MAPS | Methodology for Assessing Procurement Systems

ASSESSMENT OF THE REPUBLIC OF ARMENIA PUBLIC PROCUREMENT SYSTEM

2026

MAPS APPROVED

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MAPS | Methodology for Assessing Procurement Systems

THE REPUBLIC OF ARMENIA

Assessment of the Public Procurement system

ADB ASIAN DEVELOPMENT BANK

EFSD EURASIAN FUND FOR STABILIZATION AND DEVELOPMENT

THE WORLD BANK

European Bank for Reconstruction and Development

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Acronyms

AC	Audit Chamber
ADB	Asian Development Bank
ADR	Alternative dispute resolution
AMD	Armenian Dram
ARLIS	Armenian Legal Information System
ARMEPS	Armenian Electronic Procurement System
ASC	Assessment Steering Committee
ATAG	MAPS Assessment Technical Advisory Group
BoQ	Bill of Quantities
CEPA	Comprehensive and Enhanced Partnership Agreement
CEB	Council of Europe Development Bank
CIS	Commonwealth of Independent States
CJSC	Closed Joint Stock Company
COI	Conflict of Interest
CSO	Civil Society Organization
DCFTA	Deep and Comprehensive Free Trade Agreement
E-Auction	Electronic Auction
e-GP	Electronic Government Procurement System
EAEU	Eurasian Economic Union
EBRD	European Bank for Reconstruction and Development
EFSD	Eurasian Fund for Stabilization and Development
EIB	European Investment Bank
EU	European Union
FIDIC	Fédération Internationale Des Ingénieurs-Conseils (International Federation of Consulting Engineers)
GoA	Government of Armenia
GPA	Government Procurement Agreement (WTO)
IA	Internal Audit
IBRD	International Bank for Reconstruction and Development
IFI	International Financial Institution
IMF	International Monetary Fund
KPI	Key Performance Indicators
MAPS	Methodology for Assessing Procurement Systems
MDB	Multilateral Development Bank
MoF	Ministry of Finance (Republic of Armenia)
MSME	Micro, Small and Medium Enterprises
NA	National Assembly

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NGO	Non-Governmental Organization
OECD	Organisation for Economic Co-operation and Development
OGP	Open Government Partnership
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PL	Public Procurement Law
PPCM	Procurement Planning and Contract Management
PPD	Procurement Policy Department (MoF)
PPP	Public-Private Partnership
PSRC	Public Services Regulatory Commission
RFP	Request for Proposal
RA	Republic of Armenia
SAI	Supreme Audit Institution
SBD	Standard Bidding Document
SDG	Sustainable Development Goal
SIGMA	Support for Improvement in Governance and Management
SME	Small and Medium-Sized Enterprises
SPP	Sustainable Public Procurement
SOE	State-Owned Enterprise
SS	Single Source
TIAC	Transparency International Anti-Corruption Center
UN	United Nations
WB	World Bank
WTO	World Trade Organization

National currency: Armenian Dram (AMD).

Exchange rate as of January 22, 2025: 1 EUR equals AMD 416.6.

Fiscal Year: January 1 – December 31.

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Executive summary

Background

Despite a challenging external environment—including the twin shocks of COVID-19 and a military conflict with neighboring Azerbaijan—the Government of Armenia (GoA) has pursued an ambitious economic reform program, including significant public procurement reform. Over the past decade, the Republic of Armenia has made considerable efforts to modernize its public procurement environment through the introduction of a new Public Procurement Law (PL) in 2016 and supporting by-laws, institutional arrangements, anti-corruption measures, and an electronic government procurement system (ARMEPS).

In 2023, Armenia's GDP stood at approximately USD 24.2 billion (GDP per capita of USD 5,566), with average GDP growth of 5.4% over the 2019–2023 period. Public procurement represented about 17% of total government expenditure and 4.6% of GDP. In 2023, total committed procurement obligations reached AMD 307.5 billion (USD 0.76 billion). Competitive procurement accounted for 52.5% of total commitments, while single source (SS) remained high at 43.9% and urgent SS limited to 3.6%. Within potentially competitive procedures, competition was strong at 87.6%. In 2024, commitments declined to AMD 257.4 billion, but competitive procurement rose to 80.6% as SS dropped to 16.2%, largely due to the exclusion of hospital services and reduced urgent SS (3.1%).

At the request of the Ministry of Finance (MoF), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the World Bank (WB), and the Eurasian Fund for Stabilization and Development (EFSD) supported the GoA in carrying out a holistic assessment of its public procurement system using the Methodology for Assessing Procurement Systems (MAPS). The EFSD served as the lead institution responsible for coordination. The main objective of the assessment was to support the GoA in establishing a modern and robust public procurement system aimed at improving procurement performance and yielding optimal results in the use of funds and delivery of services to citizens, while maintaining high standards of integrity.

Assessment Methodology

The assessment was conducted using the MAPS framework (2018 edition), which evaluates public procurement systems across four pillars: (i) Legal, Regulatory and Policy Framework; (ii) Institutional Framework and Management Capacity; (iii) Public Procurement Operations and Market Practices; and (iv) Accountability, Integrity and Transparency. The four pillars encompass 14 indicators and 55 sub-indicators, each further broken down into specific assessment criteria evaluated individually.

The assessment covered both central and decentralized levels of public procurement in Armenia, including procurement by municipalities and state-owned enterprises (SOEs). It was carried out initially through virtual means, followed by physical fact-finding missions to Armenia in August 2024 (Pillar I) and September–October 2024 (Pillars II, III, and IV). Primary and secondary data collection methods were employed, including a review of 96 sample procurement cases from 2022–2023, private sector and civil society organisation (CSO) surveys, and extensive consultations with stakeholders from government, development partners, the private sector, and civil society.

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An Assessment Steering Committee (ASC) composed of representatives from government, oversight bodies and CSO provided leadership and guidance throughout the exercise. The assessment report underwent a quality review process and was validated through a multi-stakeholder workshop held on March 11, 2026.

Key Findings

Pillar I – Legal, Regulatory and Policy Framework

Armenia's public procurement is regulated by the PL (enacted December 16, 2016) and the Procurement Regulations under GoA Decree 526-N, largely based on the UNCITRAL Model Law, EU procurement directives, and the WTO Government Procurement Agreement (GPA). The PL provides a solid legal foundation focused on transparency, fairness, and competition and covers goods, services, and works.

However, the assessment identified a number of substantive gaps. The PL excludes public–private partnerships (PPPs) and concessions from its scope, leaving a regulatory gap. Essential procurement tools such as framework agreements and centralized procurement remain underdeveloped. The legal framework allows for a wide range of exceptions to competitive procedures—particularly through Clause 3 of the Procurement Regulations—which creates risks to open competition. There are no provisions on sustainable public procurement, and the legal framework lacks specific guidelines on international competition. Bidder eligibility standards are weak, allowing entities convicted of serious crimes to participate after five years, and contradictions in confidentiality rules reduce the overall integrity of the system.

The 2022 reform that transferred procurement appeals from a specialized administrative body to the general court system has presented some challenges in terms of institutional efficiency, accessibility, and the cost of appeals (see Pillar IV below). The legal framework also lacks a structured approach to ongoing contract performance monitoring and limited guidance on monitoring social and environmental aspects of contract implementation.

The evaluation and award framework presents a notable substantive gap: in practice, lowest-price evaluation predominates, as contracting authorities rarely use the quality-based criteria permitted by the PL, and the definition of "satisfactory evaluated bid" references a repealed provision (Article 34, part 5), creating legal uncertainty. The legal framework does not define prohibited practices such as fraud, bribery, collusion, and coercion, nor does it include provisions for alternative dispute resolution (ADR) mechanisms.

Pillar II – Institutional Framework and Management Capacity

The assessment found that Armenia has a well-defined legal framework supporting annual procurement planning linked to the state budget. Procurement plans must follow the budget's functional classification, are formally linked to the national budget, and cannot proceed unless included in the approved plan. Financial reporting is robust, with no arrears reported from 2020 to 2022.

Nevertheless, the framework is limited to annual planning and does not support multi-year procurement. Article 15.6 of the PL allows procurement to begin without allocated funds, but if funding is not secured within six months, the process is cancelled—a practice that poses risks to bidders and is widely applied due to the absence of rolling budgets.

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The Procurement Policy Department (PPD) within the MoF serves as the normative/regulatory body, responsible for drafting legislation, overseeing training, managing the e-procurement system, and coordinating with international partners. However, the PPD's regulatory authority is limited, as regulatory changes are subject to approval by a committee under the Prime Minister's Office, where the MoF holds only one vote. Conflict of interest (COI) measures are weak at the institutional level, and there is no tailored framework for procurement-specific COI.

While the law requires the appointment of procurement coordinators in all government bodies, it does not mandate the establishment of specialized procurement departments. The law also allows the outsourcing of procurement functions to private entities, which complicates professionalization efforts. Procurement is not yet formally recognized as a profession within the civil service framework, though initial steps have been taken (Decision 3N recommending that MoF establish procurement as a mandatory professional function). Clear career paths, defined qualifications, and integration into civil service regulations remain to be developed.

Armenia's e-procurement platform (ARMEPS), launched in 2009 and mandatory for many procedures, accounted for 42% of procurement procedures and 58% of their value in 2023, enhancing transparency in covered transactions. However, full digitalization has not been achieved: much of the data is not available in machine-readable formats, many contracting authorities do not upload all required information, and the system does not support contract management, payments, or performance monitoring. The ARMEPS system does not classify suppliers by size, making it impossible to systematically track MSME participation.

Training has been well established, with over 1,500 procurement coordinators trained by the MoF. However, training remains largely compliance-driven and does not sufficiently address core competencies such as contract management, strategic procurement, or negotiation skills. Annual procurement reports published by the MoF are mainly statistical and lack analytical insights. The procurement reform program lacks a comprehensive results framework with measurable targets.

Pillar III – Public Procurement Operations and Market Practices

The review of 96 procurement procedures from 2022–2023 revealed mixed results. While all reviewed procedures resulted in successful awards, the assessment identified significant gaps in planning, selection, and contract management. Current regulations do not require needs assessments or market analyses during procurement planning, and contract templates lack provisions to specify desired outcomes or incorporate sustainability criteria.

SS procurement accounted for 43.9% of total commitments in 2023, although most of this comprised hospital services and natural monopolies. Excluding these inherently non-competitive categories, actual SS was approximately 4%.

Nevertheless, some urgent SS procurements—such as printing passport booklets and equipping police patrol cars—appear to stem from poor planning rather than genuine emergencies. Standard bidding documents (SBDs) are limited and largely identical across goods, works, and services, with no standard documents available for consultancy services.

Contract management suffers from insufficient transparency and accountability. Although contracts and amendments are published on the e-portal, the data is not in machine-readable format, and quality control and invoicing details are incomplete. Many contracts experience delays and frequent

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amendments, particularly open tenders, reflecting weak risk management. The review of selected procurement procedures showed that the average delay for urgent SS procedures rose significantly in 2023 (138 days, compared to 31 days in 2022).

Market participation improved modestly from 2022 to 2024, with the average number of bidders per procedure increasing from 1.5 to 1.8. Competitive procurement methods attracted higher participation, rising from 1.9 bidders per procedure in 2022 to 2.5 in 2024, although overall participation levels remain relatively low. MSMEs face multiple barriers to effective participation, including limited access to finance, difficulties in meeting financial guarantee requirements, and capacity constraints in technical expertise and bid preparation. Survey data presents a mixed picture: while 75.8% of respondents say invoices are generally paid on time and 57.6% consider financing adequate, significant concerns remain — 81.2% consider dispute resolution mechanisms ineffective, 66.7% believe contract performance risks are not fairly shared, and 60.6% feel that procurement methods do not match the level of risk or value involved. Perceptions of bias and an uneven playing field remain significant obstacles to fair competition and trust, with businesses reporting concerns that certain suppliers may be favored due to political connections. No detailed market or sector analyses have been conducted to guide procurement planning.

Pillar IV – Accountability, Integrity and Transparency

Armenia has a legal framework for public consultation and monitoring in procurement, including provisions for "public control" (social audit) of contract implementation. Access to procurement information is generally ensured, with the procurement process primarily taking place on an accessible e-portal. However, the social audit mechanism has been underutilized, with only approximately 15 CSO requests for public monitoring recorded in the past three years. Oversight institutions—including the Audit Chamber (AC), State Supervision Service, and anti-corruption bodies—have not received specific training on procurement audits or monitoring, and there are no procurement audit manuals.

The procurement oversight framework incorporates internal audit (IA), external audit via the AC, and anti-corruption controls. IA is mandatory for public entities under the Law on Internal Audit, and the AC has strengthened its institutional independence. However, significant capacity limitations exist within IA units, leading to increased outsourcing, which has produced mixed results—56% of sampled ministries reported dissatisfaction with the quality of outsourced IA services. Procurement audits are not treated as standalone engagements, and there is no legal requirement for procurement-specific audits or qualifications for auditors. Coordination between internal and external audit functions remains weak, and enforcement of audit recommendations is limited by fragmented follow-up data and unclear accountability mechanisms.

The current procurement appeals system, relying entirely on the judiciary since the elimination of the extrajudicial appeals body in 2022, has proven inefficient. Between June and December 2022, only 40 of 72 submitted claims (55%) received a final decision. Delays are common—38% of resolved cases in 2022 exceeded the 40-day statutory limit—and the automatic suspension of procurement upon court acceptance of a complaint disrupts procurement timelines. High court fees and complex submission requirements create barriers, particularly for smaller suppliers. Survey data reveals low public trust: 53.3% of respondents do not perceive the appeals system as trustworthy, and 64.5% expressed dissatisfaction with the decision to centralize appeals within the courts. Stakeholders widely call for reinstating an extrajudicial mechanism.

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Armenia has made progress in building anti-corruption institutions, but the PL lacks clear definitions for prohibited practices such as fraud, bribery, collusion, and coercion. COI rules are minimal, scattered, and not procurement-specific. No dedicated procurement offences exist in the Criminal Code, and data on procurement corruption cases or sanctions are unavailable. Codes of conduct lack procurement-specific guidance, and ethics training for procurement officials is limited. Whistleblower protections exist but do not specifically target procurement-related corruption. Transparency efforts involving civil society and media are positive but limited by funding, capacity, and low private sector engagement.

Key Strengths

- A solid legal foundation for public procurement based on the UNCITRAL Model Law, EU directives, and the WTO GPA, covering goods, services, and works with an emphasis on transparency, fairness, and competition.
- A well-defined annual procurement planning framework linked to the state budget, with formal procedures for plan approval, publication, and reporting, and no reported arrears from 2020 to 2022.
- A legally established and functioning regulatory body (PPD within MoF) responsible for legislation, training, e-procurement management, and coordination with international partners.
- A functional e-procurement system (ARMEPS) that is mandatory for many procedures and has seen increasing usage (42% of procedures and 58% of value in 2023), with over 23,000 registered suppliers.
- A well-established procurement training system, with over 1,500 coordinators trained and mandatory certification and refresher courses.
- Robust external audit by the constitutionally independent Audit Chamber, which audits 70–80% of public expenditures annually and has gained direct access to government financial databases.
- A legal framework for public consultation and social monitoring of contract implementation, along with transparency through the e-portal.
- Proactive engagement in procurement reform, evidenced by the GoA's Procurement System Development Strategy and the initiation of a legislative update of the PL.
- Positive trend toward greater competition: in 2024, competitive procurement reached a record 91.4% of potentially competitive procedures, with SS procurement declining significantly.

Key Gaps and Proposed Reforms

Legal and Regulatory Framework

- Modernize the PL and Procurement Regulations to include framework agreements, international competitive bidding, comprehensive rules on exceptions and emergencies, SPP provisions, and alignment with the WTO GPA and international financial institution (IFI) standards. Establish MoF as the single authority for drafting and amending procurement regulations.
- Designate open competitive bidding as the default method and clearly define prohibited practices with associated legal sanctions.
- Establish a three-tier appeals mechanism (procuring entity; independent review body; judicial recourse) to improve accessibility, efficiency, and public trust.
- Explicitly regulate PPPs and concessions within the procurement framework and integrate ADR mechanisms for dispute resolution.

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- Establish a comprehensive contract management framework by introducing a dedicated provision in the PL and a separate contract management chapter in the Procurement Regulations, clearly defining functions and responsibilities for contract implementation.

Institutional Framework and Capacity

- Establish specialized procurement departments within large procuring entities and evaluate options for centralized procurement.
- Build a professional procurement cadre by formally recognizing procurement as a civil service profession with clear qualifications, career paths, and salary structures. Remove provisions allowing outsourcing of procurement functions.
- Develop a procurement-specific framework for identifying, disclosing and managing conflicts of interest at the institutional level, covering high-ranking officials and decision-makers and aligning it with the Law on Public Service.
- Implement multi-annual procurement planning and a rolling budget framework, removing the provision that allows procurement without allocated funds (Article 15.6).
- Expand an electronic government procurement system (e-GP) functionality with mandatory data fields, real-time contract data, machine-readable formats, red-flag and notification features, and supplier classification for MSME tracking.

Procurement Operations and Market Practices

- Mandate needs assessments and market analyses as part of the procurement planning process and develop procurement strategies before tendering.
- Develop standardized bidding documents and RFPs for all procurement categories (goods, works, services, and consultancy services) in line with international best practices.
- Promote the use of non-price evaluation criteria and performance-based contracts to shift away from lowest-price dominance.
- Support MSME participation through dedicated training, improved access to financing, and removal of unjustified requirements (e.g., qualification security).

Accountability, Integrity and Transparency

- Reinforce internal and external audit systems by establishing a centralized, independent IA authority, developing procurement-specific audit manuals, mandating procurement audit training, and coordinating internal and external audit planning.
- Establish a dedicated anti-corruption framework for procurement, including clear definitions and sanctions for prohibited practices, beneficial ownership disclosure requirements, and a specific criminal offence for procurement corruption.
- Strengthen civil society engagement by expanding CSO involvement across all stages of the procurement cycle, providing training and technical support for oversight institutions, and improving the practical implementation of social audit mechanisms.
- Improve whistleblower protections and introduce procurement-specific codes of conduct and ethics training for all officials involved in procurement.

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Priority Reform Actions

The assessment identifies the following priority actions, organized by timeline:

Short-term:

- Revise PL and Procurement Regulations to remove conflicting clauses, clarify language, expand centralized procurement, define open competition as the default method, update exceptions for single sourcing, and include international competitive bidding provisions.
- Reintroduce framework contracting/agreements and consulting methods.
- Assign exclusive legal amendment authority for procurement regulations to MoF.
- Define prohibited/corrupt practices and sanctions in the PL.
- Mandate beneficial ownership disclosure in SS procurement.
- Mandate publication of all contract amendments, milestones, and payments in the e-GP system.
- Digitize and publish core procurement data in machine-readable formats.
- Mandate needs assessments and market analysis for all contracting authorities.

Short to medium-term:

- Automate e-GP system data collection and introduce systems for bid monitoring, compliance checks, analytics, and red-flag alerts.
- Mandate the establishment of procurement departments in large procuring entities.
- Implement multi-annual procurement planning (remove Article 15.6 of the PL).
- Introduce supplier classification and MSME participation tracking.
- Update IA legislation to ensure independence, expertise, and financing; discourage outsourcing of IA.
- Supplement the Procurement Regulations with a dedicated contract management chapter and introduce a corresponding provision in the PL.
- Develop and adopt a procurement-specific framework for managing conflicts of interest at the institutional level.

Medium-term:

- Develop and institutionalize a professional procurement cadre within the civil service.
- Develop SBDs and RFPs in line with international practices.
- Develop internal and external procurement audit manuals and train auditors in performance audits.
- Establish a dedicated anti-corruption framework for procurement.
- Incorporate ADR mechanisms into the legal and regulatory framework for procurement disputes.
- Develop and implement a results framework for monitoring procurement reforms.
- Establish an independent (institutionally separate from the authorized body and contracting authorities) appeals body for procurement complaints.

Medium to long-term:

- Create a national policy on SPP and include sustainability criteria in procurement legislation.
- Create a centralized IA authority for procurement oversight.

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Overview of compliance

The following table provides an overview of the findings of the assessment on the level of sub-indicators. Each sub-indicator is identified depending on the findings (full compliance / gaps identified / substantive gaps identified). This table also shows the red flags identified.

The sub-indicators outlined in the compliance overview table below are further broken down into specific assessment criteria, each evaluated individually in accordance with the MAPS Methodology. The number of qualitative criteria within each sub-indicator ranges from one to eleven and may, in some cases, be supplemented by quantitative indicators. The compliance overview table provides a consolidated conclusion for each sub-indicator based on the results of all assessed criteria. However, within the table the sub-indicators have been mentioned where either a minor gap, substantive gap, or red flags were identified. For further details on those findings kindly refer to the detailed MAPS Assessment Matrix included in Annex 1.

