

LAW
OF THE REPUBLIC OF ARMENIA
ON NON-COMMERCIAL STATE ORGANIZATIONS

Adopted on October 23, 2001

CHAPTER 1.
GENERAL PROVISIONS

Article 1. Scope of the Law

This Law defines the legal status of Non-Commercial State Organizations (hereinafter, State Organizations); procedure of their establishment, activity, reorganization and liquidation, as well as interrelations of a State Organization with state entities.

Article 2. Legislation on State Organizations

Legislation on State Organizations consists of the Civil Code of the Republic of Armenia, this Law, other laws and legal acts, as well as international treaties of the Republic of Armenia.

Article 3. Basic Provisions on State Organizations

1. State Organization is a non-profit non-commercial organization with a status of a legal entity, which is established for implementation of activities only in the spheres of culture, health, social issues, sports, education, science, environmental issues and other non-commercial spheres.
2. State Organization has a separated property as ownership and accounts for its duties with this property. State Organization may acquire and exercise property and personal non-property rights, take obligations, act as a plaintiff or a defendant in court.
3. State Organization shall have a name, incorporating words of "Non-Commercial State Organization", as well as an indication of the field of activity of State Organization, if it is not clear from the name.
4. The residence of State Organization shall be the place of location of its permanently acting body.
5. State Organization may be a founder or a participant of other organizations only upon the founder's decision.
6. State Organization shall have a round seal with the image of the Republic of Armenia Coat of Arms and its Armenian name. State Organization may have blanks with its name, logo and other means of its own identification.
7. State Organization shall have an independent balance sheet.

Article 4. Property of State Organization.

1. Property of State Organization at the time of its establishment and in future shall be formed from property delivered by the founder, as well as the property that is produced and obtained during the activity of the State Organization. Decision on foundation of State Organization shall define the size of the property delivered to State Organization by the founder as an ownership at the time of foundation. At the time of foundation, the founder cannot deliver property with a value exceeding the ten thousand fold of the minimum salary to the State Organization as an ownership, unless otherwise envisaged by the law or the founder's decision.
2. State Organization has right to possess, use and manage at its discretion the property belonging to it by the right of ownership in compliance with the Law, the founder's decisions and (or) its Charter.
3. The founder shall not exercise rights towards the property belonging to State Organization by an ownership right, except for the property left after liquidation of State Organization.
4. State Organization shall be concerned about the maintenance of the property of State Organization.
5. Expropriation may be applied to the property of State Organization only in court order.

Article 5. Assets Attached to State Organization

1. Founder may attach any asset to State Organization by the right of use with non-term limits and without compensation.
2. The founder has a right to take back the asset attached to the State Organization by him/her.
3. State Organization has no right to alienate, mortgage, deliver for use without compensation the attached assets or the rights thereon.

State Organization has a right to rent the property attached to it on behalf of the State, provided that it is not prohibited by the founder's decision or the Charter of State Organization. A lease term of more than one year for the attached property cannot be defined, with the exception of cases defined by the founder.

Incomes yielded as a result of the use of attached assets shall be the property of State Organization, unless otherwise stipulated in the Charter of State Organization.

Inseparable improvements generated in the course of use of attached assets of State Organization shall be the property of the founder.

4. Attaching the property to State Organization by the founder shall not be a ground for termination or modification of the founder's and the third person's rights on the property.

5. The State Organization's right to use the immovable property attached to State Organization or the property subject to compulsory state registration shall generate from the moment of state registration of the rights thereon.

Article 6. Activities of State Organization

1. State Organization may be engaged in entrepreneurial activity only in cases and by types of activities directly envisaged by the Law and the founder's decision. State Organization may be engaged in activities subject to licensing only based on the license.

2. Profit yielded in the course of activity of State Organization shall be used for achievement of goals envisaged in its Charter. The founder shall define the order of use of the State Organization's profit.

3. Legislative acts cannot grant State Organizations such rights or privileges, as a result of which State Organization may hold a dominant position in the goods market or violate other requirements of legislation on economic competition, unless otherwise stipulated by the law.

4. (Paragraph 4 of Article 6 has been abolished on December 6, 2004).

5. State Organization shall pay taxes, duties and other compulsory contributions in the order and the rate set for non-profit organizations.

Article 7. Responsibilities of State Organization and the Founder

1. State Organization shall account for its duties with the property belonging to it.

2. State Organization shall not take a responsibility for the founder's liabilities.

Article 8. Institutions, Representations and Branches of State Organization

1. In compliance with the Civil Code of the Republic of Armenia, this law and its Charter, State Organization may have institutions, branches and representations. Institutions, branches or representations of State Organization shall be established upon the founder's decision, and upon the decision of an authorized state entity in cases directly envisaged by the founder.

