital expenditures made at the expense of budget funds

1. Capital expenditures at the expense of budget funds are carried out under the following conditions:

a) there are legal grounds for the implementation of the expenditures: public investment or other targeted programs, decisions of state or local government bodies;

b) there are technical criteria for justifying the costs, positive expert opinions design and estimate documents with conclusions, if necessary;

c) the stages and deadlines for the implementation of the expenses are specified; d) the list of objects is approved, if necessary. The

Government may establish additional requirements applicable to individual types of capital expenses and the procedure for their implementation. 2. Capital expenses

of the budgets may be investments in the authorized capital of legal entities contain provisions that give rise to ownership rights of the state or communities over the shares (participations) of these legal entities.

3. Property created at the expense of state capital expenditures and considered state property shall be transferred to the management of the relevant state body or the management of the relevant local self-government body. 4. From the exploitation of

property considered state and community property, at the expense of capital expenditures Funds received from the alienation or lease of created property are transferred to the relevant budgets.

(Article 14 amended by 11.04.03 HO-541-N, amended by 12.02.25 HO-30-N)

(12.02.25 [HO-30-N](#) the law has a transitional provision)

### CHAPTER 3.

#### BUDGET IMPLEMENTATION

#### Article 15. Budget execution

1. Budget execution by state and local self-government bodies, respectively is the regulated activity of forming revenues and implementing expenditures of state and community budgets.

2. Budget execution

is carried out on the basis of the principle of a single cash register, which provides for All budget receipts and expenditures shall be recorded in the unified treasury account of the state authorized body.

3. The organization of

budget execution shall be carried out by the state authorized body. 4. The procedure for budget execution shall be established by the Government on the basis of this Law. Budgets

The following are defined in the

procedure for implementation: a) the basic principle of budget implementation; b) the forms of documents necessary to ensure budget implementation, the procedure for document circulation, deadlines, and volumes.

c) the responsibilities of budget system entities during budget execution and

<http://www.arlis.am/DocumentView.aspx?DocID=203967> rights. d)

the procedure

for establishing quarterly proportions based on approved budgets. e) the provisions for applying and terminating reduction and indexation of budget allocations in accordance with this law during the implementation of budgets, and the procedure for their application.

f) within the limits of the permitted amounts set forth in Articles 23 and 33 of this Law, budgets

the procedure for making changes to them during their implementation; g) the

procedure for financing budgets from the reserve fund; h) other provisions

of the budget implementation process. 5. In order to ensure the

implementation of budgets, the state authorized body and its treasury departments shall implement:

a) cash service of budgets; b) ensuring the execution

of budgets in accordance with the actual budget revenues and expenditure directions; c) consolidation of state funds, including state and community

budgets

unified treasury account.

d) cash resources of budgets and budgetary institutions reflected in treasury accounts

ensuring governance.

e) ensuring the management of the state debt; f)

methodological management of budget accounting and reporting; g) other functions

defined by law and other legal acts to ensure the implementation of budgets. 6. Budget revenues are accumulated in

the unified treasury

account of the state authorized body. 7. The revenues and expenditures of budget funds of state and municipal institutions are

reflected in the state

in the treasury accounts opened by the authorized body for each such entity.

8. Payment of funds from the treasury accounts of budgetary institutions shall be made by the state authorized body through the servicing banks. In case of availability of budgetary funds in the treasury accounts of budgetary institutions, payments shall be made unconditionally, in accordance with the procedure established by the legislation of the Republic of Armenia. 9. State institutions may deposit extra-budgetary funds in the treasury or in any bank.

open accounts only by decision of the Government of the Republic of Armenia. In cases provided for by law, as well as funds provided to the community by individuals or legal entities in the form of donations or loans, may be placed in the treasury's off-budget funds accounts or in any bank at the request of these persons, with the consent of the state authorized body and by decision of the community council. 9.1. The program indicators of receipts not provided for in the approved state or community budget of the given year and expenditures to be made at their expense

to the off-budget accounts specified in point "a" of part 16 of Article 1.2 of this Law shall be subject to inclusion in the state or community budget, respectively, by decision of the government or community council (in case the receipts of the community's off-budget account are formed at the expense of donated funds, by the head of the community), and the circulation of these funds and their reflection in budget execution reports shall be carried out in accordance with the procedure established by legislation.

9.2. The receipts of the extra-budgetary accounts specified in points "b" - "h" of part 16 of Article 1.2 of this law and The expenditures are not reflected in the state and community budgets and their implementation reports.

10. (part repealed 30.04.13 HO-45-N)

11. Purchase of goods, performance of works and provision of services at the expense of budget funds

The financing of expenses is carried out in accordance with the procedure established by the law on public procurement.

12. Contracts (agreements) that create obligations for the state and the community are subject to mandatory registration with the authorized state body and enter into force from the moment of registration. State and local self-government bodies shall conclude contracts (agreements) assuming obligations on behalf of the state and communities only within the limits of their competence.

13. A promissory note payable for a term of up to one year may be issued for amounts subject to confiscation from the state budget of the Republic of Armenia based on judicial acts, within twenty days after the submission of the writ of execution issued on the basis of the relevant court judgment, verdict and decision or arbitration tribunal award.

The daily interest rate on a negotiable bill of exchange is calculated at the refinancing rate set by the Central Bank of the Republic of Armenia as of the date of issue of the bill, and the interest is calculated for the period from the date of issue of the bill to its maturity date. The procedure for issuing a negotiable bill of exchange is established by the Law of the Republic of Armenia.

government. 14.

In order to support the implementation of fiscal and government debt management policies (including government debt refinancing risk management), a sub-account for stabilization funds (hereinafter referred to as the stabilization account) shall be opened in the treasury unified account in the name of the state authorized body.

15. The target average level of

funds in the stabilization account, which is calculated as the average daily balance of working days for a given year, shall be within the range of one to two percent of the gross domestic product forecast for a given year in the budget message of the Government of the Republic of Armenia for a given year.

16. **Procedure** for replenishing and using the stabilization account funds. The government hereby establishes Based on the law. The procedure for replenishing and using the stabilization account funds is determined by:

- a) the objectives of the stabilization account;
  - b) the procedure for replenishing and using the stabilization account;
  - c) the procedure for managing the stabilization account; d) the permissible deviations from the lower and upper thresholds of the target range of the stabilization account funds.
- (Article 15 supplemented by 12.10.99 HO-11, supplemented, amended, edited by 11.04.03 HO-541-N, supplemented, amended by 20.05.05 HO-102-N, supplemented by 25.12.06 HO-65-N, 24.10.07 HO-224-N, 23.06.11 HO-238-N, supplemented, amended by 30.04.13 HO-45- amended by 14.12.17 HO-304-N, supplemented by 26.10.22 HO-396-N) N, (26.10.22 [HO-396-N](#) the law has a transitional provision)  
(article 11.04.24 [HO-201-N](#) (The amendment to the law will enter into force on July 1, 2025))

## CHAPTER 4.

### STATE BUDGET OF THE REPUBLIC OF ARMENIA

Article 15<sup>1</sup>.

#### Structure and content of the medium-term expenditure plan

1. The Medium-Term Expenditure Plan consists of two parts: a) a part setting out the government's fiscal policy; b) a part setting out the government's expenditure policy strategy. The government and the central bank shall regularly jointly develop the Medium-Term Expenditure Plan. determine the projected level of inflation.

2. The part setting out the fiscal policy shall contain information on: a) the government's long-term fiscal principles, short-term and medium-term fiscal indicators in terms of revenues, expenditures, deficit (deficit) or surplus, and debt, and overdue debts;

b) assessment of the progress of work towards the implementation of fiscal and budgetary goals; and regarding changes in fiscal indicators included in the previous medium-term expenditure plan, with an explanation of deviations or changes from the fiscal objectives and/or indicators included in the previous medium-term expenditure plan;

c) on macroeconomic, inflation, revenue and expenditure forecasts for the three-year period (the upcoming budget year and the two years following it) of the medium-term expenditure program; d) on important economic and other

assumptions on the basis of which the forecasts were prepared; e) on the strategic priorities of the government, with a justification for their importance; f) on the main fiscal and budgetary risks. 3. The expenditure policy strategy contains the following for all state bodies:

the following information: a)

the results that the government wants to achieve from state bodies by making expenditures within the framework of the budget programs to be implemented;

b) cost factors, including expected demographic, economic and social trends, which will affect the expenditures to be made within the framework of budgetary programs to be implemented by state bodies during the forecast period.

c) the government's priorities for the forecast period, including the coming year

provided for in the draft state budget.

d) the amount of external financial support in the given sector.

(Article 15 1 supplemented by 11.04.03 HO-541-N, 25.12.06 HO-37-N, amended by 14.12.17 HO-304-N)

Article 16. Structure and content of the draft state budget

1. The draft state budget includes: a) the government's budget message; b) the draft law on the state budget; c) the official conclusion of the Central Bank of the Republic of Armenia on the draft state budget submitted to the Government of the Republic of Armenia. 2. The government's budget message includes: a) the government's report on the socio-economic development and fiscal-budgetary situation of the budget year.

about the main directions of the policy,

b) forecast of the main indicators characterizing the socio-economic situation of the state for the next three years,

b<sup>1</sup>) on the indicators of the medium-term expenditure program underlying the draft state budget information, in particular:

- government budget revenues, expenditures, deficit, gross and net debt

long-term goals and contingent liabilities (guarantees).

- adjusted for macroeconomic, inflation, income, expenditure, deficit and debt indicators

three-year forecasts.

- the important assumptions regarding economic development and other issues on which the forecasts have been adjusted.

- the government's strategic priorities set out in the medium-term expenditure plan; and

Specific priorities to be reflected in the upcoming year's budget:

- detailed information on the main fiscal risks and their probability (high, medium, low); - a description of the significant changes in the government's policy and

fiscal objectives since the publication of the medium-term expenditure plan and their justification. The information specified in this section may be presented instead of as

a separate part of the budget message, but included in other constituent parts of the budget message. c) explanatory note to the draft law on the state budget. d) e) forecasts of the final result

(the clause was repealed on 14.07.19 in accordance with Article 43, Part 5 of this Law)

indicators of the programs envisaged by the draft law on the state budget (except for administrative expenditure programs envisaged for the internal services of state bodies), as well as annexes defining the financial and existing (developed) actual, expected and forecasted (as of the end of the previous, current and budget years envisaged for the completion of the program measures)

indicators characterizing the degree of implementation of the program measures (except for administrative expenditure programs envisaged for the internal services of state bodies). f) summary expenditures envisaged by the draft law on the state budget by budget expenditures

functional and economic classification.

3. The explanatory memorandum is a set of documents substantiating the draft law on the state budget, which includes: a) the deficit (shortage) or

surplus provided for in the draft law on the state budget;

justification, including the interest rates and disbursement terms of loans attracted for the purpose of financing the deficit (deficit), as well as a comparative analysis of these indicators in relation to the calculated and expected corresponding indicators of the second year preceding the budget year provided for by the draft law on the state budget (hereinafter referred to in this article, as well as in Article 31 of this law as the previous budget year) and the first year (hereinafter referred to in this article, as well as in Articles 21 and 31 of this law as the current budget year).

b) a comparative analysis of the revenues, expenditures, and deficit (shortage) or surplus provided for in the draft law on the state budget against the actual indicators of the previous budget year and the indicators approved for the current budget year;

(the clause was repealed by Law No. 45-N on 30.04.13)

c) d) justification of the revenues provided for in the draft law on the state budget, in accordance with the law defined tax and other types of income.