PILLAR I		Full compliance	Gaps identified	Substantive gaps identified	Red flags
1. The public procurement legal framework achieves the agreed principles and complies with applicable obligations.	1(a) – Scope of application and coverage of the legal and regulatory framework		1(a)(a) 1(a)(c) 1(a)(d)		
	1(b) – Procurement methods		1(b)(b)	1(b)(a) 1(b)(d)	
	1(c) – Advertising rules and time limits			1(c)(b)	
	1(d) – Rules on participation			1(d)(c)	
	1(e) – Procurement documentation and technical specifications		1(e)(d)		
	1(f) – Evaluation and award criteria		1(f)(a) 1(f)(b) 1(f)(d)	1(f)(c) 1(f)(e)	
	1(g) – Submission, receipt, and opening of tenders		1(g)(b) 1(g)(c) 1(g)(d)	1(g)(a)	
	1(h) – Right to challenge and appeal		1(h)(d)	1(h)(b) 1(h)(e) 1(h)(f)	
	1(i) – Contract management			1(i)(a) 1(i)(b) 1(i)(c) 1(i)(d)	
	1(j) – Electronic Procurement (e-Procurement)		1(j)(c)		
	1(k) – Norms for safekeeping of records, documents and electronic data.		1(k)(a) 1(k)(b)	1(k)(c)	
	1(l) – Public procurement principles in specialized legislation			1(l)(a) 1(l)(b) 1(l)(c)	
2. Implementing	2(a) – Implementing regulations to define processes and procedures		2(a)(b)	2(a)(a) 2(a)(c)	

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PILLAR I		Full compliance	Gaps identified	Substantive gaps identified	Red flags
regulations and tools support the legal framework.	2(b) – Model procurement documents for goods, works, and services		2(b)(b) 2(b)(c)	2(b)(a)	
	2(c) – Standard contract conditions		2(c)(a)	2(c)(b)	
	2(d) – User's guide or manual for procuring entities		2(d)(a)		
3. The legal framework reflects the country's secondary policy objectives and international obligations	3(a) – Sustainable Public Procurement (SPP)			3(a)(a) 3(a)(b) 3(a)(c) 3(a)(d)	
	3(b) – Obligations deriving from international agreements		3(b)(b)		

PILLAR II		Full compliance	Gaps identified	Substantive gaps identified	Red flags
4. The public procurement system is mainstreamed and well integrated with the public financial management system.	4(a) – Procurement planning and the budget cycle		4(a)(a)		
	4(b) – Financial procedures and the procurement cycle		4(b)(b)	4(b)(a)	
5. The country has an institution in charge of the normative/regulatory function.	5(a) – Status and legal basis of the normative/regulatory function		5(a)(a)		
	5(b) – Responsibilities of the normative/regulatory function		5(b)(c) 5(b)(f) 5(b)(g) 5(b)(h) 5(b)(i)	5(b)(d)	
	5(c) – Organisation, funding, staffing, and level of independence and authority		5(c)(c)		
	5(d) – Avoiding conflict of interest			5(d)(a)	
6. Procuring entities and their mandates are clearly defined.	6(a) – Definition, responsibilities and formal powers of procuring entities			6(a)(c)	
	6(b) – Centralised procurement body			6(b)(a)	
7. Public procurement is embedded in an effective information system.	7(a) – Publication of public procurement information supported by information technology		7(a)(a) 7(a)(b) 7(a)(d)	7(a)(c) 7(a)(e)	
	7(b) – Use of e-Procurement		7(b)(a) 7(b)(b)	7(b)(d)	

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PILLAR II		Full compliance	Gaps identified	Substantive gaps identified	Red flags
			7(b)(c)		
	7(c) – Strategies to manage procurement data		7(c)(a) 7(c)(b)	7(c)(c) 7(c)(d)	
8. The public procurement system has a strong capacity to develop and improve	8(a) – Training, advice and assistance		8(a)(a) 8(a)(d)	8(a)(b)	
	8(b) – Recognition of procurement as a profession			8(b)(a) 8(b)(c)	
	8(c) – Monitoring performance to improve the system		8(c)(a) 8(c)(b)	8(c)(c)	

PILLAR III		Full compliance	Gaps identified	Substantive gaps identified	Red flags
9. Public procurement practices achieve stated objectives.	9(a) – Planning			9(a)(a) 9(a)(b) 9(a)(c)	
	9(b) – Selection and contracting		9(b)(c)	9(b)(b) 9(b)(e) 9(b)(f) 9(b)(h) 9(b)(i) 9(b)(j)	
	9(c) – Contract management in practice		9(c)(b) 9(c)(c) 9(c)(d) 9(c)(e)	9(c)(a) 9(c)(f) 9(c)(g)	
10. The public procurement market is fully functional.	10(a) – Dialogue and partnerships between public and private sector		10(a)(a)	10(a)(b)	
	10(b) – Private sector's organisation and access to the public procurement market		10(b)(a)	10(b)(b)	
	10(c) – Key sectors and sector strategies			10(c)(a) 10(c)(b)	

PILLAR IV		Full compliance	Gaps identified	Substantive gaps identified	Red flags
11. Transparency and civil society engagement strengthen integrity in public procurement.	11(a) – An enabling environment for public consultation and monitoring		11(a)(a)	11(a)(b) 11(a)(c)	
	11(b) – Adequate and timely access to information by the public	FULL COMPLIANCE			
	11(c) – Direct engagement of civil society			11(c)(a) 11(c)(b)	

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PILLAR IV		Full compliance	Gaps identified	Substantive gaps identified	Red flags
12. The country has effective control and audit systems.	12(a) – Legal framework, organisation and procedures of the control system		12(a)(a) 12(a)(c)	12(a)(b) 12(a)(d) 12(a)(e)	
	12(b) – Co-ordination of controls and audits of public procurement			12(b)(a) 12(b)(b) 12(b)(c)	
	12(c) – Enforcement and follow-up on findings and recommendations			12(c)(a) 12(c)(b)	
	12(d) – Qualification and training to conduct procurement audits			12(d)(a) 12(d)(b) 12(d)(c)	
13. Procurement appeals mechanisms are effective and efficient.	13(a) – Process for challenges and appeals		13(a)(b)	13(a)(d)	
	13(b) – Independence and capacity of the appeals body			13(b)(b) 13(b)(e) 13(b)(g)	
	13(c) – Decisions of the appeals body		13(c)(d)	13(c)(b)	
14. The country has ethics and anticorruption measures in place.	14(a) – Legal definition of prohibited practices, conflicts of interest, and associated responsibilities, accountabilities and penalties			14(a)(a) 14(a)(b) 14(a)(c)	
	14(b) – Provisions on prohibited practices in procurement documents			14(b)(a) 14(b)(b)	
	14(c) – Effective sanctions and enforcement systems			14(c)(b) 14(c)(c) 14(c)(d)	
	14(d) – Anti-corruption framework and integrity training			14(d)(a) 14(d)(b) 14(d)(c) 14(d)(d) 14(d)(e)	
	14(e) – Stakeholder support to strengthen integrity in procurement		14(e)(a) 14(e)(b) 14(e)(c)	14(e)(d)	
	14(f) – Secure mechanisms for reporting prohibited practices or unethical behaviour		14(f)(b)		
	14(g) – Codes of conduct/codes of ethics and financial disclosure rules		14(g)(b) 14(g)(c) 14(g)(e)	14(g)(a) 14(g)(d)	

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1. Introduction

Context and background

Despite a challenging external environment, namely the twin shocks of COVID-19 and a military conflict with neighboring Azerbaijan, the GoA has been able to pursue an ambitious economic reform program, including a public procurement reform. Over the last decade, the Republic of Armenia has made considerable efforts to improve its public procurement environment through reform initiatives undertaken. Notable efforts in this respect were the introduction of a new (December 16, 2016) PL and by-laws, institutional arrangements, as well as new anti-corruption measures and increasing the transparency and effectiveness of the system through the establishment of e-GP, called "ARMEPS". The PL is largely based on the UNCITRAL Model Law on Public Procurement, the EU procurement directives, and the 2015 GPA of the World Trade Organization (WTO), of which Armenia is a signatory.

The PL applies to contracting authorities/procuring entities. The concept of "contracting authority" includes public administration and local self-government bodies; state or community institutions provided for by the constitution and laws of the Republic of Armenia; Central Bank; state and community non-commercial organizations; organizations with more than 50% of state or community shares; public organizations (utilities) etc. Enhancing capacity among procurement officials, increasing the use of competitive methods, further streamlining the procurement process and full application of e-GP will ensure increased competition and better value for money.

Public procurement in Armenia is decentralized, with the MoF acting as oversight authority. MoF is also responsible for the development, operation and maintenance of the e-GP system. Contracting authorities are responsible for procurement under their own administration, including procurement planning, process, evaluations, contract awards, payments. The AC is responsible for external procurement audits.

There have been multiple procurement assessments conducted by various international organizations such as the 2017 Implementation Assessment of the Armenian Public Procurement Legislation (IDFI & Open Society Foundation), the 2018 Procurement Risk Assessment for Improved Procurement Outcome (ADB), the 2019 Country Governance Risk Assessment of Armenia (ADB)[1], the 2019 Technical Assistance Report-Public Investment Management Assessment (IMF)[2], the 2019 Strategic Procurement Assessment (IBRD), the 2019 The Principles of Public Administration (SIGMA – Organisation for Economic Co-operation and Development (OECD)), the 2020 Supporting Armenia's Anti-Corruption Transformation through a Data Based Approach (IBRD), the 2022 Country and Sector/Agency Procurement Risk Assessment or CSPRA (ADB), and the 2023 PEFA Report (ADB & European Union).

As suggested by the studies and assessments, further improvement is needed to ensure effective implementation of the PL, in particular strategic procurement, sustainability of the e-GP system, and increased capacity of procurement professionals, auditors and other relevant stakeholders. While ARMEPS, is functional, its coverage remains limited. Competition in public procurement is also limited. While the trend is improving, the proportion of open or competitive tenders remains relatively low,

[1] https://www.adb.org/sites/default/files/project-documents/49156/49156-001-tacr-en_1.pdf
[2] https://www.imf.org/en/Publications/CR/Issues/2019/01/30/Republic-of-Armenia-Technical-Assistance-Report-Public-Investment-Management-Assessment-46565

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considering the large volume of contracts. Overall, the level of participation of firms is low, with on average 2.5 bidders per tender. The participation also varies substantially across different types of procurement (goods, works, and services) and contract value.

As indicated by MoF official statistics[3], in 2023 committed obligations increased to AMD 307.5 billion (about USD 0.76 billion, based on the exchange rate as of December 31, 2023), marking a 3.9% rise from the previous year. Competitive procurement reached AMD 161.4 billion, accounting for 52.5% of total commitments. SS procurement totalled AMD 135.1 billion (43.9%), including actual SS of AMD 11.9 billion (3.9%), while urgent SS declined to AMD 11 billion (3.6%)[4].

Within potentially competitive procedures[5], competitive procurement dominated with a share of 87.6%, while actual SS and urgent SS accounted for 6.4% and 6%, respectively.

According to the MoF Annual Procurement Report[6], an additional source of official procurement data, the total contract value reached AMD 439.1 billion (USD 1.08 billion), with competitive contracts accounting for 60.6% of the total. SS procurement remained significant at AMD 160.5 billion (36.5%), including hospital services and natural monopolies, while urgent SS contracts were AMD 12.6 billion (2.9%).

In 2023, overall market participation averaged 1.7 bidders per procedure, while competitive procurement methods attracted an average of 2.4 bidders per procedure.

Further statistical details are provided in Section 2.2 of this report.

For reference: According to MoF official statistics, in 2024, committed obligations declined to AMD 257.4 billion (about USD 0.65 billion, based on the exchange rate as of December 31, 2024), reflecting a 16.3% decrease from 2023. Competitive procurement increased sharply to AMD 207.5 billion, accounting for a dominant 80.6% of total commitments. SS procurement fell to AMD 41.8 billion (16.2%), including actual SS of AMD 11.3 billion (4.4%), while urgent SS further declined to AMD 8.1 billion (3.1%).

Within potentially competitive procedures, competitive procurement reached a record 91.4%, while actual SS and urgent SS declined to 5% and 3.6%, respectively.

Based on the Annual Procurement Report, the total contract value reached AMD 407.5 billion (USD 1.03 billion), down 7.2% from 2023, while competitive contracts accounted for 80.6%, up from 60.6% the previous year. SS procurement fell significantly to AMD 70.2 billion (17.2%), including hospital services (AMD 10 billion) and natural monopolies (AMD 20.5 billion), reflecting changes in SS accounting and reduced urgent SS use.

[3] https://minfin.am/hy/page/hy_mek_andzi_yntack/

[4] Actual SS refers to the portion of procurement that could have been conducted through competitive procedures but was instead executed without competition. Urgent SS is due to urgency or other unforeseen circumstances. The remaining portion of SS is preconditioned by the existence of a special or exclusive rights/monopoly.

[5] Total procurements, excluding SS preconditioned by the existence of special or exclusive rights/monopoly.

[6] https://gnumner.minfin.am/hy/

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In 2024, overall market participation averaged 1.8 bidders per procedure, while competitive procurement methods attracted an average of 2.5 bidders per procedure.

In 2022, the system of review of public procurement disputes has undergone a significant reform, whereby the competence to handle such disputes has been transferred from a specialized administrative body to the general court system (Yerevan City Court).

Objective

The main objective of the MAPS assessment was to support the GoA in its efforts to establish a modern and robust public procurement system aimed at improving procurement performance and yielding optimal results in the use of funds and delivery of services to the citizens while maintaining high standards of integrity.

In order to achieve this objective, the assessment: (i) identified strengths and weaknesses of the system, their relative importance, the major risks and their likely consequences for the efficiency of the system; (ii) identified any substantial gaps that negatively impact the quality and performance of the country's procurement system; (iii) provided a comparative analysis of the country's procurement system against MAPS standards using the internationally accepted MAPS Assessment Matrix, which may be found in Annex 1 of this report, and (iv) made recommendations to address the identified gaps and weaknesses to improve procurement performance to deliver better economic and social outcomes. The assessment informs the GoA of the current level of performance of its procurement system, the challenges the system is facing, and the opportunities for further improvements.

The MoF has initiated a legislative update of the PL. The assessment findings and recommendations form an essential input into the GoA's efforts towards such legislative reforms. The assessment will be anchored in the specific needs of Armenia through the application of different elements of the new MAPS analytical framework and will allow the GoA to enhance the strategic thinking approach to clarify the vision, goals and timeframe for improving the country procurement system.

Scope of the assessment

The MoF requested the ADB, the EBRD, the WB and the EFSD to support the GoA in carrying out a holistic assessment of the public procurement system using MAPS.

The core assessment was conducted based on the four pillars of MAPS, namely: (i) legal, regulatory and policy framework; (ii) institutional framework and management capacity; (iii) procurement operations and market practices; and (iv) accountability, integrity and transparency. The assessment was carried out initially through virtual means, followed by physical missions to the Republic of Armenia, and a validation exercise with all the relevant stakeholders in Armenia who formed a part of the assessment. The assessment covered both central and decentralized levels of public procurement in Armenia, including procurement by municipalities and SOEs.

Timeline

The MAPS assessment of Armenia started from August 2024. Draft of this report was prepared in June of 2025.

Information sources

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For qualitative information, the key sources included:

a. Documents making up the legal and regulatory framework: laws, regulations/decrees, instructions, issuances, manuals, and procurement documents.

b. Other assessments and studies available on the Republic of Armenia's Public Financial Management and Public Procurement Systems, sourced from government entities, multilateral development banks (MDBs), and other relevant organizations.

c. Audit Reports: recent procurement and contract management-related rulings and reports, where applicable.

d. Statistical information from contracting authorities, e-GP, and other accessible portals. The primary source of information was the PPD of the MoF, which is responsible for preparing Annual Procurement Reports, e-GP operations, drafting procurement documents and forms, and amendments to the PL and by-laws. To enhance data accuracy in the report, alternative sources (e.g., Public Services Regulatory Commission (PSRC), Union of Builders, utility companies, etc.) were sought in collaboration with the steering committee when necessary.

e. Interviews with key procuring entities were conducted to assess how the procurement system functioned at the field level. Interviews were also held with other stakeholders, including government officials, CSOs, professional associations, chambers of commerce, academic and research institutions, bidding communities, and private sector bodies. Key governmental procuring entities were selected by the International Consultant from the list presented in Appendix 1 of the 2023 MoF Annual Procurement Report. These included 5–10 entities with the largest aggregate contract amounts in 2023, as well as utilities with the highest capital expenditures based on the PSRC 2023 Annual Report.

f. Workshops with key public procurement stakeholders (government, private sector, civil society, media, academia, etc.) were conducted to gather collective views on Armenia's public procurement system. These workshops also served to solicit feedback on the MAPS assessment for validation purposes. Based on prior experience in Armenia, it was noted that the dynamics of responses differed between collective workshops and one-on-one interviews.

g. Data collection: 32 quantitative indicators formed part of the "core" MAPS assessment. Of these, 23 required a count, which was achieved through a secondary data collection methodology. 6 indicators required primary data collection, while 3 indicators utilized both primary and secondary data, depending on whether the specified sampling criterion was mandatory.

As part of analyses and data collection process, 96 procurement cases were randomly chosen from the top procuring entities, covering two periods (2022 and 2023), with 48 cases for each period. These procedures were selected from four procurement methods: open tender, price quotation, electronic auction (E-Auction) and SS (with approximately 12 cases from each method). Each procurement method included a mix of goods, works, services, and consultancy services (with around 4 cases from each type). The main sources of information were the official procurement website, the procurement contract management webpage[7], as well as direct input from the MoF and the procuring entities.

[7] https://www.armeps.am/ppcm/public/reports

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Secondary Data Collection generally employed a census approach to complete counts and related percentages. In some cases, a stratified random sample of the requisite sampling frame was used, with stratification criteria including procurement entity, class of procurement, civil society grouping, or class of business.

Primary Data Collection involved a random sample or a stratified random sample of an appropriate size to ensure representativeness. Survey instruments were designed and approved, and data collection was conducted using both face-to-face and virtual methods.

Quantitative data was gathered and analyzed from a representative sample of public procurement activities in Armenia during the assessment period. Procuring entities included ministries, departments, statutory bodies, and local governments (municipalities). Information was also gathered from private sector organizations (including regional and international ones, where necessary), and civil societies. Sampling frames were sourced from stakeholders listed in the Concept Note, and the final sample was determined during the assessment phase (Pillar I implementation).

h. Private sector and CSO surveys were conducted to assess private sector participation and perceptions of the public procurement environment, as well as the role of CSOs. Survey samples included bidders of varying sizes and sectors to gain a comprehensive understanding of private sector actions and reactions within Armenia's public procurement environment.

The survey for private sector bidders, consisting of 46 questions, was created using the SurveyMonkey tool. It was designed to gather valuable feedback from private sector bidders regarding their experiences and perceptions of public procurement procedures. The survey included a variety of question types, such as multiple-choice, Likert scale, and open-ended questions, allowing for the collection of both quantitative data and detailed insights. The questions covered various aspects of the procurement process, including transparency, efficiency, competitiveness, and ease of participation. With survey tool features, the survey was easily distributed to relevant bidders, enabling efficient data collection, tracking and analysis.

Governance and assessment team

The leadership on MAPS in Armenia was ensured by the MoF, who was the National Focal Point to lead the project assessment team. The external (international) partners supporting the assessment comprised of the ADB, the EBRD, the WB, and the EFSD. The external partners provided technical assistance (including consultations on the assessment process, assistance in the preparation of the Concept note and other documents, selection and interaction with the international and national consultants, and participation in the process of the assessment report preparation) and financial support (financing of expenses related to the activities of international and national consultants). The lead institution was EFSD, which was responsible for internal (with other partners) and external (with the MoF, the MAPS Secretariat, and others) coordination and communication.

A multidisciplinary and cross-departmental ASC ensured an efficient, high-standard, and participatory implementation of the Assessment. It provided leadership and guidance to the Assessment Team throughout the exercise. It reviewed the draft outputs of the Assessment Team before embarking on the quality review by the MAPS Assessment Technical Advisory Group (ATAG). Members of the ASC representing the government acted as experts and actively took part in the implementation process, collaborating on data and case study gathering, facilitating access to documentation as needed, and

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facilitating dialogue among stakeholders. The ASC was established under the MoF and included officials from key government agencies involved in public procurement, oversight bodies, and CSO. A full list of the members of this committee can be found in the project concept note which can be found in Annex 2 of this report.

The assessment was coordinated on the national side by Mr. Avag Avanesyan, Deputy Minister of Finance, who acted as National Coordinator. Mr. Sergey Shahnazaryan, Head of the Procurement Policy Department of the MoF, acted as Task Team Leader, and Ms. Roza Hakobyan, Assistant to the Deputy Minister, acted as the government main focal person.

The core assessment team comprised Mr. Dimitri De Pues, International Consultant, who led the assessment, supported by two national consultants, Ms. Armenuhi Burnazyan (Asian Development Bank) and Mr. Alexander Astvatsatryan (World Bank). The assessment team's primary responsibilities included providing training for the ASC and participating stakeholders, collecting data, conducting the assessment by applying the MAPS methodology, preparing the assessment report, conducting the validation exercise, and incorporating all peer review comments for a final report to be handed over to the MoF and the MAPS Secretariat.

The assessment team was further supported by a working group of experts from the partner institutions (the MFI Working Group). From the Asian Development Bank, the working group included Mr. Olivier Leonard, Principal Procurement Specialist, and Mr. Murman Katsitadze, Senior Procurement Officer. From the Eurasian Fund for Stabilization and Development, it included Mr. Andrey Vasilyev, Expert of the Monitoring, Policies and Standards Department, and Ms. Olga Sosnina, Director of the Monitoring, Policies and Standards Department. From the World Bank, it included Ms. Barbara Ziolkowska, Senior Procurement Specialist, Ms. Armine Aydinyan, Procurement Specialist, and Mr. Sepher Fotovat, Senior Procurement Specialist. Within the MoF, additional support to the Assessment Team was provided by Ms. Heghine Jaghinyan, Chief Specialist at the Procurement Policy Department, and Mr. Tigran Hunanyan, Specialist at the Procurement Policy Department.