2. Establishment of branches and representations by State Organization in foreign countries shall be implemented in compliance with the legislation of that country, unless otherwise stipulated by international treaties of the Republic of Armenia.

3. Institutions, branches and representations of State Organization in the Republic of Armenia shall be subject to registration by an entity performing registration of legal persons in accordance with the order defined by law.

CHAPTER 2. ESTABLISHMENT OF STATE ORGANIZATION

Article 9. Establishment of State Organization

1. State Organization shall be established through foundation, or reorganization of state institution or companies with 100 percent state participation.

2. Founder of State Organization (hereinafter, founder) can be only the Republic of Armenia in the person of the Government.

3. State Organization shall be created upon the founder's decision. The founder's decision on foundation of State Organization shall define the name of the State Organization, its scope of activities and goals, including types of entrepreneurial activities implemented by it, the composition and value of the property delivered and (or) attached to State Organization by an ownership right; the authorized state entity, performing the management of State Organization under the governance of which the State Organization functions; authorities of the authorized state entity, as well as other provisions not contravening the Law.

4. The founder shall take responsibility for liabilities related to the establishment of State Organization that emerge prior to state registration of State Organization.

5. Community has a right to establish a non-commercial organization (hereinafter, community organization), in accordance with the order defined by this law. Head of Community shall create the community organization on behalf of the community. Decision on establishment of community organization and the Charter of organization shall be approved by the Council of Community.

Requirements of this law shall apply to community organizations, except for Article 14, which stipulates authorities to be implemented by the head of community.

Article 10. State Registration of State Organization

1. State Organization is subject to state registration by the order stipulated by Law.
2. State Organization shall be considered as an established one from the moment of its state registration by the order defined by Law.
3. State Organization shall be created without term limits, unless otherwise stipulated by the Charter thereof.

Article 11. Charter of State Organization.

1. Founding document of the State Organization is the Charter of State Organization.

The Charter of State Organization must contain:

- a) the name of State Organization;
 - b) the place of location of State Organization;
 - c) scope of activity and goals of State Organization, including types of entrepreneurial activities implemented by it;
 - d) the managing bodies of State Organization, their composition and authorities;
 - e) order of establishment and management, possession and use of the property of State Organization;
 - f) Order of use of the profit of State Organization;
 - g) Order of liquidation of State Organization;
 - h) Order of use of the property of State Organization in case of its liquidation;
 - i) Other provisions envisaged by the law and the founder and those not contravening the law.
3. The Charter of State Organization and its amendments shall be approved by the founder, and in the case envisaged by the founder's decision, by its authorized state body.

CHAPTER 3.

MANAGEMENT OF STATE ORGANIZATION

Article 12. Managing Bodies of State Organization.

1. The management of State Organization shall be implemented by the founder, its authorized state entity, the executive body (director, chairman, rector, etc.).
2. Upon the founder's decision or by the Charter of State Organization, formation of a collegial management, advisory, control and (or) other bodies (council, board of directors, etc.) may be envisaged.

Article 13. Founder of State Organization

1. Founder of State Organization has a right to finalize any issue related to the activity and management of State Organization, except for cases stipulated by this law.
2. Founder's exclusive authorities are:
 - a) Establish State Organization;
 - b) Set up the scope and goals of the State Organization, including thy types of entrepreneurial activities implemented by it;
 - c) Approve the composition of the property belonging to the State that is delivered to State Organization by ownership right and(or) attached to it;
 - d) Approval of the Charter of State Organization and making changes thereof;
 - e) Define the State Organization management system;
 - f) Reorganize and liquidate State Organization;
 - g) Appoint a liquidation commission and approve the liquidation balance of State Organization;
 - h) Resolve other questions provided by the law and the Charter of State Organization.
3. Founder of State Organization may delegate its authorities provided in sub-points "c", "d", "e" and "g" of point 2 of this Article to an authorized state body, and its authority of appointing an executive body to the collegial management body.