(the clause was repealed on 14.07.19 in accordance with Article 43, Part 5 of this Law)

e) e1) justification of the allocations proposed by the draft law on the state budget, according to the budget program classification of expenditures, including loans and budget allocations provided in the budget year the volumes and directions of guarantees, the norms justifying the calculations of budgetary expenditures (if appropriate standards are established).

f) the amounts required for the implementation of targeted programs financed from the state budget, and justification for the proposed allocations, which includes the program's:

-legal basis.

-content:

-problems and goals.

-stages and deadlines of implementation;

g) the structure of the external and internal debt of the Republic of Armenia as of the end of the coming year, its comparative analysis between the actual of the previous budget year and the current budget year with the corresponding calculation indicators.

h) proposed measures for the formation of the government reserve fund and state reserves justification of allocations.

i) information on the budgetary financing of the bodies specified in Part 10 of Article 21 of this Law with the allocations requested by the applications and proposed by the Government of the Republic of Armenia about the results of related agreements.

j) information from the state budget of the Republic of Armenia to the budgets of communities, in accordance with the law about allocations provided in accordance with the established procedure.

k) (the clause was repealed by Law No. 45-N on 30.04.13)

information on the staff of budgetary institutions maintained at the expense of state budget funds about the average annual total number of employees, the salary fund, and the results of these indicators Comparative analysis of the previous budget year and the current budget year's budget with relevant indicators, as well as information on actual employees (employed about the average annual number of positions.

l<sup>1</sup>) (the clause was repealed by Law HO-224-N of 24.10.07)

l<sup>2</sup>) the capital for the upcoming budget year approved by the decision of the Central Bank Board investment plan and cost estimate with appropriate justifications, as well as the latter the government's conclusion on

m) other information that the Government of the Republic of Armenia deems necessary for the justification of the draft law on the state budget.

4. The draft law on the state budget includes:

a) (the clause was repealed on 14.07.19 in accordance with Article 43, Part 5 of the Law)

a1) state budget revenues in accordance with the classification established by Part 2 of Article 38 of this Law, and Expenditures by program classification of budget expenditures.

b) the state budget deficit (shortfall) or surplus and the financing of the deficit (shortfall) sources or directions of use of surplus, according to the classification established by this law;

b<sup>1</sup>) (the clause was repealed by Law HO-224-N of 24.10.07)

b<sup>2</sup>) Estimate of administrative expenses of the Central Bank of the Republic of Armenia - draft law in the form of a separate appendix, and the maximum limit of capital investments.

c) other provisions and indicators prescribed by law.

5. The law on the state budget for each year sets a sliding scale of inflation for the Central Bank target, that is, the target level of inflation for decision-making during the year and from it permissible deviations. Monetary policy decisions during the year When making a decision, the central bank is guided by the 12 quarters following the date of the decision. with the logic of achieving the target level of inflation.

(Article 16 supplemented by HO-178 of 26.12.97, supplemented, amended by HO-541-N of 11.04.03, amended, amended by HO-541-N of 20.05.05) 102-N, amended 24.10.07 HO-224-N, supplemented 25.12.06 HO-37-N, amended 23.10.08 HO-183-N, amended, supplemented 30.04.13 HO-45-N, supplemented by 14.12.17 HO-304-N, amended by 20.12.17 HO-5-N, 13.12.17 HO-315-N)

1. The sources of state budget revenues are: a) tax revenues. b) state duties. c) d) official grants. e) other revenues. 2. Tax revenues are: a) value added tax. b) excise tax. c) profit

(the clause was repealed by Law No. 258-N of 22.12.10)

tax. d) income tax. e) environmental tax. f) road tax. g) turnover

tax. h) license tax. i) customs

duties. j) nature use fee. k) social payment. jб) pension

payment. jс) mandatory fee for granting (extension of

the term of operation) a radio

frequency use permit and

mandatory fee for use. nd) mandatory

fee for regulating public services. o) stamp duties. p)

finances and penalties levied for violations of other

requirements of legal acts regulating tax

relations, as well as legal acts granting control

powers to the tax authority, with the

exception of fines and penalties levied for non-

payment of taxes paid to community budgets

by law. p) other tax revenues fixed by law for the

state budget. 1 2

State duties are the types of state duties defined by law, with the exception of Article 28 of this law.

1-

Types of state duties fixed in the budgets of communities, as defined in Article 1.

3. (part repealed by Law HO-258N of 22.12.10)

4. Official grants are: a) grants provided by

foreign states and international organizations. b) official grants received from other sources. 5. Other income is: a) receipts

from the excess of income over expenses and contributions of the Central

Bank of the Republic of

Armenia, as well as income over expenses of the state real estate registry system. b) interest payments received from the placement of temporarily free state budget funds and deposits in banks and financial institutions, income received from securities transactions by state bodies

in the secondary market, dividends received from investments in the capital of legal entities.

c) rents charged for the right to lease or develop property recorded in the balance sheets of state institutions, land considered state property located outside the administrative territories of communities;

d) payments (interest) for the use of loans granted by the state. e) income from the alienation of property that is considered state property, as well as property that is not a fixed asset or intangible asset, transferred to the state as property by inheritance, donation from individuals and legal entities (including under the customs procedure "renunciation in favor of the state").

f) funds transferred to the state as property by way of donation from individuals and legal entities (except for communities of the republic, international organizations and foreign states) that are ownerless, by inheritance, as well as funds received as property by way of donation. g) income from holding state lotteries. h) proceeds from sanctions applied by executive and judicial bodies for violations of the law. i) in cases prescribed by law by state institutions without charging state duty

Payments received (charged) for services provided or activities performed.

j) (the clause was repealed by 11.12.13 HO-131-N) (the

j) clause was repealed by 30.04.13 HO-45-N)

jb) other revenues to be paid into the state budget as defined by law and other legal acts.

(Article 17 as amended, supplemented, amended 26.12.97 HO-178, amended, amended 08.02.00 HO-34, amended, supplemented, amended 11.04.03 HO-541-N, amended, amended 25.12.03 HO-63-N, amended 20.05.05 HO-102-N, amended 11.11.05 HO-226-N, amended, amended 24.10.07 HO-224-N, amended 22.12.10 HO-258-N, amended, amended 30.04.13 HO-45-N, 11.12.13 HO-131-N, amended 21.06.14 HO-73-N, 15.12.16 HO-248-N, edited, amended 21.12.17 HO-271-N)

Article 17.1 Proceeds from the alienation of non-financial assets of the state budget

(title amended on 30.04.13 HO-45-N)

The receipts from the alienation of non-financial assets to be allocated to the state budget are: a) receipts from the alienation of fixed assets owned by the state (including receipts from the alienation of property remaining after the liquidation of legal entities with state participation, corresponding to the amount of state participation);

b) proceeds from the alienation of high-value assets considered state property; c) proceeds from the sale of commodity assets held in state strategic reserves; d) proceeds from the alienation of non-produced assets considered state property.

(Article 17.1 supplemented by 24.10.07 HO-224-N, amended by 30.04.13 HO-45-N, 12.02.25 HO-30-N) (12.02.25 [HO-30-N](#) the [law has a transitional provision](#))

Article 18. Directions of State Budget Expenditures

1. The following state-related programs and expenditures are financed through the state budget:

in the main directions: a) general

state services. b) defense. c) maintenance of public order and

security. d) education

and science. e) healthcare. f) social security. g) housing and communal

services. h) culture, sports and

religion. i) fuel and energy

complex. j) agriculture, forestry, water

management and fish farming. k) mining and mineral

resources (except fuel),

processing industry, construction and

environmental protection. jb) transport and communication, road economy. jc) other directions of implementation

of the powers reserved to the government by law. 2. The state budget expenditures may include a separate line for the social protection sector,

Target funds for employee incentives and/or system development created for the state authorized body, the Real Estate Cadastre Committee, the tax body, the customs body, as well as other state bodies, the procedure for the formation and use of which is established by law. Moreover, the directions for the use of funds from the target funds for the social protection sector, the tax body and the customs body, in accordance with the Law of the Republic of Armenia "On Social Assistance", Article 28 of the Law of the Republic of Armenia "On Tax Service" and Article 95 of the Law of the Republic of Armenia "On Customs Regulation" and in accordance with Article 53 of the Law of the Republic of Armenia "On Customs Service", are approved by the Government of the Republic of Armenia in the form of an annual expenditure estimate. In case of provision in the state budget, the funds of the target fund for the incentive of the state authorized body, the Real Estate Cadastre Committee are used for the incentive of employees of the state authorized body and the Real Estate Cadastre Committee, moreover, the incentive funds are used, respectively, for the head of the state authorized body and the head of the Real Estate Cadastre in accordance with the procedure established by the head of the committee. In the state budget expenditures for the purpose of encouraging and (or) system of incentives for employees of a state body

<http://www.arlis.am/DocumentView.aspx?DocID=203967> 16/39 In case a development target fund is provided, the damage caused by the administration of state bodies or their officials (except for cases of returning the amounts collected to the state budget from the relevant accounts of state budget receipts) shall be compensated from the funds of the said fund, and in case of their insufficiency, from other funds of the state budget, unless otherwise prescribed by law. Moreover, the amounts received from the satisfaction of the return claims submitted by officials in accordance with the procedure prescribed by law shall be directed to replenishment of the incentive and (or) system development target funds.

3. (part repealed by Law HO-45-N on 30.04.13)

4. The expenditures for environmental programs foreseen in the state budget for each year are not may be less than the sum of actual receipts from environmental and nature use fees in the second budget year preceding that year, and starting from 2020, from environmental tax and nature use fees.

(Article 18 amended, supplemented by HO-541-N on 11.04.03, amended, supplemented by HO-102-N on 20.05.05, amended, supplemented) 24.10.07 HO-224-N, supplemented. 09.11.06 HO-174-N, 27.11.08 HO-204-N, edited. 15.11.11 HO-278-N, amended. 22.12.10 HO-258-N, 30.04.13 HO-45-N, supplemented. 12.12.13 HO-191-N, amended., supplemented. 21.12.17 HO-271-N, 20.12.17 HO-28-N, amended. 21.01.20 HO-40-N)

#### Article 19. Government Reserve Fund

1. The state budget provides for a government reserve fund, which is a source of additional financing for expenditures provided for in the state budget of a given year, expenditures not provided for in the state budget, as well as expenditures to ensure budgetary guarantees. In the expenditure part of the state budget, the government reserve fund is presented as a separate item.

2. The size of the government reserve fund cannot exceed the state budget for the given year. 5 percent of the expenses stipulated by law.

3. Allocations from the reserve fund are made based on government decisions.

(Article 19 amended by 11.04.03 HO-541-N, 30.04.13 HO-45-N)

#### Article 20.

##### Allocations to community budgets

(title amended by Law No. 541-N of 11.04.03)

1. In order to ensure the harmonious development of communities, the state budget expenditures shall provide for financial equalization subsidies, which are provided to the budgets of communities on a non-repayable and non-refundable basis, in order to cover the current expenses of communities, in accordance with the principle of financial equalization.

2. Communities may not be forced to use the financial resources allocated on the principle of financial equalization. Directing funds to specific expenses.