Stakeholders

Below is an overview of the main stakeholders:

a. The leading stakeholder for MAPS Assessment was the MoF.

b. National and Local Procuring Entities.

c. The key oversight agencies such as the State Supervision Service of Armenia and the Audit Chamber.

d. Development partners: As part of the stakeholders' consultations, the Assessment Team coordinated the technical inputs of the other development partners, such as the EU, EIB, CEB, OECD, and various UN agencies that were actively involved in the procurement reform agenda in the Republic of Armenia.

e. CSOs and the private sector: CSOs involved in public procurement were amongst the stakeholders that were consulted, along with the private sector and business associations (contractors, suppliers, consultants), associations of engineers and architects, academia, and media.

For a more detailed list of all stakeholders met during the mission, kindly refer to the Concept Note under Annex 2 of this report.

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Validation

A validation workshop, held in a hybrid format (in-person and virtual participation), took place on March 11, 2026, in Yerevan, Republic of Armenia. The event brought together approximately 40 participants from around 30 organizations representing a broad spectrum of public procurement stakeholders, including ministries, oversight bodies, development partners, civil society organizations, and the private sector. A presentation on the main findings, gaps, and recommendations was made by the Assessment Team, structured along the four MAPS pillars, followed by a plenary discussion during which stakeholders were able to comment and provide feedback. Prior to the workshop, written comments on the draft assessment report had been solicited from and received by key stakeholders. The validation workshop broadly confirmed the assessment findings and recommendations. The comments and feedback received — both in writing and during the workshop — are being reviewed and will be incorporated into the final version of this report, where applicable.

2. Analysis of Country Context

2.1. Political, economic and geostrategic situation of the country

Armenia is a landlocked country located in the South Caucasus region, serving as a crossroads between Europe and Asia. It shares borders with Turkey to the west, Georgia to the north, Azerbaijan to the east, and Iran to the south. This strategic location has given Armenia historical and geopolitical importance throughout the centuries.

With a land area of about 29,743 square kilometers (11,484 square miles), Armenia has a population of approximately 2.977 million people as of 2023 (approximately 3.0 million as of 2024). The nation has experienced significant emigration since the collapse of the Soviet Union, leading to a global Armenian diaspora of over 10 million people.

Due to geopolitical tensions, particularly the Nagorno-Karabakh conflict, Armenia’s borders with Turkey and Azerbaijan have been closed since the early 1990s. As a result, the country relies on its open borders with Iran and Georgia for trade and connectivity with the wider region.

Armenia’s geostrategic position is closely tied to its economic interests, particularly in terms of energy transit routes and infrastructure development. Regional dynamics play a significant role in shaping the country's trade and economic growth prospects.

Armenia enjoys relatively strong relations with its southern neighbor, Iran, and its northern neighbor, Georgia. It actively collaborates with Iran on various economic initiatives and energy projects, which are crucial for enhancing connectivity and fostering mutual development.

The country has undergone significant shifts in both external and internal conditions in recent years. The Velvet Revolution of April 2018 marked a turning point, with peaceful demonstrations and active citizen engagement shaping new expectations for the country. However, Armenia has also faced numerous external challenges, including the COVID-19 pandemic, the 2020 military conflict with Azerbaijan, clashes in September 2022 along the Gegharkunik, Syunik, and Vayots Dzor provincial borders, and the broader implications of Russia’s 2022 invasion of Ukraine. Despite these challenges, Armenia's economy has

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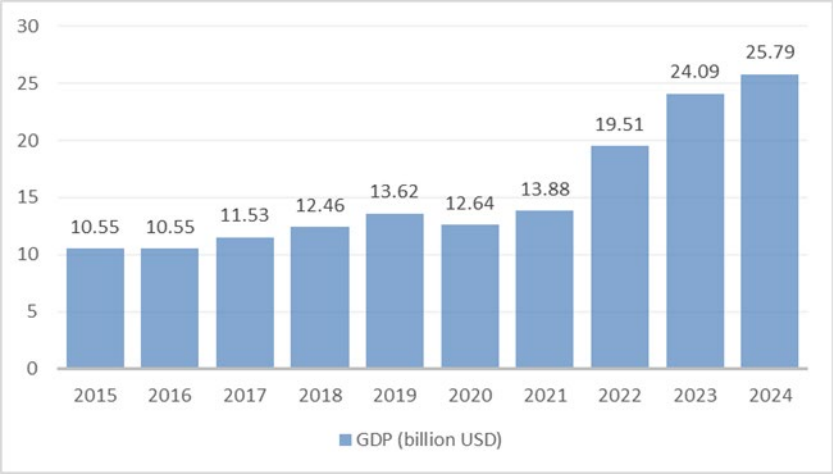
demonstrated resilience, supported by a strong history of macroeconomic management, fiscal discipline, and a robust financial sector, which have collectively helped maintain low levels of extreme poverty.

Armenia stands out as one of the most developed CIS countries in terms of income. In 2023, the gross national income per capita reached USD 7,330 (in 2024 USD 6,780). However, the poverty rate remains significant at 23.7%. According to the UN Human Development Index, Armenia was classified as a country with a high level of human development in 2022 (value of 0.786), positioning it at 76th out of 193 countries and territories (this value was 0.811 in 2023, placing it at 69th out of 193 countries).

Like many upper-middle-income countries, Armenia is undergoing the second demographic transition, marked by declining birth rates, natural population decline, and an aging population. According to UN demographic projections, Armenia's population is expected to decrease from 2.977 million in 2023 to 2.573 million by 2050. Notably, over the past two years, the working-age population has grown due to an influx of labour from the Russian Federation, India, and Nagorno-Karabakh.

Armenia's GDP dynamics over the past seven years have been notably volatile (Figure 1). According to statistics, in 2023 Armenia's GDP was worth USD 24.21 billion and GDP per capita was USD 5566.32 (in 2024 these figures reached an all-time high of USD 25.79 billion and USD 5.38 thousand, respectively.) (Figures 1 and 2).

Figure 1. GDP (in billion USD)



Source: Trading Economics, WB[8]

Figure 2. GDP per capita (in thousands of USD)

[8] https://tradingeconomics.com/armenia/gdp

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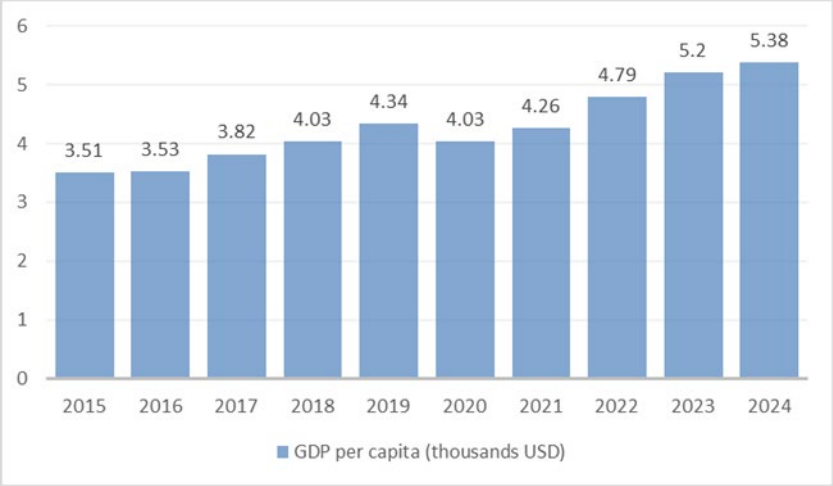
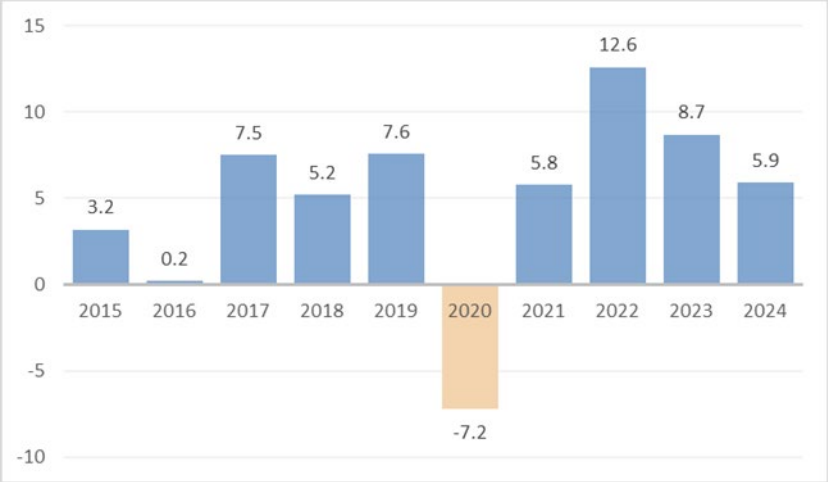


Source: Trading Economics, WB[9]

The average GDP growth rate from 2019 to 2023 was 5.4%. However, significant growth was observed in 2022 and 2023, with rates of 12.6% and 8.7%, respectively (it slowed to 5.9% in 2024) (Figure 3). This surge was largely driven by positive external factors. In particular, it is estimated that the inflow of Russian capital and spending by Russian citizens contributed approximately 4.0 percentage points to Armenia's economic growth in 2022.

Figure 3. GDP annual growth rate in percent



Source: Trading Economics, WB[10]

Amidst strong economic growth, the Armenian economy has become increasingly dependent on non-tradable sectors. Services, trade, and construction remain the primary drivers of economic activity.

[9] https://tradingeconomics.com/armenia/gdp-per-capita
[10] https://tradingeconomics.com/armenia/full-year-gdp-growth

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Although the Armenian authorities have introduced a range of measures in recent years aimed at boosting the production of high value-added goods, the growth of the tradable sector remains limited.

From 2021 to 2023, the manufacturing sector contributed an average of just 0.5 percentage points to GDP growth, while the agricultural sector showed negligible growth, averaging zero contribution. Low growth of the tradable sector is likely attributed to lower total factor productivity in comparison to EU countries and Eastern and Central Europe.

Armenia's export structure, characterized by high concentration in both goods and sales markets, exposes the country to external risks, particularly during economic slowdowns or recessions in its primary trading partners. Since 2022, re-exports have become a notable component of Armenia's foreign trade, significantly influencing its overall trade dynamics.

Recent geopolitical developments, including Western sanctions against the Russian Federation, have significantly increased the share of Eurasian Economic Union (EAEU) countries in Armenia's trade turnover. This shift is primarily driven by expanded trade with the Russian Federation, underscoring Armenia's growing reliance on this market.

According to the EFSD assessment, Armenia's public debt sustainability is assessed at an average level, no significant solvency and liquidity risks have been identified. At the end of 2023, the level of public debt to GDP was 50.7% (with a critical level of 70% of GDP). The structure of the public debt has shown continued improvement: the share of external debt obligations decreased from 61% to 55% of the gross public debt (with a critical level of 45%), in foreign currency - from 64 to 56% of the gross public debt (with a critical level of 60%). These structural changes help enhance Armenia's debt sustainability, making the country more resilient to potential shocks from national currency devaluation.

Armenia operates as a unitary parliamentary republic, where the Prime Minister holds the most power as the head of government. The President, elected by parliament, serves a largely ceremonial role.

The country has a multi-party system, and the National Assembly/Parliament, with members elected through proportional representation, is the main legislative body, responsible for passing laws and approving policies. This system was established after constitutional reforms in 2015, which came into effect in 2018.

Armenia’s governance is influenced by its Soviet past, which left challenges such as weak institutions and systemic corruption. Over the years, Armenia has experienced political instability, but it has gradually moved toward democratic reforms, especially after the 2018 Velvet Revolution, which resulted in a peaceful transfer of power and a shift toward more democratic governance.

Armenia's political structure is highly centralized, with most of the decision-making power residing at the national level. Local governments have limited autonomy and their influence is relatively minor compared to the central government.

The country’s political power is largely concentrated in the hands of the ruling party and a few elites.

Women are underrepresented in politics despite legal quotas, and ethnic minorities such as Yazidis, Russians, and Kurds have limited political representation. The Armenian diaspora plays a unique role, contributing financially and advocating for national interests internationally.

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The unresolved Nagorno-Karabakh conflict with Azerbaijan remains a central challenge, leading to periodic violence and political instability. The aftermath of the 2020 war has heightened internal political polarization and strained resources.

While violent crime rates are low, corruption and organized crime are persistent issues. Informality and crime persist in certain sectors, although there are continuous efforts to improve law enforcement and reduce illegal practices.

Historically, corruption has been a significant issue. The Velvet Revolution spurred anti-corruption reforms, improving transparency and accountability in some areas. Armenia scored 47 out of 100 on the 2023 Corruption Perceptions Index by Transparency International[11], showing significant improvement over the past decade. However, challenges persist, particularly in the judiciary and public procurement.

In the 2024 Index of Economic Freedom by the Heritage Foundation[12], Armenia ranks 47th with a score of 64.9, its lowest score since 2000, and is classified as "moderately free". This ranking places Armenia ahead of many EU countries, such as France, Spain, Italy, and Hungary, and gives it the highest rank among the countries of the EAEU. It is ranked 26th out of 44 countries in the Europe region. The report indicates that Armenia's regulatory framework remains efficient, and policies supporting open markets are in place. The country performs relatively well across many of the four pillars of economic freedom, though the foundations of economic freedom are not strongly upheld due to issues with judicial independence and government integrity.

Armenia is a member of several international and regional organizations and has various treaty commitments.

In 2011, Armenia became the first country from the former Soviet Union to achieve full membership in the WTO GPA, including adherence to its subsequent revisions. This membership signalled Armenia's commitment to global best practices in procurement, including non-discrimination, transparency, and fair competition.

The country has sought to deepen its ties with the European Union (EU) and other Western partners. Initially, the country engaged in negotiations to establish a Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU, aimed at creating a free trade area. However, after joining EAEU—a Russia-led economic bloc—in 2015, Armenia opted instead to sign the Comprehensive and Enhanced Partnership Agreement (CEPA) with the EU in 2017. This agreement, while less ambitious than the DCFTA, fosters cooperation in areas such as energy, transport, environmental protection, trade, and investment. CEPA also aims to enhance political and economic collaboration, outlining Armenia's role in EU policies, programs, and activities.

Armenia's strong ties with Russia are reflected in its economic integration into the EAEU. Previously, this close relationship was also characterized by military and political cooperation. Armenia was a founding member of the Collective Security Treaty Organization (CSTO), a regional military alliance led by Russia, which includes also Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan. However, in 2024, Armenia began

[11] Corruption Perceptions Index 2023, Transparency International, https://transparency.am/en/cpi
[12] 2024 report of Index of Economic Freedom by Heritage Foundation, https://www.heritage.org/index/

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withdrawing from the CSTO, citing dissatisfaction with its effectiveness in addressing security challenges. By the end of 2024, the country considered its membership de facto ended.

Armenia is an active member of various international organizations, including the Organization for Security and Co-operation in Europe, Black Sea Economic Cooperation, United Nations (UN), World Tourism Organization, World Trade Organization (WTO), International Monetary Fund (IMF), EBRD, WB, and the Commonwealth of Independent States (CIS), a regional body comprising several former Soviet republics.

2.2. The Public Procurement System and its links with the public finance management and public governance systems

Public procurement in Armenia is a vital component of the country's economy and public financial management (PFM) system, reflecting its role in economic development and service delivery.

As reflected in MoF official statistics[13], in 2023 committed obligations increased to AMD 307.5 billion (about USD 0.76 billion, based on the exchange rate as of December 31, 2023), reflecting moderate growth (3.9%) from the previous year (AMD 295.9 billion). Competitive procedures amounted to AMD 161.4 billion, making up 52.5% of total commitments. SS procurement amounted to AMD 135.1 billion (43.9%), including actual SS of AMD 11.9 billion (3.9%). Urgent SS procurement declined to AMD 11 billion, representing 3.6% of the total (Table 1).

In 2023, within potentially competitive procurement procedures, competitive procurement dominated with a share of 87.6%. Actual SS declined to 6.4%, while urgent SS decreased to 6% of the total potentially competitive procurement volume (Table 2).

According to the MoF Annual Procurement Report[14], which constitutes another source of official procurement statistics, 125,539 procurement procedures[15] were initiated in 2023, of which 114,657 were completed. Competitive procurement methods, comprising open tender, urgent open tender, two-stage tender, price quotation and E-Auction, accounted for 54.34% of completed procedures.

The total value of contracts awarded in 2023 reached approximately AMD 439.1 billion (about USD 1.08 billion), representing a 12.4% increase compared to AMD 390.6 billion in 2022. Contracts awarded through competitive methods amounted to AMD 266 billion, equivalent to 60.6% of the total contract value.

SS procurement remained significant, totalling AMD 160.5 billion (36.5%), while urgent SS procurement accounted for AMD 12.6 billion (2.9%). Within SS procurement, hospital services represented the largest share (AMD 100.7 billion), followed by procurements from natural monopolies, including electricity, water, and gas supply, as well as services provided by public television and radio companies (AMD 22.6 billion).

[13] https://minfin.am/hy/page/hy_mek_andzi_yntack/
[14] https://gnumner.minfin.am/hy/
[15] The data in the MoF Annual Procurement Reports are presented based on information provided by contracting authorities, with each lot counted as a separate procedure.

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Market participation showed a modest increase, with the average number of bidders per procedure rising from 1.5 in 2022 to 1.7 in 2023. Competitive procurement methods consistently attracted higher levels of participation, increasing from an average of 1.9 bidders per procedure in 2022 to 2.4 in 2023 (Table 3). *For reference: According to MoF official statistics, in 2024 committed obligations totaled AMD 257.4 billion (about USD 0.65 billion, based on the exchange rate as of December 31, 2024), reflecting a 16.3% decrease compared to the previous year (AMD 307.5 billion). Competitive procurement rose significantly to AMD 207.5 billion, accounting for a dominant 80.6% of total commitments. SS procurement dropped sharply to AMD 41.8 billion (16.2%), of which actual SS accounted for AMD 11.3 billion (4.4%). Urgent SS procurement further declined to AMD 8.1 billion, representing 3.1% of total commitments (Table 1).*

In 2024, competitive procurement reached its highest level over the three-year period, at 91.4% of potentially competitive procedures. Actual SS further declined to 5%, while urgent SS dropped to 3.6% (Table 2).

This considerable change from previous year is largely explained by the fact that hospital services, previously accounting for a substantial portion of SS procedures, were no longer included in the accounting, and the volume of urgent SS procurements decreased. Together, these factors contributed to the higher share of competitive procedures observed in this year.

According to the Annual Procurement Report, a total of 127,490 procurement procedures were conducted in 2024, representing a 1.6% increase compared to 2023 (125,539 procedures). The proportion of unsuccessful or failed procedures continued its downward trend observed over the past seven years, declining to 7.4% in 2024, the lowest level recorded during the period under review.

Of the 118,105 procedures completed in 2024, 51.5% were carried out using competitive procurement methods. The total value of contracts awarded amounted to approximately AMD 407.5 billion (about USD 1.03 billion), reflecting a 7.2% decrease compared to AMD 439.1 billion in 2023.

Contracts awarded through competitive methods reached approximately AMD 328.2 billion, accounting for 80.6% of the total contract value. This represents a substantial improvement relative to 2023, when competitive contracts totaled AMD 266 billion or 60.6% of the total contract value.

SS procurement declined significantly in 2024. Urgent SS procurement amounted to AMD 9.1 billion (2.2%), while SS procurement totaled AMD 70.2 billion (17.2%) of the overall contract value. Within SS procurement, AMD 10 billion was allocated to hospital services, and AMD 20.5 billion to natural monopolies.

As already mentioned above, the marked shift in procurement composition is largely attributable to the exclusion of hospital services from SS procurement accounting and the reduced use of urgent SS procedures. In 2024, overall market participation averaged 1.8 bidders per procedure, the highest level recorded in the last three years, while competitive procurement methods attracted an average of 2.5 bidders per procedure (Table 3).

It should be mentioned that participation levels varied across procuring entity types. Procurement conducted by municipalities generally attracted higher levels of competition than procurement organized by state bodies or subordinate organizations. For procurements financed from the state budget, competitive methods attracted an average of 2.2, 2.4 and 3 bidders per procedure in 2022, 2023 and 2024,

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respectively. For municipalities, the corresponding figures were 2.8, 3.2 and 3.1 bidders, indicating consistently stronger competition. In contrast, procurements organized by state or community non-commercial organizations attracted comparatively lower participation, with average bidder numbers ranging from 1.5 to 2.3 over the same period.

Overall, across all periods considered, works procurement consistently attracted the highest level of competition, while participation in goods and services procurement remained comparatively lower.

Table 1. Committed obligations by procurement method, billion AMD

	SS (actual SS)	Share in total	Urgent SS	Share in total	Competitive	Share in total	Total
2022	133.3 (12.2)	45% (4.1%)	17.4	5.9%	145.2	49.1%	295.9
2023	135,1 (11.9)	43,9% (3.9%)	11	3.6%	161.4	52.5%	307.5
2024	41,8 (11.3)	16,2% (4.4%)	8.1	3.1%	207.5	80.6%	257.4

Source: Official statistics of MoF 2022-2024[16]

Table 2. Committed obligations in proportion to potentially competitive procurement procedures

	Actual SS	Urgent SS	Competitive
2022	7%	10%	83%
2023	6.4%	6%	87.6%
2024	5%	3.6%	91.4%

Source: Official statistics of MoF 2022-2024[17]

Table 3. Average number of bidders per procedure

	2022	2023	2024
Open tender	*2.2*	*2.5*	*2.5*
Urgent open tender	*3.4*	*3.5*	*2.5*
Two-stage tender	*2.1*	*1.3*	*1.4*
Request for quotations	*1.8*	*1.9*	*2.0*
Electronic auction	*2.0*	*2.7*	*3.0*
Average participation in competitive procurement procedures	1.9	2.4	2.5
Urgent single source	*1.8*	*1.2*	*1.2*
Single source	*1.0*	*1.0*	*1.0*
Overall average participation	1.5	1.7	1.8

[16] https://minfin.am/hy/page/hy_mek_andzi_yntack/

[17] *Ibid.*

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Source: Annual Procurement Reports 2022, 2023 and 2024[18]

Overall, public procurement represented about 17% of total government expenditure and 4.6% of GDP in 2023 (in 2024, these shares declined to 14% and 4%, respectively).