Article 14. Authorized State Body

1. Authorized state body shall conduct the general management of State Organization, ensure its regular activity and take responsibility for non-implementation or improper implementation thereof.
2. Authorized state body shall:
 - a) by the order defined by the Charter of State Organization, implement formation of its management bodies and premature termination of their authorities.
 - b) exercise control over activities of State Organization;
 - c) suspend or recognize invalid the orders, instructions, directions and directives of executive body or collegial management body of State Organization, that contravene the requirements of the Republic of Armenia legislation;
 - d) listen to the reports on activities of State Organization, consider the results of control over their activities.
 - e) exercise control over use and maintenance of state property attached to the State Organization;
 - f) exercise control over maintenance of the State Organization's property, and where stipulated by the law, the founder's decision or the Charter of State Organization, give its consent for alienation and lease of its property;
 - g) approve annual reports and annual balance of State Organization, if the State Organization does not have a collegial management body;
 - h) perform other functions provided by this law, the founder's decision and Charter of State Organization.

Article 15. Executive Body of State Organization

1. Administration of the current activity of State Organization shall be implemented by the executive body, which is appointed and dismissed (its authorities terminate) by the authorized state body, unless otherwise stipulated by the founder's decision or Charter of State Organization. Within the scope of authorities delegated to it by virtue of the law, the founder's decisions and authorized state body and Charter of state organization, the executive body of State Organization shall administer the activity of State Organization and take responsibility for non-enforcement or improper enforcement of the requirements of laws, other legal acts, the founder's decisions or authorized state body, the Charter of State Organization and the concluded contracts.
2. A contract shall be signed with a person performing the functions of the executive body of State Organization, which is to be signed by the Head of State Organization on behalf of the founder. The contract shall define its rights, duties, responsibilities and interrelations with the authorized state body, other bodies of State Organization management, conditions of remuneration for his/her job, all grounds for termination of the contract as stipulated by this law and other provisions that the parties of the Contract find necessary. The provisions of the Contract shall not contravene the requirements of the Labor Code of the Republic of Armenia, except for cases stipulated by Law.
3. The person appointed to the position of the executive body of State Organization or being appointed to the position of the executive body as a result of an election, shall not hold another post and perform any job for payment, except for scientific, pedagogic and creative activities.
4. The person appointed to the position of the executive body of State Organization or being appointed to the position of the executive body as a result of an election shall bear a full property liability for the loss incurred to the State Organization and (or) the State through his/her fault. Termination of the authorities of the person appointed to the position of the executive body of State Organization or being appointed to the position of the executive body as a result of an election shall not be a ground for non-implementation of liabilities related to the repayment of the loss incurred. The person or the head of the collegial body terminating the authorities of the person appointed to the position of the executive body of State Organization or being appointed to the position of the executive body as a result of an election shall be obliged to resolve the issue of repayment for the loss incurred to the State Organization or the State by him/her. The official or members of the collegial body terminating authorities of the person appointed to the position of the executive body of State Organization or being appointed to the position of the executive body as a result of an election shall bear a full property liability for the loss incurred to the State Organization or the State as a result non-compliance with this requirement.
5. The person appointed to the position of the executive body of State Organization or being appointed to the position of the executive body as a result of an election shall be obliged not to comply with the decisions, instructions and orders of the founder, authorized state body, collegial management body of State Organization that contravene the legislation and shall not be held liable for non-compliance thereof.
6. Where the person appointed to the position of the executive body of State Organization or appointed to the position of the executive body as a result of an election is absent, another person shall perform these authorities by virtue of the written decision of the body appointing that person.

Article 16. Appointing to and Removal from the Post of the Executive Body of State Organization

1. Any adult citizen of the Republic of Armenia with higher education, who is capable to work may be appointed to the post of executive body.
2. A person
 - a) who has been sentenced for crime and whose sentence has not been served or reversed,
 - b) who is prohibited to hold management positions by virtue of law,

c) who was a head of an organization liquidated as a result of bankruptcy over the previous three years and not satisfied the legal claims of the creditors, cannot be appointed to the position of the executive body.

3. Authorities of the person appointed to the position of the executive body of State Organization or being appointed to the position of the executive body as a result of an election shall be terminated upon the decision of an authorized entity, if:

- a) he/she applies for this;
- b) he/she has reached the age of 65;
- c) he/she is elected or appointed to a new post upon his/her consent in writing or moves to another job inconsistent with his/her job;
- d) as a result of a temporary inability to work, he/she has not attended to work for more than 4 months;
- e) he/she is absent from work for more than 3 consecutive days without an acceptable reason;
- f) he/she is appointed with violations of the requirements of the law, or circumstances provided in point 2 of this article emerge;
- g) he/she has caused through his/her fault a loss of an amount exceeding five percent of the property belonging to the State Organization by an ownership right to the State Organization or the State while performing functions;
- h) he/she is recognized unable to work, able to work with limitations, missing or deceased by virtue of lawfully enforced court decision;
- i) the accusing sentence taken against him/her is lawfully enforced;
- j) he/she loses the citizenship of the Republic of Armenia;
- k) organization headed by him/her is recognized bankrupt by the court order, or it has a property liability, not performed by his/her fault, as defined by court order to be performed within 6 months after enforcement of the respective decision of the court.
- l) taxes or social insurance foundation payments subject to payment by State Organization are not paid in the reporting period following the set deadline by his/her fault.
- m) within a period of one year he/she has been subject to repeated disciplinary liability for violation of the law.