The amount provided to communities from the state budget in a given year on the basis of financial equalization The total amount of subsidies (including the amounts of compensation provided by the state to communities in a given year in accordance with Article 93 of the Law of the Republic of Armenia "On Local Self-Government") is set at no less than 4 percent of the total actual revenues of the consolidated budget of the Republic of Armenia in the second budget year preceding the given year. 3. The procedure for calculating and allocating subsidies provided to

community budgets on the principle of financial equalization shall be established by law. 4. The following may also be provided for in the state budget expenditures to

community budgets: a) other subsidies - monetary resources provided on a gratuitous and non-returnable basis, not related to the implementation of any type of expenditure (program) in order to support the financing of current expenditures of the community budget; b) Subsidies - funds provided gratuitously and irrevocably for the

implementation of a separate targeted expenditure type (program) implemented by the community. The Government of the Republic of Armenia is authorized to demand from the community the back from the state budget the non-targeted spent amounts of subsidies allocated to the community. The provision of subsidies is carried out [in accordance with the procedure established by the Government of the Republic of Armenia](#). 5. The state budget expenditures also envisage the allocation of non-refundable contributions to the budgets of \_\_\_\_\_ communities, in the amount and manner prescribed by law by each royalty payer.

<http://www.arlis.am/DocumentView.aspx?DocID=203967> 17/39 of two percent of the amount of royalty paid to the state budget in each reporting year (hereinafter referred to as the community deduction). For the purposes of this Article, the royalty payer is the royalty payer defined in Part 2 of Article 198 of the Tax Code of the Republic of Armenia.

6. The community contribution of each royalty payer shall be distributed through a two-tier system of community budgets: 50 percent of the community contribution shall be distributed equally among the affected settlements of the community, and the other 50 percent shall be distributed equally among all communities of the Republic of Armenia that include affected settlements defined in Part 19.1 of Article 1.2 of this Law, from other royalty payers, excluding the communities that include affected settlements specified in the beginning of this Part.

The amount of contributions shall be determined on the basis of the available data on the actual royalty amounts paid in the third year preceding the upcoming budget year. 7. The draft of the Community

Contributions Expenditure Program (hereinafter referred to as the Program) and the amendments to the Program shall be developed by the community head, taking as a basis the development documents of the given region or community or other program or strategic significance, giving priority to the development programs of the affected settlement. The Program or amendments to the Program shall be submitted for approval by the authorized body in the field of territorial administration (hereinafter referred to as the authorized body). 8. The directions of the measures envisaged by the Program and their priorities shall be defined by

Government of the Republic of Armenia.

9. The Plan or Plan amendments with the authorized body in the field of territorial administration approval [procedure](#) The Government of the Republic of Armenia shall determine: 10. [List of affected settlements](#) determined by the [authorized body](#).

(Article 20 amended by 08.02.00 HO-34, amended by 11.04.03 HO-541-N, supplemented, amended by 20.05.05 HO-102-N, amended by 30.04.13 HO-45-N, 16.12.16 HO-239-N, supplemented by 04.03.22 HO-52-N)  
(04.03.22 [HO-52-N](#) [the law](#) has a transitional provision)

Article 21. Preparation of the draft state budget

1. The work on the development of the draft state budget shall be organized by the Government on the basis of the decision of the Prime Minister of the Republic of Armenia on the commencement of the budget process for the coming year, within the terms provided for by that decision and by this Law. 1.1. The norms for individual expenditure

areas of the state budget, provided for by this Law, shall be established by the Government. 2. When preparing the draft state budget, the Government or a state

administrative body authorized by it, in accordance with Article 31 of the Law "On the Central Bank of the Republic of Armenia", shall consult with the Central Bank on issues related to the draft state budget, including the medium-term inflation forecasts by the Central Bank of the Republic of Armenia.

<sup>1 2</sup> The process of developing the draft state budget consists of two stages: a) development of [the medium-term state expenditure program](#) of the Republic of Armenia for the next three years in order to create a proper program basis for the development of the draft state budget for the coming year . b) development of the draft state budget for the coming year. 2 2

The purpose of developing the Medium-Term State Expenditure Program of the Republic of Armenia (hereinafter referred to as the Medium-Term Expenditure Program) for the next three years is to create an opportunity for the Government to manage the financial resources of the public sector in accordance with its medium-term fiscal objectives and policy priorities. The Medium-Term Expenditure Program serves as the basis for the development of the draft state budget.

<sup>3 2</sup> The stage of development of the medium-term expenditure program begins on the day of adoption of the decision of the Prime Minister of the Republic of Armenia on the commencement of the budget process for the coming year and ends on the day of publication of the medium-term expenditure program. The development of the medium-term expenditure program is carried out in accordance with the procedure and within the time limits established by this Law and the decision of the Prime Minister of the Republic of Armenia on the commencement of the budget process for the coming year.

<sup>4 2</sup> The state authorized body is developing and announcing the start of the budget process for the upcoming year. The Government of the Republic of Armenia shall provide state bodies with methodological instructions for preparing a draft medium-term expenditure program within the period established by the decision of the Prime Minister of the Republic of Armenia. The methodological instructions for preparing a draft medium-term expenditure program shall present the general requirements for draft sectoral medium-term programs developed by state bodies, the procedure for submitting such drafts, as well as information on the government's fiscal and budgetary plans for the next three years.

principles, short-term and medium-term fiscal indicators, and strategic spending priorities.

<sup>52</sup>State bodies shall prepare and submit to the authorized state body their sectoral medium-term expenditure programs within the period established by the decision of the Prime Minister of the Republic of Armenia on the commencement of the budget process for the coming year.

<sup>62</sup>The medium-term expenditure plan of a state body shall be signed by the head of the state body.

<sup>72</sup>In case of failure to submit medium-term expenditure plans of a state body within the established period They are compiled by the state authorized body, as necessary and possible.

<sup>82</sup>In order to perform its duties, the state authorized body is authorized to:  
Request and receive all necessary information from the authorities.

<sup>92</sup>The state authorized body develops a draft medium-term expenditure program and the budget for the coming year. The Government shall submit to the Government within the period specified by the decision of the Prime Minister of the Republic of Armenia on the initiation of the budget process. The

<sup>2 10</sup> Government shall discuss and approve the medium-term expenditure plan by July 10 of the current year. The Government shall publish and submit to the National Assembly for information the medium-term expenditure program by July 20 of each year. The stage of development of the draft state budget for the coming year

<sup>2 11</sup> shall begin no later than the date of approval of the medium-term state expenditure program of the Republic of Armenia by the Government of the Republic of Armenia.

2.12. The state authorized body shall develop and, within the period established by the decision of the Prime Minister of the Republic of Armenia on the commencement of the budget process for the coming year, send to the state bodies the methodological instructions for compiling the budget financing applications for the coming year and submitting them to the state authorized body (reflecting therein the list of legal acts by which, in accordance with the provisions provided, budget expenditures must be calculated, calculation forms, instructions for their completion, and other materials and instructions that the state authorized body shall deem necessary to provide to the state bodies for compiling the budget financing applications for the coming year). 3. Within the period established by the decision of the Prime Minister of the Republic of Armenia on the commencement of the budget process for the coming year, the state authorized body shall, in accordance with the Law of the Republic of Armenia "On Local Self-Government", through the supreme body of legal control established by the Government (hereinafter referred to as the supreme body of legal control), provide to the local self-government bodies methodological instructions of a mandatory nature for the latter, on the norms and standards established for calculating the expenses for the implementation of the powers delegated by the state to local self-government bodies and the expenses for receiving targeted allocations from the state budget, The procedure for drawing up and submitting an application for budget financing in order to receive targeted allocations from the state budget, the details of the budget classification, as well as the amounts to be compensated by the state for losses of community budget income or additional expenses as a result of the implementation of the laws of the Republic of Armenia that reduce community budget income or increase expenses according to individual communities, the baseline data recorded by local self-government bodies, the procedure and terms for their calculation and submission, the unified forms of budget expenditure estimates and community budgets (its constituent parts), as well as instructions (guidelines) of an advisory nature. The state authorized body, in accordance with the procedure established by the Law of the Republic of Armenia "On Organization and Conduct of Inspections in the Republic of Armenia", is authorized to verify the reliability of the data submitted by these bodies for the calculation of allocations from the state budget to local self-government bodies. The state body authorized by the Government to perform calculations of the financial equalization subsidy according to individual communities (hereinafter referred to as the body calculating the subsidy amounts) shall In accordance with the procedure and within the time limits established by the decision of the Prime Minister of the Republic of Armenia on the commencement of the work, the Ministry of Finance shall provide local self-government bodies with methodological instructions of a mandatory nature for the latter, on the composition of the baseline data recorded by local self-government bodies, the procedure and deadlines for their calculation and submission, necessary for calculating the amounts of financial equalization subsidies (hereinafter referred to as subsidies) for individual communities.

(The first paragraph of Part 3 was repealed on 14.07.19 in accordance with Part 5 of Article 43 of this Law)

4. State bodies shall prepare and submit their own and the system's budget financing applications for the coming year (which shall show the link to the state medium-term expenditure targets for the coming three years) in accordance with the methodological instructions for compiling and submitting budget financing applications for the coming year.

<http://www.arlis.am/DocumentView.aspx?DocID=203967> 19/39 with the programs and all significant deviations from the state medium-term expenditure programs for the next three years are highlighted), and the body calculating the subsidy amounts shall submit the distribution of the subsidy amount by individual communities to the state authorized body within the period specified by the decision of the Prime Minister of the Republic of Armenia on the start of the budget process for the coming year.

#### 4.1. Local self-government bodies to receive targeted allocations from the state budget

The application for budget financing for the coming year, drawn up in accordance with the methodological instructions received from the state authorized body for the purpose, the baseline data recorded by local self-government bodies necessary for calculating the amounts of losses or additional expenses of the community budget by the state as a result of the implementation of the laws of the Republic of Armenia that reduce the community budget revenues or increase the expenses, as well as other materials required by the legislation, shall be submitted to the state authorized body through territorial government bodies within the period established by the decision of the Prime Minister of the Republic of Armenia on the start of the budget process for the coming year. Local self-government bodies shall submit to the body calculating the subsidy amounts the baseline data recorded by them necessary for calculating the amounts of subsidies allocated from the state budget by individual communities, in the volume, manner and within the period established by the methodological instructions received from the body calculating the subsidy amounts.

#### 4.2. Calculations of the distribution of the total subsidy amounts for the coming year by individual communities

In case the baseline data recorded by the local self-government body (head of the community) necessary for the implementation of the subsidy amounts are not received by the body calculating the subsidy amounts in the volume and manner prescribed by the legislation by September 1 of the current year, the subsidy to be provided to the budget of that community for the coming year shall be calculated based on the relevant baseline data used in the subsidy calculations of the current year, unless otherwise provided by law.

4.3. In case of detection of errors in the baseline data used in the subsidy calculations of the current year or in the calculations made before September 1 of the current year for any community, the body calculating the subsidy amounts, taking as a basis the adjusted baseline data for the subsidy calculation of the current year and (or) eliminating the errors found in the calculations, shall recalculate the distribution of the subsidy amounts of the given year by individual communities, the results of which shall be reflected in the draft law on the state budget of the coming year in accordance with Part 4.5 of this Article.

4.4. In case of detection of errors in the baseline

data used in the subsidy calculations of the current year or in the calculations made for any community, the recalculation of the distribution of the subsidy amounts of the given year by individual communities shall not be carried out based on the information received by the body calculating the subsidy amounts after September 1 of the current year.

4.5. In the event of a negative difference between the subsidy amounts recalculated in accordance with Part 4.3 of this Article for each community for the current year and those approved by the law on the state budget for the same year: a) in the event of a negative difference, that difference (the amount calculated in excess for the current year) shall be recovered from that community by reducing the subsidy amount calculated for the upcoming year for the latter by the amount calculated in excess for the current year (in addition, if the amount subject to collection exceeds the subsidy amount calculated for the upcoming year, then the excess amount shall be collected in the same manner during the consecutive years following the upcoming year).

b) in the event of a positive difference, that difference (the amount under-calculated for the current year) shall be allocated to the given community at the expense of the total amount of the subsidy provided for distribution among the communities by the state budget of the coming year, by increasing the amount of the subsidy calculated for that community for the coming year by the amount under-calculated for the current year. If the period of collection of the amount in the manner prescribed in point "a" of this part for some communities includes not only the coming year, but also the consecutive years following it (collection period), then in accordance with this point, the allocation to the communities entitled to receive the allocation (hereinafter referred to as the communities entitled to receive the allocation) shall be made in each year of the collection period within the limits of the amount subject to collection in those years (in this point, the amount of the allocation due to each community entitled to receive the allocation shall be given in each year of the collection period in an amount corresponding to the specific weight of the amount of each similar community in the total amount of the allocation due to all communities entitled to receive the allocation).