Armenia's public procurement system is governed by the PL, which was enacted on December 12, 2016 and has since undergone several amendments. The law is based on the UNCITRAL model and was developed with significant input from international organizations, including the EU's Support for Improvement in Governance and Management (SIGMA) program and the EBRD. Additionally, non-governmental organizations (NGOs) were consulted to ensure that the law would address the needs of all stakeholders.

The law is designed to align with internationally accepted best practices, promoting value for money, equal treatment, non-discrimination, competition and openness.

In addition to the main law, secondary legislation has been established through government decrees and Minister of Finance orders. These regulations are intended to guide contracting authorities at various levels of government in carrying out procurement procedures and to provide clarity on the details of public procurement processes. One of the most notable secondary regulations is GoA Decree 526-N, adopted on May 4, 2017. The main focus areas of secondary legislation include the public procurement process, specifying items for procurement through closed periodic tenders, providing guidelines for e-procurement system, highlighting the use of E-Auction, along with the categories of items suitable for this procurement method/form.

The legislative framework for public procurement in Armenia is comprehensive and applies to a wide range of procurement activities across the country. It covers central, regional, and local authorities, and is applicable to all types of procurement of goods, works, and services. The legislation allows for procurement to be conducted through both electronic and paper-based methods. There are no registration fees required for participants in procurement tenders, in order to make the process more accessible and encourage broader competition.

Overall, the procurement cycle begins with the approval of the annual budget, ensuring alignment with the country's fiscal priorities. However, in specific instances, procuring entities are permitted to launch tenders before securing funding. Procurement planning is closely integrated with annual budgeting, emphasizing the need for structured and strategic procurement processes to meet the government's objectives.

Public procurement in Armenia operates under a decentralized system, with the MoF serving as the central authority responsible for coordination. The MoF oversees the development, operation, and maintenance of the e-procurement system, which is a key component of the country's procurement infrastructure. Alongside the data provided through the e-procurement system, contracting authorities/procuring entities (e.g., state bodies, municipalities) are obligated to submit inputs for an annual report that routinely examines key strategic issues in public procurement. However, the absence of a formal strategy results in a lack of associated monitoring.

[18] https://gnumner.minfin.am/hy/

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The Treasury plays a vital role in public procurement by overseeing contractual payments after verifying contracts, invoices, and other related documents.

The Supreme Audit Institution, the AC, is responsible for external auditing, including audits of procurement processes.

All state and local self-government bodies, as well as institutions and non-profit organizations funded by state and community budgets and organizations with more than 50% state or community participation are required to undergo IA. The internal auditors are tasked with reviewing all contracts under AMD 20 million on an ex-post review basis, while contracts above this threshold are reviewed prior to approval. All contracts exceeding this amount are subject to audit, and for procurements below this threshold, at least 30% must be audited.

Additionally, the State Supervision Service oversees legal entities receiving funds from the state, community, or state-controlled organizations to ensure compliance with public procurement legislation. The Anti-Corruption Committee investigates corruption cases, including those involving public procurement, and refers them to prosecutors for further action.

In addition to the government institutions described above, the public procurement system involves a broad range of non-governmental stakeholders, including the private sector, business associations, CSOs and the media.

Suppliers, including SMEs, constitute the supply side of the public procurement market. As noted above, market participation remained relatively limited despite improvement in recent years. Since ARMEPS does not classify suppliers by size, the participation of MSMEs in public procurement cannot be systematically tracked. The interests of the business community are represented by a number of business associations, such as the Union of Manufacturers and Businessmen of Armenia, the Small and Medium Enterprise Cooperation Association and the Union of Builders, which participate in consultations on procurement policy and legislation. Dialogue between the government and the private sector is facilitated through several formal mechanisms. Draft legislation, including procurement-related regulations, is published for public consultation on the unified online platform e-draft.am, where businesses, CSOs and individuals can submit comments and receive feedback on how their input was considered. In addition, within the framework of the Open Government Partnership (OGP), Armenia develops action plans that provide for consultations with private sector stakeholders and CSOs on new strategies, reforms and legislation.

Civil society engagement in public procurement is enabled both through these consultative mechanisms and through the public control mechanism established by Article 5.1 of the PL. Under this provision, bidders, NGOs registered in Armenia, and media representatives are entitled to exercise public control over the implementation and management of procurement contracts, except for procurements involving state secrets. Since its introduction in 2021, however, the mechanism has been applied in only 15 cases. A limited number of CSOs focus on procurement as part of their work. Among the most active are the Transparency International Anti-Corruption Center (TIAC) Armenia, the National Center of Public Policy Research, the Freedom of Information Center of Armenia, the Union of Informed Citizens and the Armenian Lawyers Association. These organizations monitor procurement processes, conduct investigations into procurement irregularities, publish analytical reports (such as the TIAC Monitoring Report of the Procurement Complaint System) and advocate for reforms. Evidence suggests that the government considers the input it receives from civil society and the private sector, as illustrated by the

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2019 revision of the 'qualification bank guarantee' requirements following constructive feedback from businesses and CSOs.

The media also contribute to procurement oversight. Several independent outlets, such as Hetq, operated by the Association of Investigative Journalists of Armenia, and Factor TV, are actively involved in investigating and reporting on procurement-related issues. Analyses and publications produced by CSOs and the media are generally taken into consideration by the authorized body (MoF).

At the same time, the engagement of non-governmental stakeholders remains limited in practice, reflecting constraints related to awareness, resources and capacity. These issues, including the functioning of public-private dialogue and the application of the public control mechanism, are assessed in detail under Pillars III and IV of this report.

Armenia's public procurement system has undergone significant scrutiny and evaluation by international organizations and financial institutions. These assessments aim to enhance transparency, efficiency, and accountability within the procurement framework, ensuring alignment with international best practices.

Notably, the ADB Country Governance Risk Assessment of 2019 highlighted the significant reforms made between 2008 and 2018 in public procurement. The assessment evaluated four key pillars: legislative and regulatory frameworks, institutional framework and management capacity, procurement operations and market practices, and the integrity of the public procurement system.

The IMF's 2019 Technical Assistance Report on Public Investment Management Assessment commended the openness and transparency of Armenia's e-procurement tools, noting that all procurement-related documents are published. However, it assessed the effectiveness of procurement processes as average, citing issues such as unrealistic cost estimates and the need for improved analytical reports on complaints. The report recommended integrating the e-procurement system into the PFM system, enhancing the public procurement system for capital programs, strengthening the capacity of public procurement managers, and improving strategic procurement planning at the country level.

The SIGMA 2019 Principles of Public Administration report assessed Armenia's public procurement system based on five indicators, scoring from 0 to 5. The assessment highlighted the quality of the legislative framework, the central institutional capacity to develop and monitor procurement policy, the independence and effectiveness of the complaints handling system, the efficiency and transparency of procurement operations, and the availability of support for procuring entities and economic operators. It noted that while the PL is generally in line with international standards, there were concerns regarding the complaints system, secondary legislation, and planning regulations, which were found to limit procurement flexibility and efficiency. Additionally, advisory support and training were identified as areas for improvement.

2.3. National policy objectives and sustainable development goals

Armenia's national policy objectives are outlined in the Armenia Development Strategy for 2014–2025, which was approved in March 2014. The strategy serves as the country's primary socioeconomic development framework, guiding medium-term and sectoral program initiatives. It is structured around four key priorities:

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1. Growth of employment: Emphasizes creating quality, well-paid jobs and ensuring fair income opportunities tied to individual effort, especially during the strategy's initial five years.
2. Development of human capital: Focuses on enhancing accessibility and quality of essential services like healthcare, education, and infrastructure, while promoting personal development, professional growth, civic education, and cultural enrichment.
3. Improvement of social protection system: Aims to enhance system effectiveness, improve targeting, and establish long-term financial stability. This includes transitioning from monetary aid to needs-based, comprehensive social assistance packages, ensuring reduced poverty and greater social security.
4. Institutional modernization of the public administration and governance: Prioritizes improving public service efficiency, resource management, service accessibility, corruption reduction, decision-making transparency, and fostering civil society participation.

Each priority is designed to promote equitable development, societal well-being, and governance efficiency.

This strategy acts as a guide for Armenia's long-term development, focusing on both current challenges and future prospects. Its objectives are crafted to align with global Sustainable Development Goals (SDGs) while addressing the country's unique challenges and opportunities.

Another key document is the Government Program for 2021–2026, approved in August 2021 and followed by the introduction of its corresponding five-year Action Plan. The program is divided into six sections: security and foreign policy, economy, infrastructure and human capital development, law and justice, and institutional development. Public procurement-related activities are outlined in point 7 of Section "6.10 State Expenditure." This section states that to enhance the efficiency of procurement procedures, a new e-procurement system meeting modern functional requirements will be introduced by 2025. This system is expected to significantly improve the transparency and efficiency of the procurement process. The Action Plan provides a detailed breakdown of the steps necessary to achieve the objectives outlined for public procurement. These include:

Objective	Actions	Expected outcome	Implementation Period
7. Defining the primary directions and the action plan for the development of the procurement system	7.1. Elaborating a concept paper and an action plan for the development of the procurement system, submitting to the Government for approval and implementation thereof	The problems of the procurement system have been revealed, the primary action plan aimed at the resolution thereof has been developed, which involves at least the following directions: 1. Capacity-building 2. Bringing the role of the MoF in line with the existing requirements 3. Digitisation 4. Standardisation and green procurement Targeted ongoing improvements of the system	3rd ten-day period of March 2022
8. Introducing a new system of e-procurement	8.1. Developing a new system of e-procurement complying with the current requirements by involving all the clients in its domain	All the contracting authorities provided for by the PL shall perform the procurement procedures through an e-system by providing an opportunity for automatic collection, generation and analysis of all the data. The new system will be integrated with other systems directly related to the	3rd ten-day period of December 2023

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		organising of procurement procedures and financing of contracts	
9. Reducing the time periods for making payments upon the result of the contract	9.1. Developing and submitting for approval a draft decision of the Government for the purpose of ensuring the payment upon the result of the contract by a contracting party within maximum 5 working days	Time periods for making payments upon the result of the contract shall be reduced by making amendments to the arrangements related to the procurement by defining a period of maximum 5 working days for the period starting from the moment of submission of the documents up to the moment the time period for payment expires, taking into account the quarterly proportions of incurring the budget expenditures	3rd ten-day period of March 2022
10. Continuously developing capacities of persons involved in the procurement process and those making decisions	10.1 Assessing the needs, approving and implementing training programmes for the purpose of continuously developing capacities of persons involved in the process of procurement planning, elaboration of terms of reference, organising procedures, contract management and examination of complaints	Persons involved in the procurement process and those making decisions have sufficient knowledge to render decisions	1st ten-day period of May 2023 – 3rd ten-day period of December 2023
11. Improving the tool-kit for the provision of methodological support on the procurement processes	11.1 Publishing questions frequently received from the clients and participants with regard to the procurement processes and the clarifications thereon provided by the authorised body	Ensuring on-line access to clarifications provided by the authorised body with regard to frequently received questions through publishing thereof in the official journal of procurement	1st ten-day period of April 2023
12. Providing counselling within the scope of the methodological support of the procurement	12.1 Providing counselling to the state administration bodies in case of organising procurement	Increasing quickness of rendering decisions as a result of increasing access to information for the deputy heads of the bodies — higher manageability of the procurement process	1st ten-day period of February 2023 – 3rd ten-day period of December 2023

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processes of the state administration bodies	procedures of military significance		
13. Decreasing the risks of improper fulfilment of procurement contracts	13.1 Elaborating a draft Decision of the Government for the purpose of decreasing the risks of improper fulfilment of procurement contracts, and submitting it to the GoA for consideration	The Decision of the GoA on the introduction of a system for rating bidders based on non-discretionary standards as a result of the examination of improper cases of procurement contracts and excluding workload is approved	1st ten-day period of July 2023

The Action Plan also includes steps for the institutional transformation of the IA system. The process involves developing a concept paper to transform the country's IA system, which will be submitted to the government for approval. The vision for the IA system will be defined by choosing between centralized, decentralized, outsourcing, or internal capacity development models. Based on the selected model, actions will be implemented to establish an efficient and effective IA system, aimed at improving governance and accountability within the public sector.

Armenia has been actively working towards achieving the UN SDGs since their adoption in 2015. Significant progress was achieved in February 2017 when the Prime Minister formed an Inter-Agency Committee under the National Council for Sustainable Development. Later that year, in November, with support from the United Nations Development Program, Armenia launched the world's first National SDG Innovation Lab[19]. This lab aims to accelerate SDG achievement by utilizing innovative methodologies and expertise. Additionally, the Statistical Committee of Armenia, with UN support, developed a National SDG Statistical Platform to monitor and report on SDG progress[20].

Armenia also adopted the Sustainable Development Strategy 2030, a comprehensive long-term strategy aligned with the SDGs. The strategy focuses on fostering a balanced approach to economic growth, social inclusion, and environmental protection, ensuring that future generations benefit from Armenia's resources and opportunities.

The Sustainable Development Report 2024[21] places Armenia at 49th out of 167 countries, with an SDG Index Score of 74.09, reflecting moderate progress in achieving the SDGs. The status is highlighted across the 17 SDGs, among which Goal 12 specifically addresses the need to "Ensure sustainable consumption and production patterns" through eleven different targets, one of which – target 12.7 – aims to "Promote

[19] https://www.sdglab.am/en
[20] https://armstat.am/en/?nid=759
[21] https://dashboards.sdgindex.org/downloads

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public procurement practices that are sustainable, in accordance with national policies and priorities." However, there was no available data for this target in the country reports.

Armenia's participation in the Open Government Partnership has been an important part of the country's commitment to improving transparency, accountability, and citizen engagement in governance (since 2011). As of the 2022-2024 period, Armenia is implementing its fifth OGP action plan, which features promising commitments around data management, public communications, participatory budgeting, transparency of gifts received by public officials, and public procurement.

Commitment 8 aims to establish an e-procurement platform that will provide detailed information on every stage of public procurement, using an open data approach. This platform will facilitate easier data analysis, real-time procurement statistics, and enhance public oversight. It will also be integrated with the beneficial ownership register, enabling users to access ownership information for companies bidding on public tenders.

Ensuring consistent public engagement throughout the implementation process and maintaining the sustainability of the results are considered essential. Several commitments, including the geoportal (Commitment 6), gift register, e-justice (Commitment 9), and e-procurement, are focused on creating these key platforms. However, ongoing oversight and public awareness will extend beyond the action plan itself.

2.4. Public Procurement Reform

The Armenian government has actively worked to enhance the public procurement system as part of broader PFM reforms.

The country has undertaken significant reforms to modernize its public procurement system and align it with international standards.

Armenia joined the WTO GPA on September 15, 2011, committing to adopt internationally recognized standards for public procurement. This membership ensures that Armenia's procurement processes are open, competitive, and transparent, while also allowing Armenian businesses to participate in the procurement markets of other GPA members.

The signing of the CEPA between the EU and Armenia on November 24, 2017, provided renewed impetus for these reforms. However, Armenia's membership in the EAEU since January 2, 2015, created overlapping and sometimes conflicting obligations related to regulatory and institutional frameworks as well as public procurement practices, though these conflicts were later mitigated to some extent.

The PFM Reform Strategy for 2019-2023 in Armenia included key initiatives to improve public procurement as part of broader efforts to enhance the efficiency, transparency, and accountability of government spending. It aimed to create a fair and transparent public procurement system, with a focus on introducing a new e-procurement system, improving procurement planning, and establishing a procurement appeal system. The strategy included three main components:

- Modernization of the e-procurement system: Develop and introduce new software for e-procurement, expand the user base, and ensure timely and quality delivery of goods and services, with monitoring and continuous legislative improvements.

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- Procurement planning: Establish a unified, automated system for planning procurement, ensuring identical needs are met with standardized items and estimated prices.
- Procurement appeal system: Amend the law to create an independent and effective system for reviewing procurement appeals in courts.

While the strategy included ambitious targets, only the third commitment—improving the procurement appeal system—has been fully implemented, with procurement appeals now reviewed by courts since June 1, 2022.

On August 25, 2022, the Prime Minister approved Decree 977-L, which outlined the Concept for the Development of the Procurement System and its Action Plan. The key focus areas for the development of the procurement system are:

- Capacity development
- Ensuring increased access to information
- Adapting the role of the Republic of Armenia MoF to existing requirements
- Digitalization/development of a new e-procurement system
- Standardization and green procurement
- Continuous targeted system improvements

Following the adoption of the current PL in 2016, several decrees and orders were issued by the GoA and the MoF to regulate key aspects of its application. Notable developments in the public procurement system can be summarized as follows:

- On May 4, 2017, GoA Decree 526-N was introduced, which set out the key provisions for organizing the procurement procedure.
- On May 18, 2017, GoA Decree 534-N established the procedure for online E-Auctions and outlined which goods, works, and services could be procured through them, leading to the launch of the online E-Auction system.
- In 2019, a review of public procurement legislation was initiated, resulting in several reforms aimed at improving efficiency, attracting more participants (including SMEs and start-ups), and reducing bureaucracy in the bid review process.
- Later in 2019, further amendments were introduced to enhance procurement efficiency, reduce processing times, address contract implementation risks, and improve decision-making by evaluation committees. However, some changes, such as a stricter requirement for qualification criteria and a 100% bank guarantee for bids, were met with criticism. In response to private sector concerns, these conditions were revised in May 2022 to reduce the bank guarantee requirement to 15% or 30%, depending on the contract value, and eliminated it for procurement lots under AMD 25 million (except for construction projects).
- In 2021, new amendments introduced public monitoring of contract implementation. Bidders, NGOs, and media could participate in monitoring procurements that did not involve state secrets.
- In 2022, further amendments aimed at harmonizing the appeals system and streamlining procedures for foreign aid-funded procurements were implemented. These changes included adjustments to procurement thresholds, bid submission deadlines, and requirements for national procurements within external assistance programs.
- Starting June 1, 2022, the authority to appeal procurement procedures was moved solely to the courts, with a special decision-making process for such appeals. Only involved parties could appeal decisions

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related to the procuring entity's and evaluation committee's actions, while any appeal against procurement specifications or invitations could be made by anyone. The power to blacklist a bidder was delegated to the head of the procuring entity, subject to appeal in court.

Despite these changes, concerns remain about the full shift to court-based appeals. Critics argue that limiting the appeals process to courts could pose risks to institutional efficiency, potentially limiting the rights of participants and creating opportunities for corruption. Additionally, the higher fees for court appeals might deter some parties from contesting decisions. The decision to blacklist a company, now resting with the head of the procuring entity, can only be appealed in court, which may further limit participants' rights.

3. Assessment

3.1. Pillar I - Legal, Regulatory and Policy Framework

Pillar I assesses the existing legal, regulatory and policy framework for public procurement. It identifies the formal rules and procedures governing public procurement and evaluates how they compare to international standards. The practical implementation and operation of this framework is the subject of Pillars II and III. The indicators within Pillar I embrace recent developments and innovations that have been increasingly employed to make public procurement more efficient. Pillar I also considers international obligations and national policy objectives to ensure that public procurement lives up to its important strategic role and contributes to sustainability.

Indicator 1. The public procurement legal framework achieves the agreed principles and complies with applicable obligations

The indicator covers the different legal and regulatory instruments established at varying levels, from the highest level (national law, act, regulation, decree, etc.) to detailed regulation, procedures and bidding documents formally in use.

- **Synthesis of the indicator**

Public procurement in Armenia is regulated by the PL, supplemented by detailed Procurement Regulations under GoA Decree 526-N and other related government decrees.

The PL provides a solid foundation focused on transparency, fairness, and competition. It covers goods, services, and works but excludes PPPs, leaving a regulatory gap, as the current PPP Law is still limited in scope and implementation guidance. While procurement methods are defined, essential tools like framework agreements and centralized procurement remain underdeveloped, and some non-competitive practices lack clear justification. There are no provisions on sustainable procurement.

Armenia has the basic legal framework for transparent procurement advertising, but language barriers and limited international outreach still weaken its effectiveness for international competition.

E-procurement is mandatory for many procedures and enhances transparency, but its application is inconsistent across all procurement types. The appeals process relies solely on judicial review, limiting

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accessibility, and there are no ADR options. Although documentation and evaluation rules are well-defined, the legal framework offers limited guidance on consulting services. The framework lacks a structured approach to ongoing performance monitoring and limited guidance on monitoring social and environmental aspects of contract implementation.

Bidder eligibility standards are weak, allowing entities convicted of serious crimes to participate after five years. Additionally, contradictions in confidentiality rules and underdeveloped data security protocols reduce overall integrity. Specifically, while the PL requires contracting authority and commission members to maintain confidentiality of bid information and protect data marked as confidential (Articles 26.3 and 33.5 of PL), GoA Decree 526-N Clause 32.4 requires the commission secretary, upon request, to provide other bidders with copies of bids or allow on-site examination and photographing of bid documents. This creates tension between strict confidentiality obligations and broad bidder access to bid information.