4. Assigned authorities of a person appointed to the post of executive body and appointed to the post of executive body as a result of election shall terminate upon his/her death.

5. In cases envisaged in sub-points "b", "c", "h", "i", "j", "l" and "m", authorities of a person appointed to the post of an executive body or appointed to the post of executive body as a result of elections shall be terminated from the day following the event or enforcement of the respective decision, verdict and ruling.

In the case provided in sub-point "a" of point 3 of this article, a person appointed to the post of an executive body or appointed to the post of executive body as a result of elections shall be terminated from the date set in the application. In the case provided in point 4 of this Article, authorities of the person appointed to the post of an executive body or appointed to the post of executive body as a result of elections shall be terminated from the moment of his/her death. In cases envisaged by other sub-points of point 3 of this Article, the authorities of the person appointed to the post of an executive body or appointed to the post of executive body as a result of elections shall be terminated within a month following the incident.

6. Election of the rectors of higher educational institutions shall be performed in compliance with the Republic of Armenia Law "On Education".

Article 17. Authorities of the Executive Body of State Organization

The executive body of State Organization shall:

- a) act on behalf of State Organization without a letter of authorization, represent its interests and conclude transactions;
- b) manage the property of State Organization, including financial assets, in compliance with the order stipulated by legislation, the decision of founder and authorized state body and the Charter of State Organization;
- c) issue letters of authorization for the right of representing State Organization, including letters of re-authorization;
- d) appoint employees to post or dismiss them of State Organization, apply incentives and assign disciplinary penalties;
- e) open accounts in banks;
- f) perform job distribution among its deputies;
- g) set up the structure of State Organization and authorities of structural subdivisions;
- h) approve Charters of State Organization's institutions, branches and representations, unless this authority is delegated to the collegial management body;
- i) appoint the heads of State Organization's institutions, branches and representations, issues them appropriate letters of attorney, provided that this authority is not reserved to the collegial management body;
- j) within the scope of authorities defined by law and the Charter of State Organization issue orders, directions, provides compulsory instructions and controls over their implementation.
- k) exercise other authorities not contravening the legislation and not delegated to other management bodies of State Organization.

Article 18. Collegial Management Body of State Organization

1. Upon the founder's decision or in cases provided in the Charter of State Organization, a collegial management body of State Organization shall be established.
The order of establishment and activity of collegial management body of State Organization and authorities shall be defined by the Charter of State Organization.
2. Only physical persons can be members of the collegial management body of State Organization. A person appointed to the executive body of State Organization cannot be a member of the collegial management body. He/she shall have a right to participate in the sittings of the collegial management body with a right of advisory vote.
3. Numerical strength of the members of the collegial management body of State Organization shall be set by the Charter of State Organization, but cannot be less than three people.
4. Not less than 25 percent of the members of collegial management body of State Organizations implementing higher and medium professional educational programs shall be the students of State Organizations elected in general meetings of students' self-government bodies. Of the members of collegial management body of State Organization implementing secondary educational programs, not less than 20 percent shall be comprised of the pupils' parents elected in the general meetings of their self-government bodies. Of the members of collegial management body of State Organizations of other fields, not less than 20 percent shall be the members of the staff elected by the general meetings of the staff.

Article 19. Authorities of the Collegial Management Body of State Organization

Upon the founder's decision, some or all authorities indicated below may be assigned to the collegial management body:

- a) submit recommendations on main directions of the activity of State Organization to an authorized state management body in accordance with the field of activity, goals and objectives of the organization as set up by this law and the Charter of State Organization;
- b) exercise control over the executive body of State Organization;
- c) appoint an executive body of State Organization; approve employment contracts concluded with it; terminate prematurely its authorities, set up the order and conditions of remuneration of the executive body, provided that this authority is assigned to it upon the founder's decision or the Charter of State Organization;
- d) set guidelines for management the profit of State Organization in compliance with the order set by the founder;
- e) approve internal documents regulating the activity of State Organization, provided that these authorities are assigned thereto by the founders decision or the Charter of State Organization;
- f) approve its rules of procedures;
- g) election of the head of the collegial management body;
- h) submit recommendation about annual draft cost estimates of State Organization to the authorized state body by defined procedure;
- i) approve regulations, internal disciplinary rules and other rules for subdivisions of State Organization, provided that this authority is reserved to it upon the founder's decision or the Charter of State Organization;
- j) discuss and approve the reports of the executive body of State Organization;
- k) discuss the annual accountant report and other reports of State Organization;
- l) provide a consent for concluding a big transaction in connection with the sale and purchase of the property of State Organization, provided that this authority is assigned to it by the founder's decision or the Charter of State Organization;
- m) exercise other authorities as stipulated by law.