4.6. In the case provided for in Part 4.4 of this Article, as well as in accordance with Part 4.5 of this Article, mutual obligations between the state and communities in the field of providing subsidies for that year shall be determined by recalculating the subsidy amounts for the respective year for individual communities.

are considered fully settled and are not subject to review, unless otherwise provided by law. 5. The body calculating the subsidy amounts on the commencement of the budget process for the coming year

The Prime Minister of the Republic of Armenia shall, within the period established by the decision of the territorial bodies of state administration, provide local self-government bodies with the amounts of allocations from the state budget to the budgets of communities. 6. The application for financing

of a budgetary institution shall be signed by the head, who, in accordance with the procedure established by law, is responsible for the targeted use of budget allocations.

7. In case of failure to submit budget financing applications within the deadlines established by this law They are compiled by the state authorized body, as necessary and possible.

8. Capital expenditures are calculated based on target programs. The implementation of these programs In case the period exceeds the budget year, the amounts of financing of the given programs by years are separated. The expenditures financed by such programs are specified for each budget year by the state authorized body and presented in a separate line in the state budget of the corresponding year. 8.1. Foreign currency inflows and outflows of the

draft state budget are calculated in dram terms by applying the average exchange rate of the Republic of Armenia dram against the relevant foreign currencies formed on the foreign exchange market of the Republic of Armenia on the first day of the month of submission of the draft state budget to the National Assembly, and if it is not possible to perform the specified calculation of foreign currency inflows and outflows within a reasonable period by applying the average exchange rate of the dram on that day, then the average exchange rate of the Republic of Armenia dram against the relevant foreign currencies formed on the same market on the first day of the month preceding that month.

8.2. If the government debt in the draft law on the state budget for the upcoming year submitted to the National Assembly in accordance with the procedure established by this law exceeded the gross domestic product of the Republic of Armenia for the previous year as of December 31 of the previous year:

a) 40 percent, then capital expenditures must be no less than the deficit (shortage). b) 50 percent, then, in addition to the requirement of point "a" of part 8.2 of this article, the maximum amount of increase in current expenditures (excluding government debt service expenses) shall be determined by the government in comparison with the actual volume of current expenditures of the previous year, taking as a basis the long-term growth of the gross domestic product of the Republic of Armenia in previous years.

c) 60 percent, then, in addition to the requirement of point "a" of part 8.2 of this article, the maximum amount of increase in current expenditures (excluding government debt service expenses) compared to the actual volume of current expenditures of the previous year and the ratio of the total volume of current expenditures to tax revenues shall be determined by the government, taking as a basis the long-term growth of the gross domestic product of the Republic of Armenia in previous years.

8.3. The requirements set forth in Part 8.2 of this Article, as well as Part 3 of Article 23 of this Law do not operate in exceptional cases defined by government decision, due to the presence of negative economic developments due to large-scale natural and man-made disasters, hostilities, the transition of the economy from a peacetime period to a wartime period, or economic shocks.

8.4. If, as of December 31 of the previous year, the government debt to the gross domestic product of the Republic of Armenia of the previous year: a) was within the range of 50-60 percent, then the government shall in the medium-term state expenditure program, presents a program of measures to gradually reduce the projected trajectory of the government debt level to gross domestic product from 50 percent. b) has exceeded 60 percent, then the government, when

submitting the medium-term state expenditure program to be prepared in the year following that year, presents a program of measures to gradually reduce the projected trajectory of the government debt level to gross domestic product from 60 percent for discussion by the Standing Committees on Financial, Credit and Budgetary Affairs of the National Assembly and the Standing Committee on Economic Affairs of the National Assembly.

9. The authorized state body shall agree with the applicants, within the period specified by the decision of the Prime Minister of the Republic of Armenia on the commencement of the budget process for the coming year, on the amounts of financing of the expenses envisaged in the applications submitted by them.

10. Copies of budget financing applications of judicial authorities of the Republic of Armenia, as well as bodies independent of the executive branch of government established by the laws of the Republic of Armenia and carrying out regulatory activities in separate areas based on certain powers delegated by the Government of the Republic of Armenia (hereinafter referred to as the applicant body) shall be submitted to the National Assembly together with the draft state budget.

If the disagreements that have arisen between the applicant body and the state authorized body regarding the budget financing application submitted by that body have been agreed upon before the submission of the draft state budget to the National Assembly, then a copy of the budget financing application prepared by the applicant body containing mutually agreed indicators shall be submitted to the National Assembly together with the draft state budget. 11. The procedure for

submitting budget financing applications and for agreeing on disagreements between the state authorized body and applicants regarding them shall be established by the Government in accordance with the requirements of this Law.

12. Based on budget financing applications, external and internal liabilities, and projected revenues for the following year, the state authorized body prepares the draft state budget for the following year and submits it to the government.

13. The Government shall submit the draft state budget, including the capital investment program of the Central Bank of the Republic of Armenia and the expenditure estimate approved by the Board of the Central Bank of the Republic of Armenia, for discussion by the National Assembly at least ninety days before the beginning of the budget year.

14. Expenditure items of the state budget containing state secrets shall be submitted to the National Assembly in an open form, in accordance with the classification established by this law, in a separate sealed envelope.

15. If the draft state budget provides for the implementation of laws ensuring the implementation of the given budget adoption, the government ensures the submission of these draft laws to the National Assembly of the Republic of Armenia together with the draft state budget or prior to the submission of the draft state budget.

(Article 21 amended by 26.12.97 HO-178, supplemented by 14.04.98 HO-211, 11.10.00 HO-99, supplemented, edited, amended by 11.04.03 HO-541-N, supplemented by 20.05.05 HO-102-N, supplemented, edited by 24.10.07 HO-224-N, supplemented by 25.12.06 HO-37-N, 23.10.08 HO-183-N, supplemented, edited by 30.04.13 HO-45-N, supplemented, supplemented by 20.10.16 HO-203-N, 14.12.17 HO-304-N, supplemented 20.12.17 HO-5-N, 16.11.22 HO-427-N, amended 01.03.23 HO-56-N)

#### Article 22. Discussion and approval of the draft state budget in the National Assembly

(title added 11.04.03 HO-541-N)

1. The procedure for discussing and approving the draft state budget in the National Assembly is established by the "National Assembly Rules" by the constitutional law.

2. If the draft state budget provides for the adoption of laws ensuring the implementation of the budget, the draft budget law shall be put to a vote after their adoption.

The requirement set forth in this part does not apply to the adoption of laws set forth in Part 5 of Article 2 of the Tax Code of the Republic of Armenia. 3. In the event that the state budget is

not approved before the beginning of the budget year, the expenditures shall be made in proportion to the previous year's budget.

In that case, until the adoption of the law regulating the use of budget funds in that year, the government is authorized to spend budget funds in that year to fulfill obligations arising from previously concluded contracts for the purposes specified by the legislation, allocate financial equalization subsidies to local self-government bodies (in accordance with the distribution specified by law for the previous year), continue payments of pensions and benefits, as well as finance investment programs. Moreover, the specified expenses may be incurred if allocations have already been provided for their financing in the state budget of the previous year. In that case, the amount of expenses incurred (excluding expenses for the payment of pensions and benefits) may not exceed one quarter of the allocations of the previous year for a quarter, or one twelfth for a month. The government is authorized not to finance expenses that are not provided for in the draft law it has prepared on the budget of the given year.

4. If the state budget of that year is not approved before the beginning of the budget year, then The budget continues to finance pensions and benefits defined by legislation in full.

(Article 22 supplemented by 11.04.03 HO-541-N, 24.10.07 HO-224-N, amended by 30.04.13 HO-45-N, supplemented by 29.09.14 HO-153-N, amended 21.12.17 HO-271-N, 21.01.20 HO-40-N)

#### Article 23. Execution of the State Budget

the state budget shall be established by the Government on the basis of this law. 2.

(part repealed on 14.07.19 in accordance with part 5 of Article 43 of this law)

3. Amendments and/or supplements may be made to the state budget approved by the National Assembly.

At the proposal of the deputies of the National Assembly, factions of the National Assembly, the government, by legislative initiative. The National Assembly shall discuss amendments and (or) supplements to the state budget that reduce state budget revenues or increase expenditures only with the conclusion of the government and adopt them by a majority of the votes of the total number of deputies. During the implementation of the state budget, the government, in accordance with the procedure established by it, may redistribute, within

three percent of the total amount of allocations approved by the law on the state budget of a given year, the amounts of allocations approved by the law between both programs and program measures defined by this law (unless otherwise provided by the law on the state budget of a given year). Moreover, redistributions of allocations for programs and program measures should not lead to a decrease in the total annual amount of allocations provided to communities under the state budget of a given year for financial equalization subsidies (unless otherwise provided by the law on the state budget of a given year).

(The second paragraph of Part 3 was repealed on 14.07.19 in accordance with Part 5 of Article 43 of this Law) (the part was repealed on 14.07.19 in accordance with

4. Part 5 of Article 43 of this Law)

4.1. Within 45 days after the entry into force of the Law on the State Budget, the Government shall establish quarterly proportions of state budget execution, including according to the result (performance) indicators of programs and measures implemented by state bodies, as well as according to the economic and functional classification of budget expenditures for these measures.

5. The Government is responsible for the implementation of the state budget.

6. The Government shall, within 40 days after the end of each quarter, submit a report to the National Assembly. submits information on the progress of the state budget execution (also in electronic form) in accordance with the budget classification established by this Law and the structure of the Law on the State Budget of the given year. 7. If the annual volume of budget revenues approved by the Law on the State Budget of the given year

If a risk of under-execution arises during the execution of the state budget of a given year, which may lead to under-execution by an amount not exceeding 10 percent of the annual volume of allocations approved by law on the state budget of a given year, the Government may adopt a decision to reduce the total amount of annual allocations approved by law on the state budget of a given year by an amount not exceeding 10 percent of their total volume, in accordance with the directions defined by the law on the state budget, in proportions established by the Government.

8. The government has the right to spend donated funds not included in the revenues of the approved state budget and deposited in that budget in the same year, according to the directions determined by the donor. 9. Amendments and supplements to the state budget are made by law.

(Article 23 as amended by HO-211 of 14.04.98, amended, amended, supplemented by HO-541-N of 11.04.03, supplemented by HO-541-N of 20.05.05) 102-N, 30.04.13 HO-45-N, 25.03.15 HO-19-N, 16.12.16 HO-13-N, 14.12.17 HO-304-N)

Article 24. Supervision, control and budget implementation of the state budget  
program evaluation

(title edited by 12.06.24 HO-289-N)

1. The Government shall exercise control over the execution of the State Budget in accordance with the procedure established by it. 2. The National Assembly shall exercise control over the execution of the State Budget. 3. The National Assembly shall exercise control over: a) the execution of the requirements established by this Law and the Law on the State Budget of the given year; b) the execution of loans received from foreign states and international organizations; and regarding the use of loans.

c) the fulfillment of budgetary obligations, the legality of the expenditure of budgetary funds, and towards maintaining staffing discipline.