To align with international best practices, reforms are needed to expand scope, strengthen competitive safeguards, clarify procedures, and enhance oversight and digital resilience.

- **Findings**

Sub-indicator 1(a) - Scope of application and coverage of the legal and regulatory framework

The PL and GoA Decree 526-N (hereinafter referred to as the Procurement Regulations or the Regulations) govern the procurement of goods, works, services, and consulting services. However, the PL specifically excludes PPPs and concessions, as stated in Article 3.4.4, which refers these to the separate Law on Public-Private Partnership, adopted on June 28, 2019. The Procurement Regulations do not mention PPPs or concessions.

Although the PL has legal precedence over the regulations, there are inconsistencies between them, including contradictions and gaps—such as in procurement planning, which is addressed through other decrees. For example, PL Article 28.4.1 requires that *"the invitation shall contain procurement price"*, so the procurement process cannot effectively start without an estimated price. At the same time, Procurement Regulations (Clauses 16 and 18) allow items to be included in the procurement plan without indicating an estimated price, with a later amendment. For civil works, this price is only determined on the basis of approved design documents (Clause 19). In practice, this means an item can be planned without a price, but the process cannot move to invitation stage because the price is mandatory there. Procurement complaints fall under the Civil Procedure Code. There are also no provisions on sustainable procurement.

The PL, Procurement Regulations, and related documents are available on the PPD's website under the Ministry of Finance (MoF)[22], also known as the official procurement bulletin. Some documents are available in Russian on ARLIS system[23], though not all are translated. ARLIS, managed by the Ministry of Justice, publishes laws and regulations.

Sub-indicator 1(b) - Procurement methods

[22] https://gnumner.minfin.am/en/
[23] www.arlis.am

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The PL outlines the following procurement methods: E-Auction, tender (open/closed), price quotations, and SS procurement (Article 18), with further details in Articles 19–24. Articles 40–43 explain E-Auctions, and Section 5 outlines procedures for procuring consulting services.

The PL does not allow general framework contracting, except in closed tenders for national security or classified procurements. However, framework contracts and centralized procurement could offer efficiency and should be considered in future legal updates.

Article 23 allows SS procurement in cases of exclusive rights. The Procurement Regulations expand on this with a list of 40 items. However, some (e.g., airline tickets, vehicle insurance) do not seem to justify SS use, as multiple providers are available.

Clause 21.1(d) of the Regulations may be interpreted as requiring at least three potential bidders for procurements under Article 23.1.2 of the PL (emergencies or unforeseeable urgent needs), except when conducted via the e-procurement system. This, however, could be viewed as conflicting with the purpose of SS procurement, especially in situations where competition is impractical.

Lastly, Article 25 prohibits splitting contracts to avoid competition.

Sub-indicator 1(c) - Advertising rules and time limits

The PL requires public advertising of procurement opportunities unless a justified exception applies. Article 27 outlines the required contents of procurement notices, including details on the procuring entity, tender code, scope, bidder qualifications, deadlines, and references to WTO GPA if applicable. Similar notice requirements apply to E-Auctions (Article 40), price quotations (Article 22), and urgent SS procurement (Clause 71.1(a) of the Procurement Regulations).

Publication must allow sufficient time for bidders to respond, with minimum bid submission periods depending on the method and whether the procurement is national or for SOEs. Open tenders require 30–40 days; closed tenders, 15–30 days; price quotations, at least 7 days; and E-Auctions, 10–15 days. Urgent or emergency procedures may reduce these to 5–10 days. For consulting services, the same timelines apply as per the chosen procedure.

Prequalification (Article 24) typically allows 15 days, reduced to 5 days in emergencies or for SOEs. In SS cases due to urgency, bids must be submitted within 2–5 working days, and at least three bidders must be invited unless the call is publicly posted.

While the PL mandates publication through newspapers and a centralized procurement website[24], it does not specify procedures for international competition.

Article 28 describes the required content of invitations, including contract details, evaluation criteria, security requirements, pricing breakdowns, bidder declarations, and beneficiary information. This ensures transparency and compliance throughout the procurement process.

Sub-indicator 1(d) - Rules on participation

The PL promotes open and fair competition, transparency, and equal participation for all, including foreign and stateless persons (Article 3). Article 6 sets eligibility and qualification criteria, excluding entities

[24] https://gnumner.minfin.am

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convicted of serious crimes (e.g., terrorism, human trafficking, bribery) within the last five years, bankrupt entities, and those listed as ineligible under Armenian or EAEU law. However, the five-year limit for crimes like terrorism and trafficking is a significant gap and inconsistent with international standards.

Debarment decisions are made by the contracting authority and maintained by the authorized body (MoF) for two years. Bidders must meet qualification criteria related to professional, technical, financial, and labor capacity. Discriminatory or unrelated criteria are not allowed.

Article 7 ensures equal rights for all participants and prohibits domestic preferences, except when restricted by government decision for national security. SOEs may participate but must not receive preferential treatment. The law also bans participation by affiliated entities to avoid COI.

In summary, the PL emphasizes fair competition, non-discrimination, and equal access, but improvements are needed—particularly in addressing eligibility for those convicted of serious crimes.

Sub-indicator 1(e) - Procurement documentation and specifications

Article 13 of the PL requires that the description of procurement items (goods, works, or services) be precise, complete, and free from ambiguity. This includes detailed specifications, quantities, timelines, and payment terms to ensure fair competition and prevent unjustified barriers. Descriptions should comply with applicable Armenian and international standards. Use of specific brands, trademarks, or manufacturers is generally prohibited unless absolutely necessary, and then must include "or equivalent" wording.

Articles 27, 28, and 29 regulate the clarification process during procurement. Bidders can request written clarifications at least five calendar days before the bid deadline. Procuring entities must respond within two calendar days and share all clarifications with all bidders, protecting the identity of the inquirer. Invitations may be amended prior to the deadline, with public notices issued and deadlines adjusted accordingly. All clarifications and amendments must be formally recorded.

These provisions similarly apply to prequalification procedures (Article 24) and the evaluation committee's responsibilities (Article 26). The invitation documents must clearly outline the clarification procedures and identify key contacts within the evaluation committee (Article 28).

Sub-indicator 1(f) - Evaluation and award criteria

Article 6 of the PL defines bidder eligibility and qualification requirements, including relevant experience and resources. Criteria must be objective, non-discriminatory, and directly related to contract performance, as specified in the invitation.

As already mentioned, Article 13 requires clear and complete descriptions of the procurement subject, ensuring fair competition and compliance with applicable standards.

Article 28 specifies the invitation must include all essential procurement information such as bid instructions, evaluation criteria, contract draft, and appeal procedures.

Articles 33 and 34 govern bid opening and evaluation processes. Bids meeting the invitation's conditions are evaluated based on lowest price or a weighted combination of price and non-price criteria. Evaluation excludes VAT and accounts for currency exchange. Results are documented and disclosed appropriately.

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Article 44 sets out consultant selection methods based on price and non-price factors, as detailed in the invitation.

Article 8.4 requires electronic bid submission systems to guarantee data security, confidentiality, and accurate timing.

Article 33.5 protects bidder confidentiality during evaluations, allows bidders to attend evaluation sessions, and access session minutes, with legal safeguards against unauthorized disclosure.

Sub-indicator 1(g) - Submission, receipt, and opening of tenders

According to Article 33.1 of the PL, bids must be opened during a formal bid opening session held at the specified date, time, and venue outlined in the invitation, which coincides with the bid submission deadline. In the case of a closed tender, bids can only be opened earlier if all invited bidders provide written consent.

During this session, Article 33.2 requires the public announcement of key details: the names of all bidders who submitted bids, whether the bid envelopes comply with the invitation's requirements, the presence and validity of all necessary documents, the bid prices both in words and figures, and any bid withdrawals or modifications.

If inconsistencies arise during the bid opening or evaluation—such as missing electronic signatures on documents from Armenian residents—Clause 41 of the Procurement Regulations allows the session to be suspended for one working day. The affected bidder is promptly notified electronically with a detailed explanation and invited to correct the issue before the session resumes.

The PL also emphasizes proper record-keeping. Article 8.1 mandates that all procurement-related information must be documented and securely stored, including in electronic formats. For procurements below a certain monetary threshold, Article 9.3 requires contracting authorities to ensure the availability and proper storage of all relevant documents. Furthermore, Article 9.4 obliges authorities to provide copies of procurement protocols or related documents within five working days upon request, unless the information involves state secrets.

Minutes of the bid opening session must be prepared and signed by all evaluation committee members present, as stipulated in Article 33.3, and attached to the Bid Evaluation Report. Bidders and their representatives have the right, under Article 33.5, to attend sessions of the evaluation commission and request copies of these minutes within one calendar day. Following the evaluation, Article 34.9 mandates that the minutes be published promptly or, in the case of classified procurements, distributed to all participating bidders.

Strict rules govern electronic bid submissions, detailed in Article 8.4, which ensure data integrity, confidentiality, accurate timestamping, and controlled access only by authorized personnel acting jointly. Confidentiality obligations are reinforced under Article 26.3 of the PL and Clause 26.6 of the Regulations, which impose legal responsibilities on evaluation committee members and secretaries to protect bid information and hold them accountable for any breaches.

During the evaluation, Clause 32.4 permits bidders to request copies of other bidders' documents or, if copies cannot be provided, to inspect and photograph those documents onsite, provided this does not disrupt commission activities. Article 33.5 further requires contracting authorities to safeguard any

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information marked confidential by bidders and holds them liable for any unlawful disclosures, except when disclosure is required by law.

Bid submission procedures, outlined in Article 30, cover both physical and electronic bids. Upon receipt, the secretary must register each bid in order, marking the envelopes with registration number, date, and time, and provide registration statements upon request (Article 30.4). Bids that fail to meet submission requirements must be rejected and returned during the opening session (Article 30.5). Bidders retain the right to modify or withdraw their bids before the submission deadline, as provided by Article 31.2. Lastly, the Procurement Regulations detail procedures for two-stage bidding in Clauses 82-84, offering a framework for more complex procurement processes.

Sub-indicator 1(h) - Right to challenge and appeal

Article 28.1 (sub-paragraph 17) of the PL requires that the procurement invitation explicitly states the bidder's right to appeal any actions, inactions, or decisions related to the procurement process, along with the procedure for such appeals.

Article 27.2.10 mandates that procurement advertisements include the name and location of the authority responsible for handling appeals, as well as clear deadlines for submitting appeals.

Article 46.1 grants every interested person the right to appeal actions, inactions, or decisions made by the contracting authority or evaluation commission. It also allows appeals against the description of the procurement subject or prequalification requirements before the bid submission deadline, in accordance with the Republic of Armenia Civil Procedure Code.

The Civil Procedure Code, Article 234.5, elaborates on procurement disputes, specifying that courts shall examine and resolve appeals against procurement-related acts or decisions within 30 days from the acceptance of a statement of claim. This term may be extended once by up to 10 calendar days upon a reasoned court decision.

The 2022 amendment to the Civil Procedure Code established that procurement disputes are to be adjudicated in the Court of General Jurisdiction of First Instance in Yerevan, as per the new Chapter 27.2.

Article 234.11 of the amended Civil Procedure Code introduces automatic suspension of the procurement process upon filing an appeal against acts or decisions of the contracting authority or evaluation commission, effective from publication of the relevant judicial decision until the final court ruling. Exceptions allow the court to lift suspension if continuation serves public, defense, or national security interests, based on requests by authorized officials.

Article 46.4 of the PL sets a 10-day statute of limitations (the standstill period) for appeals against contracting authority or evaluation committee actions, except for contract-related disputes or unilateral contract terminations, which have a 30-day limitation period.

Article 234.12 of the Civil Procedure Code requires the authorized body to promptly publish the concluding part of court judgments or final judicial acts related to procurement disputes in the official procurement bulletin.

Sub-indicator 1(i) - Contract management

The PL does not contain provisions specifically regulating contract management. However, the Procurement Regulations include related references.

Clause 33 of the Regulations states that contracts must prescribe penalties and fines for non-performance or improper performance by the contractor. It also provides that contracts may not be modified due to partial non-fulfillment of obligations by the parties.

Clause 11 of the Regulations assigns the responsible subdivision of the contracting authority the tasks of monitoring contract performance, providing recommendations on applying liability provisions, and accepting the results of contract implementation.

Section 17 of the Regulations (Clauses 108-112) requires the responsible subdivision to conduct preliminary control over contract implementation. The results or partial results must be accepted by signing a delivery and acceptance protocol prescribed by the MoF, signed between the head of the responsible subdivision and the contract party.

The PL and Regulations contain provisions on contract amendments.

Article 36.4 of the PL permits contract modifications before the expiry of a specified time limit, with the consent of both parties. Such modifications must not alter the description of the procurement subject, increase advance payments, or increase the contract price.

Article 45 of the PL allows negotiation of draft procurement contracts with the selected consultant but prohibits modifications that change the procurement subject. Negotiations may reduce the proposed price or modify payment conditions.

The Regulations define the contract price type: it may be firm when the contract duration is less than one year (Clause 51) or factor-based (adjustable) when the duration exceeds one year or per Clause 53.

Clause 56 prohibits amendments based on "artificial changes," defined as follows:

- Reducing volumes without changing the contract price or reducing the price with a disproportionate reduction in volumes that increases unit acquisition price;
- Increasing volumes beyond 10% of the total contract price, except for certain procurements;
- Substituting goods, works, or services exceeding 15% of the contract price without an expert opinion verifying that substitution improves contract implementation;
- Extending the contract period by more than 30 calendar days, except for specific scientific research procurements containing state secrets;
- Increasing the contract price without changing technical specifications or design assignments;
- Providing advance payments not foreseen in the invitation, except for certain approved procurements.

Clause 57 states that the GoA determines contract amendment cases arising from factors beyond the control of the contract parties.

Clause 57.1 allows the contracting authority, with justification, to request GoA approval to establish contract conditions different from those in Clause 56 or not to apply those conditions. The GoA may grant such requests, except where the conditions are required by law.

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These provisions create uncertainty for contractors and suppliers, as contract amendments require approval from an external body (GoA), potentially reducing the attractiveness of participating in procurement.

Regarding dispute resolution, the PL contains no provisions on ADR. The Procurement Regulations also lack ADR clauses.

The SBDs for goods, works, and services specify that disputes related to the procurement process are subject to examination in the Republic of Armenia courts.

The PL grants the right to litigate, but does not provide for mediation or arbitration.

As a member of the WTO, the GoA is subject to the WTO GPA. Article XX of this Agreement provides for consultations and dispute settlement through the WTO's Dispute Settlement Understanding. This process aims to reach mutually satisfactory solutions without suspension of obligations under the Agreement.

Sub-indicator 1(j) - Electronic Procurement (e-Procurement)

E-Auction is one of the four procurement methods specified in Article 18 of the PL. It must be used if the procurement item is listed in the GoA's approved list, as per Article 5.1.14 of the PL. Article 5 (paras. 1.2 and 1.3) also mandates that the GoA approve the procedure for e-procurement.

Article 8 of the PL allows for electronic communication within procurement functions. Notices and invitations may be sent electronically, and bids shall be submitted electronically where prescribed by the invitation.

GoA Decree 386-N dated April 6, 2017, establishes the rules for e-procurement. It mandates the use of the e-procurement platform for certain contracting authorities, including public bodies, state or community institutions, organizations with majority state ownership, and related foundations, except when specific procurement methods such as two-stage bidding, request for quotation, or SS procurement (Article 23 of the PL) are used.

Article 8 (sub-articles 3 and 4) sets out requirements for electronic communication tools, which must be non-discriminatory, generally available, and interoperable. The devices for electronic bid receipt must ensure confidentiality, integrity, precise time stamping, prevention and detection of unauthorized access, controlled opening of bids, and limited access to authorized persons only.

Articles 40 to 42 of the PL describe E-Auction procedures in detail:

Article 40 defines conditions for holding an E-Auction, including bid submission deadlines (minimum 15 calendar days, or 10 days for procurements below a certain price threshold), auction based solely on price, required content in the invitation, modification of invitations no later than two days before the deadline, and clarification procedures.

Article 41 details the auction procedure, including evaluation of bids after the auction, communication of new price submission requests, multiple auction phases, start time constraints, online provision of bidder ranking information without disclosing identities.

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Article 42 covers auction completion conditions such as a specified closing time, exhaustion of auction phases, or absence of new bids, and mandates contract conclusion with the selected bidder based on auction results.

Article 8 reiterates that notices, invitations, and bid submissions may be conducted electronically as prescribed.

Sub-indicator 1(k) - Norms for safekeeping of records, documents, and electronic data

Article 8 of the PL requires stocktaking and safekeeping of procurement-related information by creating relevant documents, including electronic ones.

Article 9 of the PL, "Records and reports on the procurement procedure," states that when the procurement price exceeds the procurement base unit, the contracting authority must prepare, within three working days after contract conclusion or procedure termination, a protocol containing: (1) Name and location of the contracting authority; (2) Procurement need and justification for method; (3) Invitation and amendments; (4) Enquiries and clarifications; (5) Data on bidders: name, address, contacts; (6) Offered bid prices; (7) Bid evaluation procedure and results; (8) Justification for bid rejection; (9) Contract details or justification if no contract concluded; (10) Description of unlawful actions and measures taken; (11) Appeals filed and decisions made; (12) Other necessary information.

If the procurement price does not exceed the base unit, the contracting authority must ensure availability and storage of relevant documents or electronic records regarding the procurement actions and grounds.

The Law on Archival Work (adopted June 8, 2004), Article 20, requires state bodies and institutions to develop and approve lists of documents created during their activities with specified retention periods agreed with an authorized body.

The GoA Decree 397-N sets the retention period for such documents at five years.

Article 75 of the Republic of Armenia Criminal Code specifies that the statute of limitations for investigating and prosecuting fraud and corruption depends on offense severity. Major corruption crimes have limitation periods of 5 to 15 years, while public procurement offenses, usually medium-gravity crimes, have a limitation period of 5 years.

Article 8.4 of the PL mandates that electronic devices for bid receipt must guarantee data integrity and confidentiality, ensuring that access to received data during procurement phases is only possible through simultaneous action of at least two authorized persons/systems and only after the defined time limit. Data opened per requirements remain accessible solely to authorized persons.

The legal framework lacks detailed security protocols for safeguarding procurement records (hard and electronic) and comprehensive retention policies.

Clause 2 of the Appendix to GoA Decree 386-N of April 6, 2017, "On approval of the rules for conducting e-procurement," states that the e-Procurement system comprises equipment and software enabling remote control, telecommunications, and electronic data exchange. All equipment is installed at locations designated by the Republic of Armenia Minister of Finance.

Sub-indicator 1(l) - Public procurement principles in specialized legislation

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The entities that are considered "contracting authorities" and therefore subject to the PL are listed in Article 2 of the PL. The list includes also public organizations in the utilities sector (such as water, energy, transport, and postal services) and the Central Bank of Armenia.

Article 2.1.2a includes entities listed by the Public Services Regulatory Commission (PSRC) that operate in regulated public service fields, except those listed only because they hold a dominant position in electronic communications.

Article 2.1.2b covers organizations that operate under a special or exclusive right in public services and conduct procurement to support those activities.

According to Article 52, public organizations can regulate their own procurement procedures within Armenia, based on procedures they approve themselves.

Special provisions apply to the Central Bank of Armenia and the Central Electoral Commission. Namely for Central Bank of Armenia (Article 54):

- The law does not apply to operational procurements.
- The Bank's Board takes over roles normally held by the Government and authorized body.
- The Board also sets its own rules for disclosing procurement information.
- The law does not apply to organizations founded or co-owned by the Central Bank.

For Central Electoral Commission (Article 55):

- The law does not apply to procurements for organizing elections and referenda.
- The Commission assumes the powers of the Government and authorized body.
- It sets its own rules for disclosing procurement information.

Under the 2019 Law on Public-Private Partnerships, the PPP policy body is responsible for developing PPP policies, promoting PPP projects, drafting regulations, and performing other related tasks. According to the Ministry of Economy's Charter (Clause 11(12)), the Ministry is responsible for developing public-private cooperation policies.

- **Gaps**

While there exists PL and Procurement Regulations, and there is a clear hierarchy in place whereby laws prevail over the regulations, the law overrides the regulations/national decrees, there are some concerns that would need to be addressed.

There are also concepts of procurement which are not adequately covered by either the PL or Procurement Regulations; For example, procurement planning is currently addressed in separate decrees, which function effectively but could be referenced or summarized within one document to present the full procurement cycle more clearly and improve ease of navigation for user. The same applies for PPPs which is also covered under another separate law. Procurement complaints are referred to the Civil Code of Armenia. There is no provision on sustainable procurement.

While the subjects of PPPs and concessions are covered by Public-Private Partnerships Law, it was mentioned during the MAPS meetings that the extent or coverage of this latter law is limited and in need of revision/expansion as well.

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Article 14 of the PL states that procurement documents must be available in Armenian and Russian and procurement notices or notices on prequalification must also be published in English. Not all documents currently posted on the site are available in said languages as specified under the law. There are inconsistencies between the Armenian version of the legal framework and the English translation.

There is no option for general framework contracting under the PL. It is only considered for closed tenders when making procurement for items considered national secrets or for matters of national security (referred to as closed and targeted tenders). However, framework contracts (and centralized procurement) can offer the government a lot of benefits (e.g., economy of scale) and should hence ideally be considered and included in the updated PL.