Authorities of the founder of State Organization, the authorized state body or the executive body cannot be assigned to the collegial management body of State Organization, except for cases stipulated by this law.

Article 20. Sessions of the Collegial Management body of State Organization

1. Sessions of the collegial management body shall be convened by its chairman upon own initiative, as well as upon the demand of the members of authorized state body, executive body of State Organization and collegial executive body. The session of collegial management body upon the demand of the members of the collegial executive body of State Organization shall be convened in the timeframe and order defined by the initiators. Regular sessions of the collegial management body shall be convened within the timeframe provided in the Charter of State Organization.
2. The quorum of the collegial management body of State Organization shall be defined by the Charter of State Organization, but cannot be less than the half of the total number of its members.
3. Decisions of the collegial management body shall be adopted by the majority vote of the members present at the session, unless otherwise stipulated by the Charter of State Organization. During voting the member of

collegial management body shall have a right of one vote. Delegation of the right of vote and voting to another member shall be prohibited. Minutes for the session of collegial management body shall be taken.

4. Rules of procedure of collegial management body shall be defined by the order stipulated in the Charter of State Organizations.

Article 21. Duties of the Members of Management Bodies and other Officials of State Organization

When acting on behalf of State Organization, the head of the authorized state body of State Organization, the executive body of State Organization, deputies thereof, and members of collegial management bodies of State Organization shall act diligently and reasonably in favor of the State Organization represented by them.

Article 22. Big Transactions

1. Transactions or a few interconnected transactions with a value of more than 50 % of the property value possessed by the State Organization by ownership right as of the accountant's report issued in the quarter preceding the date of adoption of the decision on making such transaction, which are directly or indirectly connected with acquisition, sale or an opportunity to sale of property by State Organization are big transactions. Transactions that are made in the course of everyday activity of State Organization and which are considered a function directly derived by issues as laid down by the Charter of a certain organization are not big transactions.

2. Big transactions shall be made upon the consent of authorized state body.

3. In case of formation of the collegial management body of State Organization, adoption of the decision on making big transactions connected with direct or indirect purchase, sale or opportunity to sale of property with a value of 20-50 percent of the value of the property belonging to the State Organization by ownership right may be assigned according to the State Organization's Charter to the collegial management body of State Organization.

4. Any big transaction carried out with violation of the requirements of this article may be recognized invalid by court order based on the claim filed by the founder of State Organization or authorized state body.

Article 23. Control over the Activity of State Organization

Founder, authorized state body, bodies authorized by the founder and other state management bodies as prescribed by the Law may implement control over the activity of State Organization.

State Organization shall be obliged to promulgate its yearly financial reports by the order set by the founder.

CHAPTER 4.

REORGANIZATION AND LIQUIDATION OF STATE ORGANIZATION

Article 24. Reorganization of State Organization

1. State Organization may be reorganized upon the founder's decision in accordance with the order defined by the Civil Code of the Republic of Armenia. State Organization may be reorganized into a company or a fund with 100 percent of state participation.

2. State Organization may be reorganized by a court order in cases and in compliance with the order as prescribed in the law.

Article 25. Liquidation of State Organization

1. The activities of State Organization shall be terminated upon its liquidation without transfer of authorities and duties to other persons through legal succession procedure.

2. State Organization may be liquidated upon the founder's decision, by the procedure defined by the Civil Code of the Republic of Armenia. State Organization may be also liquidated as a result of bankruptcy.

3. State Organization can be liquidated by court order only in cases and in a procedure prescribed by Law.

4. Where a State Organization is liquidated, the rest of the property shall be directed to the State Budget after the creditors' claims are satisfied.

CHAPTER 5.

FINAL PROVISIONS

Article 26. Enforcement of the Law

1. The Law shall come into force from the moment of its official promulgation.

2. The rights and duties assumed on behalf of institutions shall be transferred to State Organizations established on the basis of the property of institutions functioning at the moment the law comes into force

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