4. The evaluation of budget programs is carried out by the state authorized body in [accordance with the procedure established by the Government](#).

(Article 24 amended, supplemented by Law No. 289-N of 12.06.24)

Article 25.

Annual report on the implementation of the state budget

1. The Government shall submit an annual report on the implementation of the state budget for each year.

The National Assembly shall submit it by May 1 of the following year. The Government shall submit to the National Assembly, together with the annual report on the execution of the state budget for each year, the official conclusion of the Central Bank on it submitted to the Government by the Central Bank. 2. The annual report on the execution of the state budget shall include: a) information on the

fiscal policy and relevant legislative amendments in the reporting year that have affected the results of the execution of the state budget. b) justification of the state budget revenues, expenditures and deficit (accumulation), their comparative analysis with respect to the actual indicators of the year preceding the reporting year, as well as the corresponding indicators approved and actually executed for the reporting year.

c) information on the directions and amounts of expenditures made from the government reserve fund in the reporting year, with appropriate justifications;

d) information on the state's external and internal debts and their servicing in the reporting year; d1) d2) relevant information from the

(the clause was repealed on 14.07.19 in accordance with Article 43, Part 5 of this Law)

annual reports submitted by state bodies to the state authorized body on the implementation of the result (performance) indicators established by the government for the programs and program measures provided for by the law on the state budget for the reporting budget year; e) other information that the government considers necessary for the implementation of the state budget

to present and justify the results.

3. Expenditure items containing state secrets of the annual report on the execution of the state budget shall be submitted to the National Assembly in an open form, in accordance with the classification established by this law, in a separate sealed envelope.

4. The conclusion of the Chamber of Accounts on the annual report on the execution of the state budget consists of the following parts:

1) an opinion on the execution of the

state budget. 2) information on the identified inconsistencies,

distortions, as well as recommendations. 5. The annual report on the execution of the state budget is discussed and approved at the session of the National Assembly

in accordance with the procedure established by the constitutional law "Regulations of the National Assembly" by the second Wednesday of June of the current year.

(Article 25 supplemented, amended 14.04.98 HO-211, amended 25.12.06 HO-9-N, supplemented 30.04.09 HO-115-N, 30.04.13 HO-45-N, 14.12.17 HO-304-N, amended 16.01.18 HO-60-N, amended 21.01.20 HO-40-N, 01.03.23 HO-56-N)

Article 26. Publicity of the State Budget

To prepare, discuss, approve, execute and monitor the draft state budget

To ensure transparency of oversight: a) after submitting the draft law on

the state budget to the National Assembly, the government shall publish it in the press and <http://www.azdarar.am> within three days.

on the official website of the Republic of Armenia for public notices located at the following address, with the exception of issues containing state secrets:

b) The discussion of the draft state budget in the National Assembly is covered by state media. means, except for matters involving state secrets.

c) (the clause was repealed on 14.07.19 in accordance with Article 43, Part 5 of this Law)

c1) Quarterly proportions of the state budget, including by output (performance) indicators for programs and program measures implemented by state bodies, as well as by economic classification of budget expenditures for these measures, are published.

within one month after approval by the government.

d) the government shall publish within 45 days after each quarter of the budget year information on the quarterly execution of the state budget.

(Article 26 amended by 11.04.03 HO-541-N, 19.03.12 HO-155-N, supplemented by 30.04.13 HO-45-N, 14.12.17 HO-304-N)

## CHAPTER 5.

### BUDGETS OF THE COMMUNITIES OF THE REPUBLIC OF ARMENIA

#### Article 27. Principles of formation of community budgets

The main principles of forming community budgets are: a) planning of financial resources necessary for solving problems of community importance based on the five-year community development program and the community's medium-term expenditure program adopted by the community council upon the presentation of the community head;

b) the creation of a reserve fund as a source of funds not provided for in the community budget for a given year, as well as the main guarantee for financing capital expenditures and payments (interest) on loans and other borrowed funds;

c) the balance of the community budget - the sum of the settlement and cash outflows provided for in each component part of the community budget specified in Article 28 of this Law for each year shall not exceed the sum of the settlement and cash inflows provided for in the corresponding part of the community budget for the given year; d) thrift, when the expenditure incurred is matched by an

equivalent material and non-material acquisition of material assets.

e) efficiency, when the appropriate correlation between the expenditure incurred and its benefit to the community is ensured; f) reliability and clarity,

which makes it possible to ensure the effectiveness of budget execution and control over the budgetary process through clear calculations underlying budget items;

g) publicity, which ensures the community's awareness of the formation and implementation of the community budget members' awareness.

(Article 27 supplemented, amended, edited by 11.04.03 HO-541-N, amended by 25.03.15 HO-19-N, 16.12.16 HO-239-N, (edited 25.05.22 HO-133-N)

#### Article 27 1 Structure and content of the medium-term expenditure plan of the communities

1. The medium-term expenditure plan of communities consists of two parts: 1) a part setting out the community's revenues. 2) a part setting out the community's expenditure policy. 2. The part setting out the revenues contains information on: 1) the community's medium-term expenditure plan for three years (the upcoming budget year and the following one) on revenue forecasts and their risks for the next two years.

2) on the assessment of the progress of work towards revenue generation (collection) and changes in the revenue indicators of communities under the previous medium-term expenditure program, with an explanation of deviations or changes compared to the revenue indicators included in the previous medium-term expenditure program;

3) regarding the five-year development plan of the community and other economic programs on the basis of which the forecasts were prepared, with justification of their importance.

3. The expenditure policy contains the following information: 1) the results that the community wants to achieve from the programs to be implemented by the community; by making expenses within the framework.

2) cost factors, including expected economic and social trends that will affect the expenditures to be made in the community over the forecast period; 3) priorities and priorities of the community over the forecast period, including: provided for in the draft budgets of the communities for the coming year.

<http://www.arlis.am/DocumentView.aspx?DocID=203967> 4) the

amount and sources of external financial support in the given community.  
(Article 27.1 supplemented by Law No. 133-N of 25.05.22)

Article 28.

#### Structure of community budgets

(title amended by Law No. 541-N of 11.04.03)

1. The structure of community budgets, based on the need to ensure the compliance of the powers exercised by local self-government bodies and their financing, is divided into the following constituent parts: a) the administrative part of the community budget (administrative budget). b) the fund part of the community budget (fund budget). 2. The funds of the fund part of the community budget (including the funds of the reserve fund of the fund budget) cannot be transferred to the administrative part of the community budget, with the exception of subparagraph "c" of paragraph 2 of Article 28.1.

(Article 28 as amended by Law No. 178 of 26.12.97, supplemented by Law No. 9 of 12.10.99, amended, amended by Law No. 34 of 08.02.00, supplemented by Law No. 183 of 15.05.01, amended by Law No. 541-N of 11.04.03, supplemented by Law No. 290-N of 04.12.07)

Article 28 1.

#### Administrative budget revenues and expenditures

The administrative part of the community budgets (administrative budget) includes:

I. In terms of

revenues: 1. Revenues assigned to the community budgets by law and other legal acts, including: a) tax revenues.

b) duties. c) official grants. d)

other

revenues. 1.1. Tax revenues are: a)

local taxes: - real

estate tax, - vehicle property tax. b)

deductions from other

types of taxes and

mandatory payments assigned to the

state budget by law (in the amounts established by the law on the state budget for each year, with the exception of community deductions in the manner prescribed by this law). c) penalties and fines collected from taxpayers for violations of the Tax Code of the Republic of Armenia in the field of payments to the

community budget for local taxes. 1.2. The fees are: a) the state fee charged for registering civil status acts, issuing duplicate certificates to citizens, making changes, additions, corrections to entries made in civil status acts, and issuing certificates in connection with restoration;

b) state fees charged by notary offices for performing notarial services, issuing copies of notarized documents, preparing drafts of transactions and applications by the aforementioned bodies, making copies of documents and issuing extracts from them

duty. c)

local duties. 1.3. Official grants

are: a) subsidies provided from the state budget on

the principle of financial equalization. b) other subsidies provided from the state budget. c) targeted allocations from the state budget

for financing current expenses - subsidies. d) from other sources (other

communities of the republic, international organizations, foreign

local self-government bodies of states) official grants received for the purpose of financing current expenses. 1.4. Other incomes are: a) income from lands considered

as community property, as

well as from land located in the administrative territory of the community

<http://www.arlis.am/DocumentView.aspx?DocID=203967> 26/39 rents charged for the right to lease or build on land considered state

property. b) income from the rental of property recorded in the balance sheets of community institutions. c) income from the application of

administrative liability measures by local self-government bodies for administrative offenses. d) deductions made by decisions of the community council from the profits remaining at the disposal of organizations considered the property of the community. e) local payments. f) payments received (collected) by community institutions for services provided without charging a fee. g) funds provided by the state to local self-government bodies for the implementation of powers delegated to them.

h) other revenues to be transferred to the community budget, as defined by law and other legal acts. 2. The sources of financing the deficit (deficit) are: a) budgetary loans provided to the community budget from the state budget and (or) the budgets of other communities for financing the deficit (deficit) arising in certain periods of the budget year.

b) the free balance of administrative budget funds at the beginning of the year (in accordance with the procedure established by Part 5 of

Article 13 of this Law); c) the deficit arising in the administrative budget during a separate period of the budget year (deficit) financing, upon the proposal of the Council of Elders, by the decision of the Government of the Republic of Armenia and in accordance with the established procedure, temporarily free funds attracted from the community fund budget on the condition of returning the fund budget in a given budget year, moreover, the total amount of these funds cannot exceed 1/2 of the difference between the annual total amount approved for the administrative part of the community budget revenues for the given year and the total amount of actual receipts of the administrative part of the community budget revenues as of the 1st of the month of attraction of funds from the fund part. d) funds received from the return of budgetary loans provided from the community budget. II. On the side of outputs: 1. On the side of expenditures, in accordance with the procedure established by law, reserved for local self-government bodies

Current expenses for the implementation of powers in the following main areas: a) general community services;

b) implementation of powers reserved by law in the field of defense; c) powers reserved by law in the field of public order and security

implementation of powers. d) education

and science. e) healthcare. f)

social security. g) culture,

sports and religion. h) housing and

communal services. i) fuel and

energy complex. j) agriculture, forestry, water

management and fish farming. k) mining

and mineral resources (except fuel), processing industry, construction and environmental protection. jb) transport

and communication, road management. jc) other areas of implementation of the powers reserved by law to the head of the

community. 2. Repayments of budgetary loans attracted from the state

budget and (or) budgets of other communities for financing the

deficit (shortage) of the administrative budget arising in separate periods of the budget year, as well as the provision of budgetary loans from the administrative budget.

(28 <sup>1</sup>Article 11.04.03 HO-541-N, 20.05.05 HO-102-N, ed., amended, supplemented 24.10.07 HO-224- ed. 04.12.07 HO-290-N, ed., amended 27.04.10 HO-52-N, amended 30.04.13 HO-45-N, ed. 21.12.17 HO-N, 271-N, supplemented 04.03.22 HO-52-N) (04.03.22 HO-52-N the law has a transitional provision)

The fund part of the community budgets (fund budget) includes: I. In terms of revenues: 1. Revenues fixed by law and other legal acts for the community budgets, including: a) official grants. b) other revenues. 1.1. Official grants are: a) targeted allocations from the state budget for financing capital expenditures - subsidies. b) funds from other sources for financing capital expenditures (from the communities of the republic, international organizations and local self-government bodies of foreign countries). 1.2. Other incomes are: a) incomes from the alienation of property considered to be the property of the community, as well as property transferred to the community as property by donation from ownerless, by inheritance, individuals and legal entities. b) funds transferred to the community as property by donation from ownerless, by inheritance, as well as individuals and legal entities (except for the state, other communities of the republic, international organizations and local self-government bodies of foreign countries). c) allocations made to the fund budget from the reserve fund of the administrative budget. d) in the case specified in part 9 of Article 15 of this Law, temporary deposits of the community budget in banks

Interest payments received from the allocation of free funds and deposits.