The PL does not cover the subject of centralized procurement in much detail. Article 17 simply states that procurement for needs of contracting authorities or separate groups thereof may be carried out in a centralized manner as prescribed by the GoA, and that centralized procurement shall be carried out by a body, or a legal person authorized by the GoA. The PL ought to be more elaborative on this topic to clearly state who would be the authorizing body/entity to approve centralized procurement and under what conditions it should be carried out. The language currently in the PL is open and vague and could lead to more questions on how to apply it.

The PL does not make it clear that the default practice should be an open competitive process for public procurement.

The legal framework does have the foundations for a desired open and competitive process, however, the language is not clear and as such leaves a lot of room for misinterpretations. It also allows procuring entities to use non-competitive methods without necessarily breaking the principles of the law, as it says the preferred options is “tender.” A tender can also be closed or targeted.

The framework allows for numerous exceptions, particularly in the context of SS procurement (notably through Clause 3 of the Procurement Regulations), which significantly limits the use of open competition. While exceptions are usually clearly defined for situations like national emergencies, the current rules are broad, and frequent requests may undermine fair and efficient procurement. In practice, contracting authorities may request GoA approval to waive one or more procurement conditions for a specific case, applying substitute conditions if necessary.

The standards for competitive procurement are not adequately covered under the legal framework.

While Armenia has a basic legal framework for transparent procurement advertising, the procurement framework lacks specific guidelines on international competition, and language barriers and limited international outreach reduce its effectiveness in attracting international bidders.

Article 6.1.3 of the PL states: “Except for the cases of carrying out procurement under the procedure provided for by points 1, 3, 4 and 5 of part 1 of Article 23 of this Law, the following persons shall not be eligible to participate in procurement: those who have been convicted or a representative of the executive body whereof has been convicted — within five years prior to submission of the bid — for financing of terrorism, child exploitation or a crime involving human trafficking, creation of a criminal association or participation therein, receiving a bribe, giving a bribe or mediation in bribery and crimes against economic activity provided for by law, except for cases when the conviction is expired or eliminated as prescribed by law.”

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This statement implies that as long as it has been longer than 5 years, those persons convicted of terrorism or child abuse, or human trafficking can participate in public tenders in Armenia. This is contrary to the principles of the national law and not in accordance with international best practice when it comes to matters of terrorism, human trafficking, and child abuse/exploitation. This represents a substantive gap.

There appear to be contradictory statements within Article 29 of the PL. In sub-clause 1 it says that a clarification may be sought 5 days prior to the deadline and the clarification sent in writing within 2 calendar days. But sub-clause 4 says that modifications cannot be made in less than 5 days before the deadline. So, what happens if a clarification causes a need for an amendment to the invitation? And this is sent 5 days before the deadline, and the authority has 2 days to respond, then how can they make any modifications without contradicting the language of sub-clause 4?

Article 34.5 of the PL has actually been repealed by HH-4-N of January 21, 2022. However, Article 34.6 makes a cross reference to 34.5, which does not exist anymore, so on its own Article 34.6 now also does not make full sense. Equally 34.7 refers/relates to 34.6, so in turn 34.7 also does not make full sense on its own.

The legal framework does not cover the aspect of life cycle costing, nor any further aspect of sustainable procurement.

Article 44 of the PL addresses selection criteria for consultancy services, however the law does not provide clear procedures or methodologies for assessing consultants' technical capacities.

While Article 34.2 of the PL does cover the aspect of relative weight and the need to have it clearly defined and included in the procurement documentation (also referred to as invitation under the law), Article 28 of the PL which covers the "content" of the invitation/procurement document does not include any language on the aspect of combined evaluation criteria and how they are weighted.

Bids with the missing signature of the bidder should not be considered as a responsive and should not be accepted for further evaluation. Similarly, the suspension of the bid opening ceremony is not an accepted practice and puts transparency at risk as well as equality among bidders. Bidders can seek clarifications prior to the submission deadline, so their bids are expected to be compliant/responsive to the tender documents.

While the PL clearly covers the need for record keeping, it is silent on "how long" the procurement related information should be retained in paper and electronic form for the purpose of future audits. However, according to GoA Decree 397-N of April 4 2019 "On Defining the List of documents to be archived with the retention times thereof", Section 4 (Accounting), the retention period for such kind of documents is 5 years.

Requirements under Article 34.9 of the PL are considered risky because the minutes of an evaluation meeting may contain sensitive information and hence should not be published in the public sphere under such circumstances. There is already a notice with intention to award a contract that contains the necessary information to disclose publicly and a standstill period of 10 days for another bidder to object or seek clarifications.

While Article 33.5 does cover the aspect of confidentiality of the bids, Clause 32.4 of the Procurement Regulations seems to be contradicting Article 33.5 of the law.

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Clause 32.4 of the regulations states: “If requested, the secretary of the (evaluation) commission shall provide forthwith the copies of the bid of any bidder to another bidder having made such a request. Where it is impossible to fulfil the request, the person having made the request shall immediately be provided with the documents included in the bid which he or she shall examine on site and shall have the right to photograph them and return to the secretary during the session without interfering with the normal course of activities of the commission;”

This statement implies that any bidder can request and obtain the bids of any other bidder after requesting it from the secretary of the evaluation commission. Not only that, but they also have the right to take pictures of another’s bid in the language in Clause 32.4.

The current appeals mechanism does not include an independent administrative review by an independent review panel. The complaint from the bidder has to go directly to the courts of Armenia. This is not an efficient system since courts usually take a long time and are costly affairs.

As per international common practice the first step of a complaint should be addressed to the procuring entity itself as the complaints may be related to a simple administrative error that can be quickly rectified by the procuring entity itself. The second step, if the aggrieved bidder is not satisfied with the response of the procuring entity, is that the bidder may go to an independent review panel, which has the power to make a ruling and to pause the procurement process. Finally, if the aggrieved bidder is not satisfied with the final ruling of the independent review mechanism, then they should reserve the right as a last resort to appeal to the courts system as well.

Whereas the Civil Procedures Code does state that the ruling or final decision needs to be published on the bulletin as foreseen under the PL, the code does not mention the necessity to also publish an application for an appeal which is also a critical factor on the transparency and trust in the system. Any appeal needs to be made public immediately and thereafter (when the time to respond has elapsed) the final decision of an independent review mechanism needs to be published on the bulletin.

In practice, however, Applications for appeal and decisions are published on the official page of the judicial information system[25]. The applications for appeals are also being published on the procurement bulletin, but only when court is accepting them. Our monitoring showed that some applications are thus being dismissed because the court is returning them for change (even several times, which is also an issue) and many bidders are not reappealing.

Lack of clearly defined rules and procedures on contract management and the division of the responsibilities between the contract parties may lead to the delays in the contract implementation as well as undesired disputes.

Clause 57 of the Procurement Regulations states: “The GoA determines each contract amendment case caused by the factors not dependent of the contract parties”. And then in Clause 57.1: “In each particular case, during the course of goods supply, works performance or rendering services envisaged in the contract, the contracting authority having justified the peculiarities of the contract implementation and/or management may apply to the GoA (by submitting in the established manner draft of the Government decision), and request permission from the latter to establish conditions in the contract to this order that differ from the conditions provided for in paragraph 56, or not to apply the established

[25] www.datalex.am

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conditions. In this case, the GoA, taking into account the specific features of the execution and/or management of the contract, by its decision may permit establishing conditions in the contract that differ from the conditions provided for in paragraph 56 of this order or not to apply the said conditions.

This paragraph does not apply to cases where the condition is determined by law or follows from the requirement of law."

Provisions in the regulations presented above create uncertainties for contractors, suppliers (thus reducing the attractiveness to enter into the procurement process) as these require decision/approval for contract amendment of a body which is not contract party (i.e., GoA).

The PL and Procurement Regulations are silent on ADR mechanism. The SBDs refer to review by the courts and not by ADR mechanisms. A review of sample contracts revealed that sometimes they include provisions for dispute resolution. One clause indicates that disputes arising from the contract should be addressed through negotiations. If no agreement is reached, the disputes are then resolved in the Republic of Armenia courts.

In general, dispute resolution procedures are defined in Civil Code of Armenia and Civil Procedure Code. Public procurement disputes can also be submitted/resolved by national arbitration legislation and internationally, however the latter is rarely used in practice.

Lack of a provision on ADR and the requirement apply to the court for each and every dispute has a significant impact on contract implementation time.

GoA Decree 386-N "On the approval of the rules for conducting e-Procurement…" indicates that procurements involving two-stage bidding, request for quotations and SS procurement do not need to pass through the e-GP system, which is considered a shortcoming as there would be a lot of information missing from the database. According to the MoF, this exclusion is due to current technical capability constraints of the e-GP platform.

While the PL and supporting decrees establish electronic procurement, the legal text does not clearly delineate which stages of the procurement cycle (e.g., bid submission, evaluation, award, contract management and payments) are conducted electronically.

Neither the PL nor the Procurement Regulations have any provisions/requirements defining the procurement documents/records to be kept and retention period thereof and made available for the public inspection(s). The language also stops at the procurement process and does not mention the need to include in the records aspects of contract management, dispute resolution, adjustment of contracts, payments, etc.

A discussion with the PSRC revealed that while the PSRC monitors procurement activities of public organizations, it does not review or approve their procurement rules and procedures.

A review of procurement manuals for two public utility companies—Electric Networks of Armenia (ENA) and International Power Corporation/Sevan Hrazdan Cascade—shows that both set the threshold for SS procurement at AMD 50 million. This is significantly higher than the AMD 1 million threshold set by Article 23.1.4 of the PL for other contracting authorities.

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Although the PL does not apply directly to utility companies, their procurement rules should align with the law's objectives. However, the PSRC currently lacks the capacity to review all such rules and regulations.

- **Recommendations**

To enhance the effectiveness and clarity of Armenia's public procurement system, it is strongly recommended that the GoA undertake a comprehensive revision of the current procurement legal framework. This revision should aim to eliminate inconsistencies between the PL and the associated Procurement Regulations (e.g. bid evaluation confidentiality issues), as well as reconcile discrepancies between the Armenian and translated versions of these texts.

A more integrated approach is needed to address various procurement-related topics—such as complaints procedures, procurement planning, and procurement under PPPs—by incorporating them directly into the PL. This would prevent the current fragmentation of procurement rules across multiple legal instruments, a situation that only adds to the complexity of the process.

When key aspects of procurement are governed by separate laws, questions naturally arise regarding legal hierarchy and precedence. To avoid such confusion, the revised PL should clearly assert its authority over any conflicting provisions found in non-procurement-specific legislation.

In its current form, Article 18 of the PL outlines procurement methods such as E-Auctions, tenders, price quotations and SS procurement, primarily for goods, works and non-consulting services. However, the law should explicitly recognize consulting services as a distinct category, with clear procurement methods tailored to their unique nature.

Further, it is advisable that PPPs and concessions be fully incorporated under the revised PL, rather than maintained as a standalone PPP law. The current PPP legislation lacks sufficient breadth and detail to accommodate the various types of partnerships in use. As the MoF is already working on updates to the PPP Law, integrating these reforms into the overarching procurement framework would ensure greater coherence.

To promote transparency and accessibility, all procurement documents should be translated into the required languages and published on the designated website, in accordance with the directives of the PL.

The revised legal framework should also introduce framework contracting as a standard procurement approach where appropriate, and provide more robust legal foundations for centralized procurement.

Clause 3 of the Procurement Regulations and the PL should be amended to clearly define exceptional cases, particularly national emergencies, while clarifying the role of Government approvals.

Clause 23.4 of the Procurement Regulations, concerning exclusive right/intellectual property, should be updated to cover only procurements currently applicable in Armenia. Many items in the existing table of grounds for SS procurement are outdated and are not clearly justified. For example, airline tickets (item 10) and vehicle insurance (item 18) could be procured competitively. SS procurement should remain an exception, applied only under clearly defined circumstances, and the table should be revised accordingly.

To ensure that competitive procurement remains the default, Article 18.5 of the PL should explicitly state that open competition is the standard procurement method. The law should also delineate scenarios in

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which alternative methods may be more suitable, especially for complex or specialized procurements. Similarly, provisions allowing for exceptions at the request of procuring entities should be eliminated in favor of clearly defined and codified exceptional circumstances.

International competition must also be addressed in the revised law. While Armenia is a signatory to the WTO GPA and the PL references such treaties the new legislation should explicitly incorporate these commitments and specify that, in case of any conflict with international treaties or MDB/IFI-financed procurement, the treaty and MDB/IFI provisions shall prevail over national law.

Stakeholder engagement is vital. The MoF should initiate consultations with the bidding and consulting communities to assess whether the current procurement timelines remain practical and to adjust them where necessary.

Feedback from stakeholders also points to scope for strengthening government capacity in drafting and evaluating technical specifications. As a suggestion for further improvement, training programmes for government staff could be organized to build this expertise.

Discrepancies in Article 29 concerning procedural timelines must be corrected to ensure clarity and consistency.

The language in sub-clauses 34.6 and 34.7 also needs adjustment, to eliminate references to repealed provisions and better convey the legislative intent.

Sustainable procurement practices, including life cycle costing and the inclusion of social and environmental criteria, should be explicitly addressed within the legal framework.

Article 34.9 should either be repealed or clarified to ensure that the confidentiality of sensitive information is protected in meeting minutes. Additionally, Clause 32.4 of the Regulations should be removed entirely. Article 33.5 also requires amendment to ensure bidders are allowed to attend the bid opening session, without implying access to evaluation meetings. Where e-GP is used, all bidders should receive the bid opening record promptly.

As a suggestion for further improvement, the PL could be expanded to comprehensively cover the appeals mechanism, rather than relying on cross-references to the Civil Code, so that it serves as the overarching law for public procurement. An independent review mechanism should be established as the first step in the complaints process, prior to any judicial appeal, with timelines adjusted to reflect this procedural change. It would also be helpful to define the term “interested persons” under Article 46.1 to clarify who qualifies.

To ensure successful contract execution, a dedicated chapter on contract management should be added to the Procurement Regulations. This chapter should detail responsibilities related to:

- Timely delivery and acceptance of goods, works, and consulting services;
- Inspection and quality control, including civil works supervision;
- Compliance with social and environmental performance clauses;
- Administration of contract amendments and payments;
- Dispute resolution and contract termination procedures.

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The PL itself should contain a provision on contract management, while the regulations should offer detailed guidance.

A universal requirement should be introduced for all procurements to be conducted through the e-GP platform. The law and regulations should require that all notices and tender documents specify which elements of the process will be conducted electronically. Moreover, the term " E-Auction" should be replaced with "reverse E-Auction" to better reflect its function.

Finally, a legal provision should be included to define the system for safekeeping procurement-related records and documents, extending across the entire procurement lifecycle, including contract management.

Summary of substantive gaps and recommendations of Indicator 1

Substantive gap	Risk classification and red flags	Recommendations
Sub-indicator 1(b)(a) There is no option for general framework contracting under the PL. It is only considered for closed tenders when making procurement for items considered national secrets or for matters of national security (referred to as closed and targeted tenders). The PL does not cover the subject of centralized procurement in much detail. SS ought not to be a common or standard procurement method but rather under specific circumstances, which need to be clearly defined in the PL and Procurement Regulations.	High	When updating the PL and Procurement Regulations, introduce framework contracting as a general practice, applying it under the right conditions. Expand centralized procurement in the law and govern its application more clearly. While exceptions to public procurement rules are common, amend Clause 3 of the Procurement Regulations and expand the PL to clearly define exceptional cases, such as national emergencies, with specific conditions. Remove the requirement for a minimum of three bids/quotes under SS procurement during national emergencies (Clause 21.1(d)) of the regulations). Update the table under Clause 23.4 of the Procurement Regulations to include only those procurements currently subject to intellectual property or exclusive rights in Armenia.
Sub-indicator 1(b)(d) The legal framework allows procuring entities to use non-competitive methods without necessarily breaking the principles of the law, as it says the preferred options is “tender” and a tender can also be closed or targeted. Additionally, the framework allows for a lot of exceptions (especially through Clause 3 of the Procurement Regulations), which creates a further risk strongly limits to open competition. The standards for competitive procurement are not adequately covered under the legal framework. While Armenia has a basic legal framework for transparent procurement advertising, the	High	Remove clauses that allow for exceptions to procurement rules at the request of procuring entities to ensure consistent application and legal certainty. Define exceptional circumstances within the same legal framework. Clearly define open competitive procurement as the standard or default method. Include provisions on international competitive bidding, which is currently absent, and align with Armenia’s commitments under the WTO Procurement Agreement—particularly with regard to promoting open and international competition. Incorporate these commitments and specify that, in case of any conflict with international treaties or MDB/IFI-financed

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procurement framework lacks specific guidelines on international competition, and language barriers and limited international outreach reduce its effectiveness in attracting international bidders.		procurement, the treaty and MDB/IFI provisions shall prevail over national law.
Sub-indicator 1(c)(b) The PL defines method-specific minimum time frames for the submission of bids/proposals, but the legal framework is entirely silent on international competition — it neither provides for soliciting international competition nor for extending time frames when it is solicited.	High	It is recommended that, when updating the PL, language on international competition be included. The MoF could also engage with the bidding and consulting communities to review the timelines currently provided for the different procurement types and adjust them where appropriate.
Sub-indicator 1(d)(c) Article 6.1.3 of the PL implies that as long as it has been longer than 5 years, those persons convicted of terrorism or child abuse, or human trafficking can participate in public tenders in Armenia. This is contrary to the principles of the national law and not in accordance with international best practice when it comes to matters of terrorism, human trafficking, and child abuse/exploitation. This represents a substantive gap	High	Ban individuals convicted of procurement-related crimes from future participation in public procurement indefinitely.
Sub-indicator 1(f)(c) Article 44 of the PL addresses selection criteria for consultancy services, however the law does not provide clear procedures or methodologies for assessing consultants' technical capacities.	High	Expand the chapter on consulting services in the law to include a variety of procurement methods beyond tenders or SS approaches. The MoF may refer to IFI procedures as guidance for using different methods based on quality, cost, and technical considerations.
Sub-indicator 1(f)(e) Clause 32.4 of the Procurement Regulations goes in direct contradiction with the articles of the PL which call for protection of confidential information (Articles 26.3 and 33.5 of the PL). It also goes against Clause 26.6 of the same regulations.	High	Remove Clause 32.4 from the Procurement Regulations, as it contradicts an article in the PL requiring confidentiality of bid content during the process. Ensure confidentiality is strictly maintained throughout the procurement processes, especially before contract award — to protect sensitive bidder information and maintain trust.
Sub-indicator 1(g)(a) Bids with the missing signature of the bidder should not be considered as responsive and should not be accepted for further evaluation. Similarly, the suspension of the bid opening ceremony is not an accepted practice and puts transparency at risk as well as equality among bidders. Bidders can seek clarifications prior to the submission deadline, so their bids are	High	Remove Clause 41 of the regulations entirely. Establish the absence of an official signature as valid grounds for declaring a proposal non-responsive.

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expected to be compliant/responsive to the tender documents.		
Sub-indicator 1(h)(b) The current appeals mechanism does not include an independent administrative review by an independent review panel. The complaint from the bidder has to go directly to the courts of Armenia. This is not an efficient system since courts usually take a long time and are costly affairs.	High	Update the legal framework to incorporate the first two steps of the appeals mechanism, instead of allowing only direct appeals to the judicial system. Establish an independent appeals body to operationalize this process: Step 1: appeal to the procuring entity. Step 2: appeal to an independent review board or mechanism. Step 3: appeal to the judicial system as a final recourse.
Sub-indicator 1(h)(e) Whereas the Civil Procedures Code does state that the ruling or final decision needs to be published on the bulletin as foreseen under the PL, the code does not mention the necessity to also publish an application for an appeal which is also a critical factor on the transparency and trust in the system.	High	Amend the Civil Procedures Code to require that all appeal applications be posted on the official procurement bulletin.
Sub-indicator 1(i)(a) The PL does not appear to contain dedicated provisions on contract management, and the Procurement Regulations address it only partially (penalties under Clause 33; monitoring and acceptance under Clause 11 of Annex 1 and Section 17). A number of core functions - inspection and quality control, supervision of works, monitoring of social and environmental clauses, amendments and extensions, examination of invoices and administration of guarantees, and dispute handling and termination — appear to remain insufficiently defined, which may contribute to implementation delays and disputes.	High	It is recommended to supplement the Procurement Regulations with a dedicated "Contract management" chapter setting out the core contract-management functions and responsibilities and the conditions for amendments and extensions, and to revise the PL to include a provision on contract management, with the regulations providing the detail.
Sub-indicator 1(i)(b) The current procedure requires approval by the GoA (i.e. the Cabinet of Ministers) of any amendments to a contract, regardless of it price (Clause 57 of the procurement regulations).	High	Set a contract price threshold above which prior GoA approval is required for any amendments or modifications to procurement contracts.
Sub-indicator 1(i)(c) The PL and Procurement Regulations are silent on ADR mechanism. The SBDs refer to review by the courts and not by ADR mechanisms.	High	Allow ADR in all procurement documents—from the PL down to the SBDs. The GoA may use FIDIC guidelines as a reference for applicable ADR mechanisms and thresholds.
Sub-indicator 1(i)(d) Lack of a provision on ADR and the requirement to apply to the court for each and	High	Include ADR mechanisms in the PL and regulations under contract management.

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every dispute has a significant impact on contract implementation time.		Ensure that decisions arising from ADR are enforceable.
Sub-indicator 1(k)(c) The legal framework does not contain any security protocols for the safeguarding of procurement records (hard and soft copies). The law is not complete with regards to the retention policy of such records.	High	Incorporate strong security protocols into the legal framework to safeguard procurement-related records and documentation.
Sub-indicator 1(l)(a) Public Organizations (utility companies) regulated by the PSRC have their own procurement rules and regulations that may deviate from the PL. PSRC is only monitoring procurement carried out by the public organizations, but it does not review/approve procurement rules and procedures followed them.	High	Supplement the PL with a provision mandating that the Authorized Body (MoF) reviews and approves procurement rules and procedures adopted by public organizations and the Central Bank of Armenia. Require the PSRC to conduct post-procurement audits of public organizations to ensure their procedures comply with the PL and are not contradictory.
Sub-indicator 1(l)(b) The legal framework for procurement does not apply to the selection and contracting of PPPs at this point in time. PPPs and Concessions are covered under the Act for Public Private Partnerships of 2019.	High	Include procurement-related aspects of PPPs and concessions in the updated PL and Procurement Regulations.

Indicator 2. Implementing regulations and tools support the legal framework

This indicator verifies the existence, availability and quality of implementing regulations, operational procedures, handbooks, model procurement documentation and standard conditions of contract. Ideally the higher-level legislation provides the framework of principles and policies that govern public procurement. Lower-level regulations and more detailed instruments supplement the law, make it operational and indicate how to apply the law to specific circumstances.

- **Synthesis of the indicator**

Armenia has a detailed procurement framework with regulations and related decrees managed by the PPD under the MoF. Model procurement documents and user guides are available online for goods, works, and services. However, the same templates are used across different procurement types, including consulting services, which is not ideal. Contract forms are recommended but not mandatory and differ from international standards like those of IFIs and FIDIC.

Key gaps include inconsistent confidentiality rules risking sensitive bid disclosures, and unclear definitions of affiliated persons. The regulations are fragmented across multiple decrees, making access complicated. The absence of clear guidance on evaluation methodologies has led to an excessive use of the lowest price as the evaluation criteria. Frequent regulatory amendments are approved by a government committee rather than solely by the MoF, causing instability.

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Contract conditions diverge significantly from international best practices, with unclear advance payment terms, lack of contractor-submitted priced bills of quantities, weak control over subcontractor changes, and unbounded penalties for delays.

Recommendations include consolidating procurement regulations, creating separate and updated templates for goods, works, and services, developing standard RFPs for consulting, and mandating the use of contract conditions aligned with international standards. Enhancing confidentiality, and assigning sole regulatory update authority to the MoF would improve transparency, efficiency, and alignment with global norms.

- **Findings**

Sub-indicator 2(a) – Implementing regulations to define processes and procedures

Article 5 of the PL, entitled "Legal acts adopted by the GoA" defines the list of procurement procedures and documents that should be adopted by the GoA. The list (see in the MAPS Matrix) includes 17 regulations.

Some of the procedures and documents are described in detail in the Procurement Regulations. For some others, the GoA adopted a separate Decree (e.g., 390-N of April 13, 2017 "On Approval of the Procurement Plan Form, Its Fill Out, Approval and Publication Procedure"; 386-N of April 6, 2017 "On Approval of the Rules for Conducting Electronic Procurement..."; 534-N of May 18, 2017 "On Approval of the Electronic Auction ..." etc.).

All related decrees, regulations, manuals, and guidelines are available on the official procurement website.

According to Article 16 of the PL, the Authorized Body (PPD under the MoF) is responsible for regulating and coordinating public procurement. Its tasks include preparing and approving procurement legislation, assisting contracting authorities, certifying procurement professionals, publishing reports and bulletins, coordinating with international and local partners, registering state-related procurement transactions, approving standard forms of documents, managing the procurement register and e-procurement system, and providing a support hotline for procurement-related inquiries.

Sub-indicator 2(b) – Model procurement documents for goods, works, and services

The assessment team was provided with model templates/sample procurement forms for e-procurement of goods; civil works and services. Such templates for both electronic and paper-based procurements of goods, works, and services, open and closed targeted procurements, E-Auction procurements as well as templates for Procurement Notices, Invitation for Bids are posted and available at official procurement website. English and Russian translations are also available for some of the above documents.

SBDs includes references to the PL and Procurement Regulations.

The main parts of the SBD (the same for goods; works and services) are presented below.

"Part I Procurement Notice (open bidding – Invitation)

1. *Description of the Procurement item*
2. *Bidder's right to participate, qualification requirements, and their evaluation*
3. *Clarification of the invitation and the procedure for making changes in the invitation*

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4. *Bid submission procedure*
5. *Price proposal*
6. *The validity period of the bid, procedure for its amendment and withdrawal.*
7. *Bid security*
8. *Bids opening and evaluation.*
9. *Signing of Contract*
10. *Qualification and contract securities.*
11. *Annulment of procurement.*
12. *Bidder's right to appeal and its procedure*

Part II – Bid preparation Guide - General provisions

1. *Bid Form (open bidding)*
2. *Beneficial Ownership Declarations*
3. *Price proposal*
4. *Bank Guarantee forms (for Qualification Security; Contract and; Advance payment Securities).*
5. *Payment Claim*

Contract Form

1. *Contract subject*
2. *Rights and Obligations of the Parties*
3. *Acceptance procedure*
4. *Contract Price*
5. *Responsibility of the Parties*
6. *Force Major*
7. *Other terms*
8. *Signature section (contract parties: addresses and bank account details)*
9. *Technical Specification – delivery schedule.*
10. *Payment schedule*
11. *Hand over-take over certificate form."*

The above procurement documents are posted at the official procurement website and the MoF has the mandate to update these documents.

Sub-indicator 2(c) – Standard contract conditions

A contract form is attached to the model documents for goods/works and services as "recommended" to be used for public procurements and these include standard conditions.

Conditions of the contract forms attached to the SBD for goods, works, services do not match those generally used under IFI (WB/ADB/EFSD) financed projects as well as the FIDIC recommended forms.

Contract form (including standard contract conditions) are an integral part of the SBD, as supported by Clause 33 of the Procurement Regulations that defines several conditions which should be enshrined by

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the draft contract and should be an integral part of the procurement documents. These are posted on an open access website[26] and are available for all interested parties.

Sub-indicator 2(d) – User's guide or manual for procuring entities

The contracting authorities may find following manuals at the official procurement website: e-procurement Guidelines; Guidelines on E-Auction Procurement; Guidelines on E-Auction Procurement (for Economic Operators); User manual for e-Procurement planning, contract management and reporting modules; Guide on e-Procurement for PIUs, foundations, Closed Joint Stock Companies (CJSC) Implementing the WB funded projects; and ARMEPS e-Procurement system (User Guide for Economic Operators).

Article 16 of the law, entitled "Regulation and co-ordination of procurement process", delegates responsibility for the maintenance of guidelines/manuals to the authorized body (PPD under the MoF).

- **Gaps**

Clause 32.4 of the Procurement Regulations state: "…*if requested, the secretary of the commission shall provide forthwith the copies of the bid of any bidder to another bidder having made such a request. Where it is impossible to fulfil the request, the person having made the request shall immediately be provided with the documents included in the bid which he or she shall examine on site and shall have the right to photograph them and return to the secretary during the session without interfering with the normal course of activities of the commission".* This provision is overly broad and should clarify which types of information can be shared. Sharing another bidder's full bid during the procurement process is not permitted and conflicts with confidentiality obligations under the PL (Articles 8.4.2, 26.3, and 33.5). In addition, access to intellectual property contained in bids must not be allowed.

Article 8.4.2 of the PL states: "*the electronic devices designed for receipt of bids electronically must guarantee the integrity and confidentiality of the received data, ensuring at least the following conditions:*

a. *the exact time and date for receipt of bids may be precisely determined;*
b. *prior to the time limits defined for transmission of data, no one may have access to the transmitted data;*
c. *unauthorized access may be clearly detected where the prohibition on access to the transmitted data has been violated;*
d. *the time limits for opening the data received may be defined or modified only by authorized persons;*
e. *access to the received data in different phases of the procurement procedure is possible only by a simultaneous action of at least two authorized persons (systems) and only after the time limit defined according to this point;*
f. *the data received and opened according to the requirements of this part must remain accessible only to persons authorized to get acquainted with them."*

[26] https://gnumner.minfin.am/en/

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Article 26.3 of the PL states: *"The members and the secretary of the commission shall be obliged to, throughout the entire course of activities of the commission, keep the confidentiality of information submitted in bids."*

Article 33.5 of the PL states: *"Bidders and the representatives thereof may be present at the sessions of the evaluation commission. Bidders or the representatives thereof may request copies of the minutes of the sessions of the evaluation commission, which are provided within one calendar day. The contracting authority shall be obliged to ensure the confidentiality of information marked by bidders as confidential and shall be held liable, as prescribed by the law of the Republic of Armenia, for the damage caused to bidders as a result of disclosing such information, except for the information subject to mandatory disclosure provided for by law."*

There are inconsistencies in the treatment of affiliated persons. The PL does not provide a general definition and, under Article 33.6, limits affiliation to a narrow, closed set of relationships applicable mainly to evaluation commission members and the secretary. In contrast, the Procurement Regulations, particularly Clauses 119–121, introduce a broader concept for bidders, encompassing ownership, control, and economic links, including restrictions on participation of affiliated persons of blacklisted entities. This divergence creates a fragmented framework that is not aligned with the broader notion of affiliation and influence (also defined under the Law on Public Service).

The regulations are not consolidated as various aspects of the procurement process are covered by different decrees. For example, GoA Decree 390-N of April 13, 2017. "On Approval of the Procurement Plan Form, Its Fill Out, Approval and Publication Procedure;" GoA Decree 386-N of April 6, 2017 "On Approval of the Rules for Conducting Electronic Procurement "; GoA Decree 534-N of May 18, 2017 "On Approval of the Electronic Auction"; Minister of Finance Order 231-N of May 20, 2017 "On Approval of a Sample Form of Notification of Amendments and Additions to the Procurement Plan", and GoA Decree N 526-N of May 4, 2017 "On Approving the Procedure for Organization of the Procurement Process and Repealing Decision of the GoA 168-N of 10 February 2011".

The updating of the procurement regulations, while described in the law as being the responsibility of the MoF, as the authorized body, actually takes place differently in practice. Any person in government may request an update or change to the regulations and this is approved by the GoA, which is actually a committee under the prime minister's office where the MoF has one seat and one vote. In practice this means that the MoF does not hold the power to make and approve changes to the regulations, but rather this committee. And we see that in the past few years there have been a multitude of changes to the regulations.

Procurement Regulations were issued in 2017 and up to 2024 has been modified/amended 24 times. In 2024 it was amended 6 times. Each and every amendment was adopted by the GoA decisions.

When reviewing the model documents for e-procurement of services (provided by MoF) it is noted that the same contract form is proposed to be used for the procurement of cars, appliances, and equipment repair services; construction technical supervision services; as well as services for technical expertise of the detail design.

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Comparing model documents for goods, works, and services, it was noted that all three documents are more than 90% identical. The difference is that the word “works” in one document is replaced with the word “goods” and in other with the “services’’. Procurement methods proposed in the model documents for services are same as for goods and works and include open tender; request for price quotations; urgent SS.

There does not appear to exist a RFPs document for consultancy services.

In SBDs for all types of procurement (Goods/Works/Services) it is defined that the contract is awarded primarily on the basis of the lowest price among bids assessed as satisfactory, while the SBDs do not appear to provide for a substantive assessment of past experience, current commitments, implementation capacity or similar qualification factors. Works: (i) bidders for Works contracts are not required to submit priced Bill of Quantities (BoQ), the payment mechanism is based on a ratio between the selected bidder’s price and the estimated price of works; (ii) the standard approach to arithmetic correction based on a priced BoQ is therefore not applied in the conventional manner; (iii) payment provision (defined as a percentage of the bid/contract price vs the estimated price) are questionable; (iv) bidder’s current contract commitments and implementation capacity do not appear to be assessed; (v) bid can be rejected if the bid price exceeds the estimated price; (vi) the bid validity period is open-ended, as the bid remains valid until contract conclusion, withdrawal, rejection, or cancellation of the procedure (according to the Article 31 of the PL, the bid should remain valid until signing the contract), although bid security has a separately defined validity period ; (vii) price adjustment under factor-based contracts appears to be allowed only in cases established by the GoA, rather than through a fully self-contained contractual price adjustment formula, etc.

The SDB for Goods, Works and Services appear to follow substantially similar templates and evaluation logic, with limited tailoring to the specific risks and requirements of each procurement category. This may lead to inefficiencies, particularly for Works and more complex Services, where international good practice would normally require more detailed qualification criteria, assessment of experience and capacity, treatment of current commitments, priced schedules or BoQs where appropriate, and category-specific contract management provisions.

When reviewing the central procurement website, which contains these documents, we notice that not all documents have been updated as required under the law. For example:

- procurement of medical supplies carried out by “Gyumri Maternity Hospital” in 2020 (ref. # ԳԾ-ԳՀԱՊՁԲ-2021-1) no documents other than Invitation to Quote where found in the Archived Tenders (https://armeps.am/ppcm/public/details?id=6767759). Neiter an evaluation report, nor bid opeining minutes, nor acceptance certicifiate were found;
- procurement of services for preparation of the design and cost estimate for reconstruction of the playgrounds at the backyards. Contract signed in 2021 by Yerevan Municipality with LVN Group LLC (ref. # ԵՔ-ԳՀԽԱՇՁԲ-21/92). Neiter an evaluation report, nor bid opeining minutes, nor acceptance certicifiate were found;
- Contract for overhaul of the bridge signed in 2024 by MTAI with BIDECK LLC (ref. # ՏԿԵՆ-ՀԲՄԱՇՁԲ-2024/12Շ). Nether bid opeing minutes nor bid evaluation report were found.

The use of the model documents containing contract conditions is not mandatory.

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Below are a few examples of the numerous gaps that exist between the national SBDs (clauses) and those of the IFI (WB/ADB/EFSD) financed projects as well as the FIDIC recommended forms:

1. As per the Para. 5.1.1 "The advance payment is deducted from the payments made on the basis of the acceptance certificates. No payments to be made to the Contractor until the advance payment is fully repaid." It is not clear how the advance will be returned if no payment(s) will be effected until the advance is fully repaid.

2. Also Para. 5.1.1 "…advance payment is effected if the Contractor has secured in full that the activities envisaged for the construction commencement stage have been completed the requirements defined by urban planning regulatory and technical and approved design and estimate documents, including the proper organization of construction. construction site standards, equipment, technical safety, sanitary and environmental (including adaptation to climate change) measures, in relation to which there is a written assurance from the organization that carries out technical supervision over the performance of these construction works and has …." – the purpose of the advance is to provide financial support to the contractor to prepare construction site, deliver/install construction machinery, to ensure infrastructures (connect with water/power supply network) and commence the construction (including the above activities). There is no need for advance payment if the contractor is able to cover the above expenditures by its own resources.

The provisions presented above (see wording copied from paras. 5.1.1.) are not consistent with the internationally best standards used particularly in the FIDIC contract form where the repayment of an advance in the Clause 14.2 Advance Payment is recommended as follows: "…(a) deductions shall commence in the next interim Payment Certificate following that in which the total of all certified interim payments (excluding the advance payment and deductions and repayments of retention) exceeds 30 percent (30%) of the Accepted Contract Amount less Provisional Sums" ; and " (b) deductions shall be made at the amortization rate stated in the Contract Data of the amount of each Interim Payment Certificate (excluding the advance payment and deductions for its repayments as well as deductions for retention money) in the currencies and proportions of the advance payment until such time as the advance payment has been repaid; provided that the advance payment shall be completely repaid prior to the time when 90 percent (90%) of the Accepted Contract Amount less Provisional Sums has been certified for payment.

3. In contradiction to the IFIs recommended forms for civil works contracts where BoQ with the unit rates proposed by the contractor is an integral part of a contract and the amount to be paid is calculated as the unit rates multiplied by actual volume of the works performed, in the sample forms recommended for civil works procurement the Contractor's BoQ is not a part of the contract as the bidders are not required to submit priced BoQ. BoQ attached to the contract is the one prepared by the Employer with the unit prices that are inserted by the Employer. The amount payable is calculated using the Employer's unit prices multiplied by the actual volumes of the works performed within the invoiced time period. The amount received as the result of the above calculations is multiplied by a coefficient equal to BP/EC where the BP is the contract price and EC – is the estimated price.

4. Civil Works contract form Clause 8.6.2 indicates: "If the contract is implemented by signing a subcontract ... (2) in the case of a change of subcontractor during the execution of the contract, the Contractor shall notify the Employer in writing, providing a copy of the subcontract and the data of the party to it, within five working days from the date of the change" - it is recommended to replace the word

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"notify" with words "… prior agree with…" to exclude participation in the implementation of the contract activities a blacklisted firm, as it is used in the IFI recommended procurement documents.

5. Civil Works contract form Clause 8.15 requires: "The implementation of the works prescribed by the contract is carried once financial resources for it are made available and corresponding agreement between the parties is signed." – it is recommended not sign a contract until and unless the financial resources are made available.

6. Civil Works Contract Clause 6.2 stipulates that: "…In case of delay(s) in implementation of the works stipulated by this contract, the Contractor shall be charged a penalty for each overdue working day in the amount of 0.05 percent of the price of the work to be performed but not performed" – as it is used in the standard documents used for IFI financed procurements it is recommended to set upper limit for the penalty (say 5-10) percent of the contract price after which the Employer will have a right to terminate the contract.

Documentary review and interviews with the representatives of the contracting authorities, economic operators (construction companies, goods suppliers), and oversight bodies, revealed a need to have Manuals for Selection of Consultants; Contract management, Evaluation of bids/proposals.

- **Recommendations**

Efforts should be made to update those areas of the Procurement Regulations identified above as contradicting the PL to ensure consistency between the PL and the regulations.

Consider consolidating all aspects of procurement into one set of regulations to enhance accessibility in an already complex procurement process.

The legal framework for procurement should be updated to assign the sole mandate for initiating, approving, and passing changes to the regulations to the MoF, in order to address the issue of frequent regulatory changes.

The government needs to develop separate SBDs for works, goods, and non-consultancy services, as well as standard RFP documents. These SBDs should be revised in accordance with each specific type of procurement and in line with internationally accepted standards. The GoA may refer to those used by IFIs as standardized international examples. This should include standard conditions of contract that also require adjustment.

It is advisable to create standard RFP documents specifically for the procurement of consultancy services.

These changes would enhance procurement through International Competitive Bidding and ensure compliance with obligations under the WTO Agreement on Procurement.

Efforts should be made to ensure that procurement documents are updated and published regularly.

Include in the model documents a mandatory provision requiring the use of standard contract conditions without any alterations. Standard models from IFIs may serve as references.

Guidelines or manuals should be developed to address contract management, bid evaluation, and the selection of consultants.

Summary of substantive gaps and recommendations of Indicator 2

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Substantive gap	Risk classification and red flags	Recommendations
Sub-indicator 2(a)(a) Some provisions of the Procurement Regulations appear to be inconsistent with the PL. Clause 32.4 appears to allow a bidder to obtain and photograph a competitor's bid during the process, which sits uneasily with the PL's confidentiality provisions (Articles 8.4.2), 26.3 and 33.5); and the treatment of affiliated persons is inconsistent, as the Procurement Regulations adopt a broader approach for bidders (Clauses 119–121), while the PL lacks a general definition and, under Article 33.6, narrowly limits affiliation for evaluation commission members, resulting in a fragmented framework not aligned with the broader concept of affiliation and influence.	High	It is recommended to review the areas of the Regulations that appear to be inconsistent with the PL and to align them.
Sub-indicator 2(a)(c) The updating of the Procurement Regulations, while described in the law as being the responsibility of the MoF, as the authorized body, actually takes place differently in practice. Any person in government may request an update or change to the regulations and this is approved by the GoA, which is actually a committee under the prime minister's office where the MoF has one seat and one vote.	High	Update the legal framework for procurement to assign the mandate for making, approving, and passing changes to the regulations solely to the MoF, in order to address the issue of frequent regulatory changes.
Sub-indicator 2(b)(a) Comparing model documents for goods, works, and services, it was noted that all three documents are more than 90% identical. The difference is that the word "works" in one document is replaced with the word "goods" and in other with the "services." There does not appear to exist a RFPs document for consultancy services. There are numerous gaps between the national SBDs and those used in IFI-financed projects (WB/ADB/EFSD), as well as the FIDIC-recommended forms (see examples in the gaps section above).	High	Amend the SBDs for works, goods, and non-consultancy services in line with each specific type of procurement and in accordance with internationally accepted standards. The GoA can use those of the IFIs as samples, as they are standardized internationally. Create standard RFP documents for the procurement of consultancy services. Adjust the standard conditions of contract, using those of the IFIs as internationally standardized examples. This would also support procurement under International Competitive Bidding and ensure compliance with obligations under the WTO Agreement on Procurement.

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Indicator 3. The legal and policy frameworks support the sustainable development of the country and the implementation of international obligations

This indicator assesses whether horizontal policy objectives, such as goals aiming at increased sustainability, support for certain groups in society, etc., and obligations deriving from international agreements, are consistently and coherently reflected in the legal framework, i.e. whether the legal framework is coherent with the higher policy objectives of the country.

- **Synthesis of the indicator**

The assessment of Indicator 3 reveals significant gaps in Armenia's public procurement system related to both SPP and the operationalization of international obligations.

Armenia currently lacks any legal, policy, or institutional foundation for SPP. The PL and Procurement Regulations do not reference sustainability or support the inclusion of environmental, social, or economic criteria in the procurement process. No national SPP policy or implementation plan exists, and while the MoF mentions a future intention to consider "green" procurement, this commitment remains limited in scope and lacks operational detail.