2. The funds attracted for the purpose of financing the deficit are: a) loans received from the state budget and other sources permitted by law; b) funds received from the placement of bonds issued by local self-government bodies. The procedure for the issue and placement of bonds by local self-government bodies shall be established by the Government.

c) funds received from the privatization of state participation in the authorized capital of legal entities (except for transactions carried out until January 31, 2014 for the purpose of developing the infrastructure of the natural gas supply system), from the privatization and alienation of real estate considered state property, including unfinished construction objects, which are directed to:

- Financing of city-wide capital expenditures of Yerevan city: Yerevan City Administrative Fund in the amount of 30 percent of the proceeds from the privatization and alienation of real estate located in the administrative territory, state participation in the statutory capital of legal entities, - the fund budget of the relevant community located in the regions of the Republic of Armenia, for financing the own authorities established for the purpose of solving mandatory problems reserved by law to local self-government bodies, in the amount of 30 percent of the proceeds from the privatization and alienation of real estate located in the administrative territory of that community, state participation in the statutory capital of legal entities.

State participation in the authorized capital of legal entities located in Yerevan, Funds received from the privatization and alienation of real estate considered state property, including unfinished construction objects, shall be directed to a special account opened in accordance with the procedure established by the legislation of the Republic of Armenia.

Moreover, the relevant local self-government bodies may direct the funds specified in point "c" of this part exclusively to the financing of programs approved by the decision of the Government of the Republic of Armenia in accordance with the procedure established by the Government of the Republic of Armenia.

d) the free balance of the fund budget funds at the beginning of the year. 4. Funds received from the alienation of non-financial assets are: a) proceeds from the alienation of fixed assets considered community property (including community (b) proceeds from the alienation of the residual property of liquidated organizations that are owned by the community. (c) proceeds from the alienation of high-value assets that are considered the property of the community. (d) proceeds from the sale of tangible assets held in the community's reserves. (e) proceeds from the sale of non-produced assets that are considered the property of the community: land and intangible non-produced assets.

Inflows from the alienation of assets. II.

Outflows: 1. Inflows: 28 capital<sup>1</sup> local self-government in the areas specified in Part II of Article expenditures made by the bodies of this law within the framework of the powers vested in them. 3. Loans and local funds raised to finance the deficit (deficit) of the Fund budget.

repayments of bonds issued by self-government bodies and provision of budgetary loans. 3. Allocations of temporarily free funds from the

fund budget for the purpose of financing the deficit (shortage) of the administrative budget.

4. Capital projects and/or acquisition of capital assets co-financed by the community, provided that the capital assets formed, modified, and acquired as a result thereof will be recorded in the community's balance sheet under the right of ownership.

(28 Article2 supplemented by 11.04.03 HO-541-N, amended by 13.12.04 HO-126-N, amended by 20.05.05 HO-102-N, supplemented by 13.06.06 HO-135-N, amended by 24.10.07 HO-224-N, supplemented by 04.12.07 HO-290-N, amended by 26.12.08 HO-21-N, supplemented by 23.12.13 HO-193-N, amended by 16.12.16 HO-239-N, amended by 25.03.20 HO-171-N, amended by 12.09.23 HO-277-N,

12.02.25 HO-30-N) (12.09.23 HO-277-N) the law has a transitional provision)

(12.02.25 HO-30-N) the law has a transitional provision)

Article 28 3. Delegated by the state to local self-government bodies financing the costs of exercising powers

1. Financing of the expenses for the implementation of the powers delegated by the state to local self-government bodies from the budgets of communities shall be carried out at the expense of allocations provided for this purpose from the state budget. 2. Delegated powers (including

financing of the expenses for their implementation)

are carried out by law or in accordance with the procedure established by the Government of the Republic of Armenia.

(Article 28 3 supplemented by Law No. 541-N of 11.04.03)

Article 29. Reserve fund of community budgets

1. The community budget has a reserve fund, which can be used for purposes not provided for in the budget of the given year. for additional funding of expenditures or planned expenditures.

2. The reserve fund of the administrative part of the community budget may be provided for in the amount of 5 to 30 percent of the revenues of the administrative part of the

community budget. 3. A reserve fund may be formed in the fund part of the community budget, which may not exceed 30 percent of the revenues of the fund part of the community

budget. 4. Financial resources may be directed from the reserve fund of the administrative part of the community budget to the fund part of the

community budget. 5. Reserve funds may be used only by decision of the community council.

(Article 29 amended by Law No. 11.04.03 HO-541-N, amended by Law No. 24.10.07 HO-224-N, amended by Law No. 22.11.23 HO-371-N)

Article 30. Loans and advances of community budgets

(title amended by Law No. 541-N of 11.04.03)

1. The head of the community, by decision of the council of elders, may receive budgetary loans with the consent of the relevant state authorized body in order to timely meet the expenses provided for in the administrative budget (to receive a loan from the budget of another community, the consent of the council of elders of the community providing the loan is also required). The community may receive a new loan after the debt on the previously received loan has been fully repaid.

2. The head of the community, by decision of the council of elders, with the consent of the relevant state authorized body, may conclude a loan agreement or issue community securities in order to make investments in the development of the social infrastructure of the community, in accordance with the procedure prescribed by law. The community, with the consent of the state authorized body, may conclude a loan agreement or issue securities on the condition that in each budget year the annual amount provided for in the loan and securities repayment program - the sum of the principal and interest payments - will not exceed 20 percent of the revenues of the fund part of the community budget for the corresponding year. The community may take out a new loan after the previous loan debt has been fully repaid. The given loan funds (including funds received from the issue of securities) are necessarily directed to the fund part of the community budget.

3. Only community budget revenues and the Armenian National Bank may be used as collateral for a loan agreement. Guarantees of the Republic Government.

4. No loans or advances shall be granted at the expense of the community budget funds (except for the cases specified in Part 2 of Article 10 of this Law) and no securities shall be purchased (except for the cases of purchasing shares of joint-stock companies established or created by the community).

(Article 30 amended by Law No. 541-N of 11.04.03, supplemented, amended by Law No. 102-N of 20.05.05)

#### Article 31. Preparation of the draft community budget

1. The draft community budget is prepared based on the community's medium-term expenditure plan, based on the planning of the financial resources necessary to solve the problems of the budget year. 1.1. The process of developing the draft

community budget consists of two stages: 1) creating a proper programmatic basis for developing the draft community budget for the coming year

Development of a medium-term community expenditure plan for the next three years for the purpose of:

2) Development of the community budget draft for the coming year.

1.2. The goal of developing the community's medium-term expenditure plan for the coming three years is to enable to create a medium-term framework for the community to manage the community's financial resources. The medium-term expenditure plan serves as the basis for the development of the community's draft budget. 1.3. The development of the community's medium-term expenditure plan is carried out in accordance with this law, methodological within the time limits set by the decision of the Prime Minister of the Republic of Armenia on

the start of the budget process for the coming year. 1.4. Within the time limits set by the decision of the Prime Minister of the Republic of Armenia on the start of the budget process for the coming year, the state authorized body, through the highest body of legal control, shall provide local self-government bodies with methodological instructions for drawing up the draft of the community's medium-term expenditure program, which are binding for the latter. The methodological instructions for drawing up the draft of the medium-term expenditure program shall present the general requirements for the drafts of the medium-term programs developed by the communities and the procedure for submitting these drafts. 1.5. Budgetary institutions shall draw up and submit to the head of the

community their medium-term expenditure programs.

programs within the time period specified by the decision of the community council.

1.6. The budget institution's medium-term expenditure program is signed by the head of the budget institution. 1.7. In order to fulfill his duties, the community head is authorized to receive funds from budget institutions.

to request and receive necessary information. 1.8. The head of the

community summarizes, compiles and, within one month after the publication of the state medium-term expenditure program approved by the government, submits it for approval to the community council. After approval, within three days, it is published on the official website of the community and submitted to the relevant governor.

2. The draft budget of the community is drawn up by the head of the community on the basis of the agreed principles of organizing the budget process, ensuring the unity of the budget system, and a unified methodology of budget classification, accounting and reporting. 3. The norms and standards established by the Government or its authorized state

administration body for calculating budget expenditures are of an advisory nature when calculating the expenditures envisaged in the budgets of communities. The exceptions are the cases of financing the expenditures of local self-government bodies for the implementation of delegated powers and other targeted expenditures provided from the state budget to the budgets of communities.

4. In order to organize the work of preparing the draft community budget, the community head:

to the heads of relevant services and budgetary institutions of the staff:

- issues relevant instructions for the calculation and presentation of budget revenues and expenditures; - provides, through the territorial bodies of state administration, the relevant forms for calculating budget revenues and expenditures within one week from the date of receipt of the methodological instructions specified in Article 21 of this Law, which are mandatory for local self-government bodies.

5. Budgetary institutions shall be accountable to the community head within the period specified by the community head. submit budget funding applications, estimates of their maintenance costs, with appropriate justifications.

6. The community leader summarizes the data submitted in the prescribed forms and prepares the community budget. the draft, which consists of the budget message of the community head and the draft decision of the council of elders on the community budget. 7. The budget

message of the community head includes: a)

(the clause was repealed by Law No. 541-N of 11.04.03)

b) the report of the community head on the main directions of community development for the budget year, as well as the community's medium-term expenditure plan, which forms the basis of the community budget;

c) justification of the revenues and expenditures provided for in the draft community budget, justification of revenues and expenditures, as well as deficit (shortage) or surplus, as well as a comparative analysis of these indicators with the actual budget indicators of the previous year, approved and estimated indicators of the current budget year,

d) the amounts required for the implementation of targeted programs financed from the community budget, and justification for the proposed allocations, which includes the program's: -

legal basis; - content;

- objectives and goals;

- implementation stages and

deadlines; e) the structure of debts, their

comparative analysis with the actual and planned amounts of the previous budget year;

with the corresponding calculation indicators for the current budget year.

f) justification of the proposed allocations for the formation of the reserve fund of the administrative and fund parts of the budget; g)

information received in accordance with Part 5 of Article 21 of this Law on the allocations from the state budget to the community budget provided for in the draft state budget (if the draft decision of the council of elders on the community budget is submitted for discussion by the council of elders before the adoption of the law on the state budget for the coming year) or in the law on the state budget.

(the clause was repealed by Law No. 45-N on 30.04.13)

h) i) information on the staff of budgetary institutions maintained at the expense of community budget funds the average annual total number of employees, the salary fund and a comparative analysis of these indicators with the corresponding calculated indicators of the previous budget year and the current budget year, as well as information on the average annual number of employees (occupied positions). j) other information that the head of the community considers necessary to substantiate the draft

decision of the council of elders on the community budget. 8. The draft decision of the council of elders on the community budget includes: a) the revenues and

expenses of the community budget according to the components of the

budget, with the classification established by this law (except for the territorial classification of budget expenses),

b) the deficit (shortfall) or surplus of the community budget and the financing of the deficit (shortfall) sources or directions of surplus use, according to the classification established by this law,

c) other provisions and indicators that the community leader and the council of elders consider necessary to ensure the implementation of the community budget and its control.

(Article 31 supplemented, amended, edited by 11.04.03 HO-541-N, amended by 30.04.13 HO-45-N, 16.12.16 HO-239-N, ed., supplemented by 25.05.22 HO-133-

N) (25.05.22 [HO-133-N](#)) the law has a transitional provision)

Article 32. Discussion and approval of the draft community budget by the community council

by

1. The head of the community shall submit the draft community budget for discussion by the community council of elders within two months after the publication of the preliminary figures for subsidies provided to communities by the government on the principle of financial equalization. The draft community budget shall be sent to the members of the council of elders at least one week before the discussion.

2. The procedure for discussing the draft community budget at a meeting of the community council shall be established by law and by the regulations of the community council.

3. The community leader presents the community budget draft to the community council and answers questions from the council members.

Members of the community council may submit written proposals on the draft budget, which are discussed at the council meeting. If the proposal of a council member provides for new expenses, he or she is obliged to indicate the sources of relevant financial resources. The head of the community may, after discussions, take up to one week to make appropriate changes and additions to the submitted draft or request approval of the budget. 4. Within the specified period, the head of the community shall convene a meeting of the community council and present his or her position on the amendments to the budget proposed by the council. The draft budget shall be submitted to the community

<http://www.arlis.am/DocumentView.aspx?DocID=203967> 31/39 the amendments adopted by the head of the community are put to a

vote in their entirety. In case of non-acceptance, the terms of discussion of the new budget draft may be determined by the community council in agreement with the community head, or by the community head by convening an extraordinary session.

5. The community budget is approved by the community council,

on which the decision of the community head is adopted.

the relevant draft decision submitted.

6. The community council, upon the presentation of the community head, may approve the community budget even before the approval of the state budget.

After the approval of the state budget, a two-week adjustment period will be made to the previously approved budgets of the communities.

Necessary changes and/or additions are made within the specified period.

7. The community head, within 3 days after the community budget is approved by the council of elders, represents the relevant governor.

The regional governor checks the compliance of the budget submitted by the community leader with the law:

In the event of maintaining the principle of autonomy of budgets established by this law, compliance of

calculations with the established methodology and observance of principles ensuring the unity of the budget system, the community budget shall be included in the summary report of the budgets of the communities located in the administrative

territory of the region submitted to the state authorized body. The form of the summary report, the procedure for its preparation

and the terms of submission shall be determined by the state authorized body. 8. Between the governor and the head of the

community in connection with the decision of the council of elders on the community budget

Any disagreements that arise shall be resolved in accordance with the procedure prescribed

by law. 9. In the event that the community budget is not approved, the community head may resign.

If the community council does not make such a decision by two-thirds of the votes of the total number of its members

within three days of receiving the application for the resignation of the community head, the community budget is considered

approved with the amendments made by the community head.

In the event that the community council adopts a decision to terminate the powers of the community head early through resignation in connection with the approval of the community budget, the relevant regional governor shall submit the issue to the authorized body of the government, which shall submit it to the government in accordance with the procedure prescribed by law. If the government does not adopt such a decision within

one month after receiving the application, then

The community budget is considered approved with the amendments made by the community leader.

The government's decision to terminate the powers of the community leader early through his resignation

In case of termination, the new head of the community shall submit a draft budget to the community council within twenty days. It

shall be discussed and approved in accordance with the procedure provided for by this law within thirty days. 10. If the community

budget is not approved before the beginning of the budget year, the expenses shall be incurred

In that case, the community leader is obliged to fulfill the obligations arising from previously signed contracts, not to make

new investments, and to incur expenses no more than the expenses incurred in each month of the previous year.

(Article 32 as amended, supplemented, amended by 11.04.03 HO-541-N, amended by 20.05.05 HO-102-N, 26.12.08 HO-21-N, (amended, edited 16.12.16 HO-239-N)

### Article 33. Implementation of the Community Budget

1. Within two weeks after the decision of the council of elders on the community budget enters into force, the community head establishes the quarterly proportions for the implementation of the community budget, approves the estimates of the expenses for the maintenance of budgetary institutions in the manner and within the deadlines established by the budget legislation.

2. In order to ensure the implementation of the community budget, the community head

shall: a) approve the annual budget approved by the community council, in quarterly proportions and in accordance with the budget

a) provides the approved estimates with the annual and quarterly distribution of the expenses for the maintenance of

institutions to the state authorized body implementing the community budget execution service, b) signs financial documents,

c) assists tax authorities in the process of entering

taxes into the community budget, d) exercises other powers prescribed by law. 3. During the

implementation of the community budget, the community head may

make a decision on approving the budget:

Reallocations that do not contradict the decision adopted by the community council. The total amount of changes made

by the community head during the budget year cannot exceed the amounts set by the budget decision for the given year.

<http://www.arlis.am/DocumentView.aspx?DocID=203967> 4.

Amendments and (or) supplements to the community budget may be made upon the proposal of the community head or member(s) of the community council. Such amendments and (or) supplements may not violate the balance of the community budget as defined by this Law. Amendments and (or) supplements proposed by members of the community council that reduce the community budget revenues or increase the expenditures shall be discussed by the community council only upon the conclusion of the community head and shall be adopted by two-thirds of the votes of the total number of council members.

The procedure for making amendments and/or additions to the community budget is established by the community budget. by the regulations of the council of elders, in accordance with this law.

Donations not included in the approved community budget revenues and entered into that budget The community leader is authorized to spend the funds in the same year, according to the directions determined by the donor. 5. The maintenance of

the community budget, in accordance with this law, shall be carried out in accordance with the procedure established by the government. is implemented by the state authorized body through the subdivisions of the treasury.

6. The head of the community is responsible for the implementation of the community budget.

(Article 33 as amended, supplemented by HO-541-N of 11.04.03, amended by HO-102-N of 20.05.05, HO-304-N of 14.12.17)

#### Article 34. Control over the implementation of community budgets

1. The community council, the National Assembly and the the government within the framework of the powers granted to them by law.

2. The community council shall exercise control over the implementation of the community budget through its members. (members) and (or) through a specialized auditing organization, at a frequency determined by the council of elders, but not less than once a year.

<sup>12</sup>. The government exercises control over the implementation of the community budget over the use of targeted allocations from the state budget to the community (subsidies, amounts transferred to the community budget from the privatization of state property in accordance with this law, funds provided by the state for the purpose of financing the implementation of the powers delegated to the community), as well as over the use of borrowed funds from the state budget and other sources permitted by law and their repayment program, through the state administration authorized body in accordance with the procedure established by it. 3. The main tasks of control over the implementation of community budgets are: a) to prepare forecasts of budget revenues and estimates

of budget expenditures

verification of justification,

b) verification of the legality of the expenditure of budgetary funds, including loans and other borrowed funds,

c) fulfillment of budgetary obligations, maintenance of staffing and accounting discipline, assessment of the state of accounting and reporting,

d) establishing control over the financial and economic activities of budgetary institutions and organizations, e) ensuring the fulfillment of other requirements

established by law regarding the budgetary process. 4. The head of the community, the staff of the head of the community, officials of budgetary institutions

In case of obstructing the performance of duties by persons exercising control over the implementation of the community budget or providing false information, they shall be held liable in accordance with the procedure established by law.

(Article 34 supplemented, amended by Law No. 541-N of 11.04.03)

#### Article 35. Community budget execution reports

1. The head of the community shall submit quarterly reports on the progress of budget implementation to the community council and the relevant regional governor by the 15th of the month following the reporting quarter. The head of the community shall submit the report specified in this part to the regional governor in the format established by the state authorized body. 2. The head of the community shall submit the

annual report on the implementation of the community budget to the community council by the 15th of the month following the reporting quarter. submit for approval organizes and conducts public open hearings and (or) discussions within the time period specified in Article 27.1 of the Law of the Republic of Armenia "On Legal Acts". Comments and suggestions received and accepted during public open hearings or discussions

## The community leader provides information to the community

council regarding <http://www.arlis.am/DocumentView.aspx?DocID=203967> .

3. The community head shall submit the annual report on the implementation of the community budget to the community council. shall be submitted by March 1 of the year following the reporting budget year. 3.1. [The requirements for reporting on the expenses of community contributions distributed to communities under Article 20 of this Law and the format of the report shall be established by a decision of the Government of the Republic of Armenia.](#)

4. The Council of Elders on the annual budget execution report submitted by the community leader The member(s) or the specialized auditing organization shall present the results and conclusions of its investigations to the community council. In case of violations, the council may apply to the relevant competent authorities.

5. The annual report on the implementation of the community budget is discussed and approved at the meeting of the council of elders. with the conclusion of a member(s) of the council of elders or a specialized auditing organization by March 20 of the current year.

6. At the meeting of the Community Council of Elders, the community head answers the questions of the members of the Council of Elders and provides the necessary explanations. 7.

Procedure for discussing the annual report on the implementation of the community budget at the meeting of the Community Council of Elders is determined by the regulations of the community council.

8. The Council of Elders adopts the resolution on the approval of the annual report on the implementation of the community budget. relevant decision. In the event that the annual report on the implementation of the community budget is not approved, the community head shall raise the issue of early termination of his/her powers by resigning. In that case, the procedure for early termination of his/her powers by the community head by resigning, as defined in Part 9 of Article 32 of this Law, shall apply. If the community council does not adopt such a decision by at least two-thirds of the votes of the total number of its members within three days after receiving the application for the resignation of the community head, the annual report on the implementation of the community budget shall be considered approved.

If the community council nevertheless accepts the resignation by a decision of at least two-thirds of the votes of the total number of its members within three days after receiving the application for the resignation of the community head, the annual report on the implementation of the community budget shall also be considered approved. 9. The annual report on the implementation of the community budget shall be

prepared in accordance with the requirements of this law. in the manner prescribed by the relevant state authorized body and includes:

a) information on the justification of the community budget revenues and expenditures in the reporting year, their corresponding analysis between the actual figures of the year preceding the reporting year and the corresponding indicators approved and actually implemented for the reporting year;

b) information on the directions and amounts of expenditures made from the reserve fund of the community budget in the reporting year, with appropriate justifications; c) information on budget debts and their servicing in the reporting year; d) other information that the community head considers necessary for the implementation of the community budget.

to present and justify the results.

10. The community head shall submit the annual report on the implementation of the community budget to the council of elders for approval. then, within a three-day period, submits it to the relevant regional governor.

(Article 35 as amended by 14.04.98 HO-211, supplemented, amended, amended by 11.04.03 HO-541-N, amended by 26.12.08 HO-21-, N) amended by 16.12.16 HO-239-N, supplemented by 04.03.22 HO-52-N, (04.03.22 [HO-52-N](#) the law has a transitional provision)

### Article 36. Publicity of Community Budgets

To ensure the transparency of community budgets: a) within three days after submitting the draft decision on the community budget to the community council is published in the local press. At the same time, brochures and booklets containing key budget indicators, statistical and graphical data are prepared and published,

b) information on the quarterly implementation of the community budget shall be published within one month after each quarter of the budget year,

c) within five days after the annual report on the implementation of the community budget is approved by the community council published in the local press and <http://www.azdarar.am> within the [deadline on the official website](#) of public notices of the Republic of Armenia at the address, and the report on the expenses of community contributions distributed to communities under Article 20 of this law is published separately.

is published on the official website of the given community within five days after approval by the community council within the deadline. In the absence of the latter, the community head shall submit a on the official website of the relevant regional administration.

d) community leaders create conditions for the community budget draft, annual Community members who wish to familiarize themselves with and study the report can easily access it. bring the relevant documents.

(Article 36 amended by 19.03.12 HO-155-N, supplemented by 04.03.22 HO-52-N)  
(04.03.22 [HO-52-N](#) the law has a transitional provision)

## CHAPTER 5 <sup>1</sup>.

### COMPULSORY SOCIAL INSURANCE BUDGET OF THE REPUBLIC OF ARMENIA

(the chapter was repealed on 24.10.07 HO-224-N)

Article 36 <sup>1</sup>The structure and budget of the mandatory social insurance project  
content

(Article repealed by Law No. 224-N of 24.10.07)

Article 36 <sup>2</sup>Sources of revenues for the mandatory social insurance budget

(Article repealed by Law No. 224-N of 24.10.07)

Article 36 <sup>3</sup>. Directions of budget expenditures for compulsory social insurance

(Article repealed by Law No. 224-N of 24.10.07)

Article 36 <sup>4</sup>. Preparation of the draft budget for compulsory social insurance and  
confirmation

(Article repealed by Law No. 224-N of 24.10.07)

Article 36 <sup>5</sup>. Execution of the mandatory social insurance budget

(Article repealed by Law No. 224-N of 24.10.07)

Article 36 <sup>6</sup>Annual report on the implementation of the mandatory social insurance budget  
the report

(Article repealed by Law No. 224-N of 24.10.07)

(the chapter was repealed on 24.10.07 HO-224-N)

## CHAPTER 6.

### BUDGET CLASSIFICATION OF THE REPUBLIC OF ARMENIA

Article 37. Composition of the budget classification

1. Budgets are prepared and executed according to a unified classification of budget revenues and expenditures.
2. Budget classification is the classification of budget receipts and expenditures used for the preparation and execution of budgets. is the grouping of expenditures by type and direction, which ensures the consistency of all aspects of the budget system comparability of budget indicators across levels.
3. The budget classification has the following structure:
  - a) budget revenues;
  - b) budget expenditures and operations with non-financial assets;
  - c) sources of financing the budget deficit (deficit);
  - d) budget debts.

(Article 37 amended, edited by 11.04.03 HO-541-N, amended by 24.10.07 HO-224-N)

Article 38. Classification of budget revenues

(title amended by 11.04.03 HO-541-N, amended by 14.12.17 HO-304-N)

1. Budget revenues are classified according to the sources of revenue formation defined by law.  
based on.

2. Budget revenues are classified as:

- a) tax revenues and duties;
- b) (the clause was repealed by Law No. 258-N of 22.12.10)
- c) official grants.
- d) other income.
- 3. (part repealed by Law HO-541N of 11.04.03)
- 4. (part repealed by Law HO-541N of 11.04.03)
- 5. (part repealed by Law HO-541N of 11.04.03)
- 6. (part repealed by Law HO-541N of 11.04.03)
- 7. (part repealed by Law HO-541N of 11.04.03)
- 8. (part is invalid (Article 38 11.04.03 HO-541-N)

supplemented, amended 26.12.97 HO-178, amended, amended 11.04.03 HO-541-N, amended 24.10.07 HO-224-N, amended 22.12.10 HO-258-N, amended 14.12.17 HO-304-N)

Article 39. Budget expenditures and operations with non-financial assets  
classification

(title amended by 11.04.03 HO-541-N, amended by 24.10.07 HO-224-N, amended by 14.12.17 HO-304-N)

1. Budget expenditures and operations with non-financial assets (hereinafter referred to as expenditures)  
are classified according to:

- a) the functions of state administration and local self-government bodies;
- b) departmental distribution.
- c) the economic content of the costs.
- d) territorial distribution.
- e) programs.

2. Functional classification of budget expenditures by state, local government

Budgetary plans expressing the directions of financing the implementation of the main functions of the bodies  
is the grouping of expenses.

3. The economic classification of budget expenditures is the grouping of expenditures according to their economic  
according to the content.

4. The economic classification of budget expenditures has the following structure:

- a) current expenses.
- b) transactions with non-financial assets.
- c) (the clause was repealed by Law HO-224-N of 24.10.07)

5. Current budget expenditures are:

- a) remuneration for work;
- b) the acquisition of goods and services;
- c) interest payments.
- d) subsidies.
- e) grants (including subsidies and subventions);
- f) social benefits and pensions;
- g) other current expenses.
- h) (the clause was repealed by Law No. 304-N of 14.12.17)

6. Transactions in non-financial assets are:

- (a) expenses on non-financial assets;
- b) receipt of funds from the disposal of non-financial assets.
- 7. (part repealed by Law HO-224N of 24.10.07)

8. Departmental classification of budget expenditures is the grouping of expenditures according to budgetary resources.  
direct recipients: state and local government departments

9. Territorial classification of budget expenditures is the grouping of budget expenditures according to: administrative-territorial units of the republic: regions and communities.

10. Program classification of budget expenditures is the grouping of expenditures by state bodies. implemented budget programs and program measures, Article 41.4, Part 2, Subparagraphs "a", "b" of this Law and the types defined in points "c".

(Article 39 as amended by Law No. 541-N of 11.04.03, amended by Law No. 224-N of 24.10.07, amended, supplemented, (amended 14.12.17 HO-304-N)

Article 40. Sources of financing the budget deficit

(title amended by Law No. 541-N of 11.04.03)

1. Classification of sources of financing the budget deficit (deficit) net funds raised for financing (including borrowed funds and financial assets) It's the grouping.

2. Sources of financing the budget deficit are classified as internal and external. sources.

3. (part repealed by Law HO-54111.04.03 HO-541-N)

4. (part no longer valid) N of 11.04.03)

(Article 40 as amended, amended on 11.04.03 HO-541-N, amended on 24.10.07 HO-224-N)

Article 40 <sup>1</sup>Budget debts

1. Classification of budget debts of the Republic of Armenia: state and local is the grouping of debt obligations of self-government bodies according to their types.

2. Budget debts are classified into internal and external debt.

(40 Article 1 supplemented by Law of 11.04.03 HO-541-N)

Article 41. Budget classification details

1. The detailed budget classification established by this law, by each article, as well as the procedure for their application shall be established by the state authorized body.

2. (part repealed on 14.07.19 in accordance with part 5 of Article 43 of this law)

(Article 41 amended by Law No. 102-N of 20.05.05)

## CHAPTER 6.1

(chapter supplemented by HO-45-N of 30.04.13)

### BASIC PRESENTATION OF BUDGET OUTPUTS ACCORDING TO PROGRAM CLASSIFICATION PRINCIPLES

(title edited by HO-304-N on 14.12.17)

Article 41.1 Scope of application of the provisions of Chapter 6, Section 1 of this Law

(the article was repealed on 14.07.19 in accordance with Article 43, Part 5 of this law)

Article 41.2. According to the draft law of the Republic of Armenia on the State Budget, as also under the Law of the Republic of Armenia on the State Budget presenting the planned budget expenditures in a programmatic format the components of the document

(the article was repealed on 14.07.19 in accordance with Article 43, Part 5 of this law)

#### Article 41.3. Program activities

1. Program measures are differentiated according to the affiliation of the activities envisaged by them. are current, capital, public property management and financial asset management policies. 2. Current activities are: a) the provision of goods and services by a state body; b) the provision of transfers to organizations or individuals; c) the execution of expenditures on public debt service (interest payments). 3. Capital activities are operations with capital (non-financial) assets for public use (acquisition, construction, renovation, etc.) that are not capital assets used for services directly provided by or on behalf of a state institution.

4. Public property management measures are operations with capital assets used for services provided by a state institution or other state-owned organizations (acquisition, construction, renovation, etc.). 5. Financial asset management and public debt repayment measures are: a) acquisition of financial assets, including the provision of loans by the state to organizations or individuals, as well as the acquisition of shares or other participation in the capital of organizations.

b) repayment of obligations related to the state debt, including loans provided to the state, as well as the redemption of promissory notes and the repurchase of securities issued by the state.

#### Article 41.4. Classification of budget expenditures and expenditures by program activities

1. Classification of budget expenditures by program activities (for the purposes of this chapter, also program activities) is the grouping of state budget expenditures according to the types of programs and measures implemented by state bodies, defined in this chapter.

2. Budget expenditures are classified according to program activities: a) current activities. b) capital activities. c) public property management activities. d) financial asset management and public debt repayment activities. 3.

(part repealed on 14.07.19 in accordance with part 5 of Article 43 of this Law) (Article 41.4 amended on 14.12.17 HO-304-N)

#### Article 41.5. Components of the annex defining the result (performance) indicators established by the government for the programs and program measures provided for in the draft law on the state budget, as well as the law on the state budget

1. The budget allocations of the draft law on the state budget by state bodies are set out in the annex to the government budget message, which sets out the programs implemented by each state body and the measures implemented within their framework. For each of the programs, the program index, name, objective, description of the final result and the allocated financial resources are presented. For each of the measures, the event index, name, description and allocated financial resources are presented.

2. The annex to the Government's budget message, as well as the result (performance) indicators set by the Government for the programs and measures provided for by the Law on the State Budget, consists of two parts for each state body, with: 1) the first part presents a brief description of the strategic objectives of each state body; 2) the second part presents the results of the programs and measures implemented by the state body.

(performance) indicators.

3. The appendix to the Government's budget message, as well as the final result indicators set by the Government for the programs provided for in the State Budget Law, reflects the projected final result indicators and their target dates for the programs implemented by each state body.

(Article 41.5 supplemented by Law No. 304-N of 14.12.17)

## CHAPTER 7.

### LIABILITY FOR VIOLATION OF THIS LAW

#### Article 42. Liability for Violation of this Law

For violation of the requirements of this law, state and local self-government bodies and legal entities and officials exercising their powers shall be held liable in accordance with the procedure established by law.

(Article 42 supplemented by Law No. 541-N of 11.04.03)

## CHAPTER 8.

### FINAL PROVISIONS

#### Article 43. Transitional provisions

1. The requirements of this law, in terms of time limits, do not apply to the state and local laws of 1996. on the processes of compiling and approving annual reports on budget execution. 2. Articles 11, 28, 29 and 30 of this Law shall enter into force on January 1, 1998. 3. Until the adoption of the Law of the Republic of Armenia on State Procurement, the financing of expenses for purchasing goods, performing works and providing services at the expense of budget funds shall be carried out in accordance with the procedure established by the Law on the State Budget of each year.

4. Prior to the adoption of the Law of the Republic of Armenia on Financial Equalization of Communities the procedure for allocating subsidies to budgets is established by the law on the state budget of each year. 5. Articles 1.2, parts

18 and 21, Article 16, part 2, point "d", part 3, point "e" and The provisions of Part 4, Point "a", First Paragraph of Part 3 of Article 21, Part 2 of Article 23, Second Paragraph of Part 3 and Part 4, Point "d1" of Part 2 of Article 25, Point "c" of Article 26, Part 2 of Article 41, Articles 41.1 and 41.2, Part 3 of Article 41.4 shall cease to be valid on the day of approval of the annual report on the implementation of the 2018 state budget of the Republic of Armenia, and until then their effect shall not apply to relations arising within the framework of the 2019 budget process of the Republic of Armenia. 6. Parts 17.1-17.3, 18.1 of Article 1.2, Points "e" and "f" of Part 2 of Article 16, Part 3 of Article 1.2 of this Law

The provisions of Article 21, Part 2.12, Part 2.12, Article 23, Part 3, Paragraph 3 and Part 4.1, Article 25, Part 2, Point "d2", Article 26, Part 1, Point "e" and Part 10, Article 41.5 shall not apply to relations arising within the framework of the budget processes of the Republic of Armenia for 2017 and 2018.

(Article 43 amended by Law No. 45-N on 30.04.13, supplemented by Law No. 304-N on 14.12.17)

President of the Republic of Armenia

L. Ter-Petrosyan

Yerevan  
21 July 1997 HO-137