The legal framework defines "value for money" narrowly in financial and efficiency terms, without incorporating broader sustainability goals. As a result, Armenia's public procurement system is not yet positioned to serve as a tool for supporting national development priorities such as environmental protection, social inclusion, or market transformation.

The recommendations call for the development of a national SPP policy, legal reforms to allow sustainability criteria across the procurement cycle, and the establishment of systems and tools to facilitate and monitor implementation.

Armenia has made commendable progress in aligning its legal framework with the WTO GPA, including provisions that recognize GPA thresholds and procedures.

However, the procurement regulations do not adequately reflect these international obligations and there is a lack of operational guidance, procedures, or tools to support practical implementation, which may result in inconsistencies. Additionally, the GPA Annex I list of covered entities needs updating to reflect the current structure of Armenia's central government.

Recommendations focus on strengthening regulatory alignment with international agreements and ensuring the PL includes a supremacy clause clarifying that international treaty obligations and donor-funded procurement rules override conflicting national provisions.

- **Findings**

Sub-indicator 3(a) - Sustainable Public Procurement (SPP)

The current legal and regulatory framework for public procurement in Armenia does not incorporate or reference SPP. Neither the PL nor Procurement Regulations address environmental or social considerations in the procurement process. Furthermore, the absence of a national SPP policy or strategy results in a complete lack of a structured approach or implementation plan to introduce sustainability objectives into procurement practices.

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Although Article 3 of the PL highlights value for money as a guiding objective and emphasizes principles such as transparency, competition, and proportionality, it does not extend this definition to include environmental, social, or economic sustainability. As such, the concept of value for money is narrowly defined in financial and efficiency terms, without integrating longer-term or broader sustainability impacts.

Sub-indicator 3(b) - Obligations deriving from international agreements

Armenia is a signatory to the WTO GPA and has made commendable efforts to incorporate references to its provisions into the national procurement law. Multiple articles within the PL, including Article 24.2.8 and Article 27.2.12, explicitly acknowledge the applicability of the GPA in cases where thresholds specified by the agreement are met and where two-stage tender procedures are used. This legal recognition affirms Armenia's commitment to international trade obligations and enhances transparency for foreign bidders.

Article 5.1.19 further empowers the GoA to approve special procedures for procurements funded through international agreements, which is a positive step in facilitating harmonization with donor and MDB requirements.

Article 6.1.5 shows flexibility in eligibility criteria, explicitly exempting procurement financed by international agreements from the restrictions applied to bidders blacklisted by EAEU member states. This allows Armenia to honor obligations from external financing arrangements without being unduly constrained by domestic or regional eligibility exclusions.

- **Gaps**

There is no mention of the environmental and social aspects with which public procurement can, and should be, linked as a contributing factor towards achieving the social and environmental objectives of the government.

The MoF, however, as part of its procurement reform strategy, entitled “Decree 977-L of the Prime Minister of the Republic of Armenia on Approving the Concept of the Procurement System Development and the Action Plan Deriving there from”, under section 4, mentions that it intends to take into consideration “green” procurement in the future. The language is, nevertheless, limited in this regard even within the aforementioned strategy.

There is no SPP policy and hence no implementation plan.

The law and regulations do not currently cater for sustainable sustainability aspects to be introduced in the public procurement process (i.e., economic, environmental, and social criteria).

While the objectives of the PL do call for value for money Article 3, they do not cater for any sustainability criteria in the procurement process.

The list of the Central Government Entities presented in the GPA Annex 1 needs to be updated as some of the existing ministries are not currently included therein (e.g., Ministry of Agriculture; Ministry of Energy and Natural Resources; Ministry of Sport and Youth; Ministry of Transport and Communication; Ministry of Urban Development etc.).

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While the PL makes multiple references to the WTO GPA and to procurements funded through international agreements, the accompanying regulations largely do not address or elaborate on these areas.

- **Recommendations**

The legal framework should be updated to include a section (language) on sustainable procurement and its importance in public procurement. The GoA is encouraged to develop a national policy on SPP and may consider consulting IFIs for guidance and sample provisions on sustainable procurement.

The development of the SPP policy needs to be grounded in a thorough assessment and it should be supported by appropriate tools and mechanisms to operationalize, facilitate and monitor the application of SPP. Collaboration and further support from IFIs is recommended to aid in advancing this initiative.

The legal framework for procurement should allow for the introduction of sustainability criteria in the procurement process.

The SPP policy needs to be established and incorporated into the procurement legal framework, with provisions that are well balanced and practical for implementation.

The new PL should restore a clause that specifies that in the event of any contradiction between this national PL and any international treaty that the GoA is a signatory to, as well as procurement financed by the MDBs/IFIs, that those clauses of the treaties and procurements financed by the MDBs/IFIs shall prevail or supersede those national clauses. Such language needs to be also repeated in the appropriate sections of the Procurement Regulations.

Summary of substantive gaps and recommendations of Indicator 3

Substantive gap	Risk classification and red flags	Recommendations
Sub-indicator 3(a)(a) There is no mention of the environmental and social aspects with which public procurement can, and should be, linked as a contributing factor towards achieving the social and environmental objectives of the government.	High	Update the legal framework to include a section (language) on sustainable procurement and its importance in public procurement. Create a national policy on SPP. The GoA may consult the IFIs for sample sections on sustainable procurement.
Sub-indicator 3(a)(b) There is no SPP policy and hence no implementation plan.	High	Ensure that the creation/design of the SPP policy is based on an in-depth assessment, and put in place systems and tools to operationalize, facilitate, and monitor the application of SPP. Seek further support from the IFIs to undertake such an endeavour.
Sub-indicator 3(a)(c) The law and regulations do not currently cater for sustainability aspects to be introduced in the public procurement process (i.e., economic, environmental, and social criteria).	High	Amend the legal framework for procurement to allow for the introduction of sustainability criteria in the procurement process.

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Sub-indicator 3(a)(d) While the objectives of the PL do call for value for money Article 3, they do not cater for any sustainability criteria in the procurement process.	High	Adopt an SPP policy and incorporate it under the procurement legal framework, ensuring that such provisions are well balanced.

3.2. Pillar II - Institutional Framework and Management Capacity

Pillar II assesses how the procurement system defined by the legal and regulatory framework in a country is operating in practice, through the institutions and management systems that make up overall governance in its public sector.

Pillar II evaluates how effective the procurement system is in discharging the obligations prescribed in the law, without gaps or overlaps. It assesses: i) whether it is adequately linked with the country's public finance management system; ii) whether institutions are in place in charge of necessary functions; and iii) whether the managerial and technical capacities are adequate to undertake efficient and transparent public procurement processes.

Indicator 4. The public procurement system is mainstreamed and well integrated with the public financial management system

This indicator focuses on how well integrated the procurement system is with the PFM system given the direct interaction between procurement and financial management, from budget preparation to planning treasury operations for payments.

- **Synthesis of the indicator**

The assessment of the Indicator 4 shows that Armenia has a well-defined legal framework supporting annual procurement planning in line with the state budget. Articles 5 and 15 of the PL assign the Government responsibility for approving and publishing procurement plans, and these plans must follow the budget's functional classification. Decree 390-N ensures timely approval by February 1, and plans are formally linked to the national budget through annexation to the budget implementation decision. Procurement cannot proceed unless included in the approved plan, and plans must be updated when new resources are available. Reporting is robust, with the MoF tracking execution and publishing timely reports, and no arrears were reported from 2020 to 2022.

However, the framework is limited to annual planning and does not support multi-year procurement. Although some contracts exceed one year, the PL does not explicitly allow for multi-annual procurement plans. Article 15.6 allows procurement to begin without allocated funds, but if funding is not secured within six months, the process is cancelled—a practice that poses risks to bidders and is widely applied due to the absence of rolling budgets. Additionally, data from the ARMEPS system is not machine-readable, updates are irregular, and payment timelines lack clarity. To strengthen the system, Armenia should adopt a multi-annual procurement and budget framework and improve e-procurement system integration for better data tracking and automation.

- **Findings**

Sub-indicator 4(a) – Procurement planning and the budget cycle

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The Article 5 of the PL states that the GoA is responsible for approving the procurement plan funded by the state budget, as well as the format, procedures for its completion, approval, and publication.
Article 15 requires that procurement plans funded by the state budget be based on the administrative and functional classification of expenditures. Contracting authorities must publish their procurement plans, along with any changes, within two working days of approval—unless the plan contains a state secret.

Procurement Regulations state that a procurement process can only begin if the item is included in the procurement plan. If new financial resources become available during the year, the plan must be updated to include new items (Clause 16).

According to GoA Decree 390-N (April 13, 2017), the head of each contracting authority must approve the procurement plan by February 1 of the year, except in specific cases. Procurement plans funded by the state budget are approved annually as a separate annex to the GoA's decision on the implementation of the state budget.

The May 2024 PEFA Report notes that there is no centralized monitoring of invoice payment deadlines; each budget organization is responsible for managing its own payments. However, the 2022 Budget Execution Report confirms that all state bodies fulfilled their obligations on time, and no expenditure arrears were reported for the years 2020 to 2022.

For major investment projects, implementing ministries monitor progress and report on performance indicators (such as physical progress, timelines, and costs). These indicators are included in the budget proposal and the annual Budget Execution Report, which is compiled by the MoF.

The PEFA Report also confirms that in-year budget execution reports are published within one month after each period ends, and the annual budget execution report is published within five months after the end of the fiscal year.

Sub-indicator 4(b) – Financial procedures and the procurement cycle

Under Article 15.5 of the PL, if the procurement price exceeds the allocated budget for the current period, and a contract has been signed, the required financial resources must either be allocated in the next period or allocated to suspend the activities (if suspension itself requires funding).

Article 15.7 states that a contracting authority may only undertake financial obligations under a procurement contract if the necessary resources are available and within the limits of the budget allocations.

However, Article 15.6 allows a contract to be signed before funds are earmarked, as long as the contract clearly states that implementation will only proceed if funding is secured. If no funds are earmarked within six months of signing, the contract is automatically rescinded. This provision applies in two situations: 1) when the contracting authority cannot estimate the cost in advance; 2) when competitive procurement methods cannot be applied.

The Procurement Regulations (Clauses 108–116) set out the procedures for accepting contract performance and processing payments. According to Clause 113, for entities whose accounts are in the treasury system (e.g., state or municipal bodies, or legal entities with treasury accounts), the procuring

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entity must submit the payment order and a copy of the delivery-acceptance protocol to the MoF's treasury system within three working days after signing the protocol.

For entities outside the treasury system, payments are made according to the contract's payment schedule, within five working days.

If the contract includes advance payment, the payment order and proof of advance payment security must be submitted to the treasury system. Advance payments are then repaid through withholdings from future payments. No additional payments are made until the advance is fully settled.

As per Clauses 114 and 115, once the required documents are submitted and the protocol is entered into the system, the authorized body (MoF) must process the payment within five working days, in line with the contract's payment schedule.

Sample contracts typically include detailed provisions on how delivery is accepted and how payments are made. Payments must be made online to the contractor's or supplier's account based on the delivery-acceptance protocol and according to the terms of the payment schedule.

- **Gaps**

The legal framework explicitly regulates annual procurement planning linked to the State Budget cycle, but it does not explicitly provide for a formal multi-annual procurement plan as part of the regulated procurement planning instruments.

While Procurement Regulations in its Clause 53.1 makes a reference to a contract with an implementation period exceeding 1 year, the PL is silent on whether the Procurement Plan may have a contract with implementation period more than one year. Article 15.6 of the PL was also established to allow procurement to start before budgets are apportioned, because the budget is limited to one year and not a multiyear rolling budget, which gives problems for longer lasting complex procurement processes.

Hence, while procurement planning is covered by the legal framework, it is only an annual exercise and not a multi-annual plan. The budget is also only an annual budget and not a multi-year rolling budget, which brings challenges to the procurement process as already elaborated on under Pillar I above.

Provision of the Article 15.6 of the PL allows the procurement process to start without having financial resource allocated under the budget. And in the event budget is not able to be retroactively obtained within a time limit of 6 months, then the procurement process is cancelled. This is very discouraging to bidders/economic operators as they have taken time and money to prepare a bid and obtain bid securities etc. against a contract that may not have budget approved. This is widely applied (Article 15.6) in Armenia throughout all ministries and the reason being the limiting factor of single year budgets and no multi-annual rolling budget.

The ARMEPS Procurement Planning and Contract Management (PPCM) system currently provides information on invoices, but this data is not easily accessible for automated processing (not in a machine-readable format). Additionally, updates to this information are irregular, and there is a lack of clarity regarding payment timelines for invoices.

- **Recommendations**

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A multi-annual procurement planning and budget framework should be implemented in Armenia to allow for rolling budgets and to cater for procurement processes that can take longer than one year. This would allow for Article 15.6 of the PL to be removed entirely.

It is recommended to adopt technologies (e.g. Optical Character Recognition) to convert invoice data into machine-readable formats. Furthermore, automating processes and enabling integration between the new e-procurement system and other platforms will ensure smooth data transfer and regular updates. This will simplify invoice processing and tracking, minimizing the need for manual intervention.

Summary of substantive gaps and recommendations of Indicator 4

Substantive gap	Risk classification and red flags	Recommendations
Sub-indicator 4(b)(a) Provision of the Article 15.6 of the PL allows the procurement process to start without having financial resource allocated under the budget. And in the event budget is not able to be retroactively obtained within a time limit of 6 months, then the procurement process is cancelled.	High	Implement a multi-annual procurement planning and budget framework in Armenia to allow for rolling budgets and to cater for procurement processes that can take longer than one year. This would allow for Article 15.6 of the PL to be removed entirely.

Indicator 5. The country has an institution in charge of the normative/ regulatory function

This indicator refers to the normative/regulatory function in the public sector and its proper discharge and co-ordination. The assessment of the indicator focuses on the existence, independence and effectiveness of these functions and the degree of co-ordination between responsible organisations. Depending on the institutional set-up chosen by a country, one institution may be in charge of all normative and regulatory functions. In other contexts, key functions may have been assigned to several agencies, e.g. one institution might be responsible for policy, while another might be in charge of training or statistics. As a general rule, the normative/regulatory function should be clearly assigned, without gaps and overlaps. Too much fragmentation should be avoided, and the function should be performed as a well-co-ordinated joint effort.

- **Synthesis of the indicator**

The assessment of Indicator 5 shows that Armenia has a legally established and functioning regulatory body for public procurement within the MoF, specifically through the PPD. Article 16 of the PL delegates regulatory responsibilities to the MoF while prohibiting its direct involvement in procurement processes, which supports functional independence. The PPD is responsible for drafting legislation, overseeing training, managing the e-procurement system, and coordinating with international partners. Significant training has been provided to procurement professionals, though gaps remain in training for civil society, media, and oversight bodies.

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While the PPD operates under clear authority, its ability to fully regulate the system is limited. Regulatory changes are subject to a committee under the Prime Minister's Office, where the MoF holds only one vote, restricting its control. COI measures are weak at the institutional level, and although public service laws provide general COI guidelines, there is no tailored framework for procurement. Reports published by the PPD are largely statistical and lack analytical insights to support policy improvements. To enhance the system, it is recommended to strengthen the PPD's mandate, develop a COI framework, introduce integrity training, and ensure the new e-procurement system supports advanced data analysis and reporting.

- **Findings**

Sub-indicator 5(a) – Status and legal basis of the normative/regulatory function

Article 16 of the PL states that the authorized body (currently MoF/PPD) is responsible for regulating and coordinating the procurement process. However, it cannot participate directly in procurement procedures or be a party to contracts, except when procuring for its own needs.

Sub-indicator 5(b) – Responsibilities of the normative/regulatory function

PL Article 16. "Regulation and co-ordination of procurement process" defines particularly that:

2. For the purpose of regulating and coordinating the procurement process, the authorized body shall:

(1) co-ordinate the elaboration of draft legal acts on procurement and adopt or submit them to the GoA for approval;
(2) provide methodical assistance to the contracting authorities in arranging the procurement activities;
(3) ensure the qualification certification of procurement coordinators and the existence of a system for continuous professional training thereof;
(4) arrange publication of the bulletin;
(5) co-ordinate procurement-related co-operation between international organizations, foreign states, as well as state and local self-government bodies of the Republic of Armenia;
(6) register procurement transactions entailing obligations for the state;
(7) publish:
a. the annual public procurement report;
b. the list of qualified procurement specialists (persons);
(8) approve the standard forms of documents used during the procurement process, including those of the invitation and the contract;
(9) approve the standard forms of documents to be submitted to the authorized body according to this Law, including those of the reports, and the deadlines for submission thereof.
(11) maintain and co-ordinate the e-procurement system;
(12) ensure the availability of a procurement support service (hotline) for the purpose of responding to alerts and quickly responding to questions on procurement.

In August 2022, the MoF issued a concept note titled "On Approving the Concept of The Procurement System Development and The Action Plan Deriving from it," formalized by Prime Minister's Decree N 977–L. The document identifies challenges in the procurement system and proposes development directions such as capacity building, aligning the MoF's role with current needs, developing a new e-procurement

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system, standardization, and green procurement. The action plan attached to the decree outlines specific activities and expected outcomes, including the ongoing MAPS assessment.

Sub-indicator 5(c) – Organisation, funding, staffing, and level of independence and authority

Clause 10.6 of the MoF Charter (approved by the Prime Minister's Decree 743-L of June 11, 2018) among the other tasks of the Ministry defines: "(6) development of the procurement policy". PPD is named in the Clause 32 of the above Decree as one of the main structural units of the Ministry. It operates directly under the Minister of Finance and holds a high and authoritative position in government with sufficient independence to regulate public procurement.

Clause 4 of the PPD's Charter (approved by Order 526-L of the Minister of Finance on October 18, 2018) defines the main task of the PPD as implementation of the regulation and co-ordination functions delegated to the authorized body under the procurement legislation.

The main functions of the PPD include:

1. drafting and submission for approval of the procurement related legal acts;
2. provision of the methodological support to the contracting authorities in organizing procurements;
3. to ensure existence of the system for procurement coordinator's qualification granting and continuous vocational training thereof;
4. to ensure publication of the bulletin prescribed by the PL;
5. coordinate cooperation in the procurement area between international organizations, foreign states, and state/local self-government bodies of the Republic of Armenia
6. register procurement transactions entailing obligations for the state;
7. publication of the annual public procurement report;
8 preparation and publication of the qualified procurement specialists (persons) list;
9. preparation and submission for approval the procurement documents (including invitation and contract) standard forms;
10. preparation and submission for approval of the documents (including the report forms and submission deadlines) to be presented to the authorized body;
11. organization of the maintenance and coordination activities of the e-Procurement system;
12. to ensure existence of procurement support service (hotline) with an aim to register procurement related alerts and fast responding the questions;
13. performance of other activities prescribed in the Charter of the Ministry;
14. PPD ensures implementation of other assignments of the Minister and MoF Secretary General.

As already mentioned, under Article 16.1 of the PL, regulation and coordination of the procurement process is the responsibility of the authorized body. As defined in Article 2.13 of the PL, the authorized body is a state executive entity responsible for implementing the Government's PFM policies. This role is legally delegated to the MoF, which passes operational responsibilities to the PPD.

Clause 11.5 of the MoF Charter confirms that the MoF performs the regulatory and coordination roles assigned by procurement legislation. PPD is financed like other MoF departments.

The structure of the PPD includes: (I) Procurement Process Coordination Unit and (ii) Procurement Process Regulation Unit (Clause 12 of the PPD Charter). The PPD staff includes 15 specialists. Head of the PPD is

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accountable directly to the Minister of the Finance (Clause 7 of the PPD Charter). Coordination of the PPDs activities could be delegated to one of the Deputy Ministers of Finance by the order of the Minister of Finance.

Sub-indicator 5(d) – Avoiding conflict of interest

Article 16.1 of the PL defines that: "The authorized body may not be involved in the procurement processes, be a party to the contract, except for procurement to be carried out for its own needs." Despite the above GoA Decree 390-N of 2017 mandates that in case of the changes and additions to the procurement plan to be financed out at the state budget, the procurement methods shall be agreed with the MoF.

While there is not a specific system to address COI at the institutional level, the Law on Public Service provides a framework to mitigate such issues. Article 29 outlines regulations on accepting gifts, and Article 33 defines COI and its management.

The survey results reveal that 78,8% of respondents believe the normative/regulatory institution is free from COI. However, one-third (33.3%) of the respondents do believe COI are an issue within procuring entities. According to respondents, public procurement is frequently manipulated through tailored tenders, biased technical requirements, favoritism, and pre-selected suppliers, resulting in restricted competition and potential corruption.

- **Gaps**

It was noted that while the authorized body has the mandate to regulate the procurement process in Armenia, it however, is powerless to stop changes from being implemented to the procurement regulations. Changes can be requested to be made to these regulations by any party by sending such a modification request to committee under the Prime Minister's Office, where the authorized body only has one seat and one vote. It would therefore not be able to stop a change to the regulations if its vote is outweighed by the votes of other members on the committee. This, therefore, compromises its mandate to some extent of regulating the full procurement process in Armenia. While the possibility to monitor exists at the authorized body, neither the PL, nor the Procurement Regulations, have a provision that clearly mandates the authorized body to conduct procurement monitoring as part of its functions.

While the current e-procurement system contains a lot of procurement information and the authorized body also published annual procurement reports, it was noticed that these reports by and large showcase procurement statistics, but do not include in depth analyses of such statistics which could then be used to formulate future procurement policies.

Several measures under the action plan attached to Prime Minister's Decree 977-L of August 28, 2022 approving the Procurement System Development Concept remain to be implemented and require sustained rollout. In addition, the action plan does not sufficiently address capacity building for civil society and the media, whose limited understanding of the procurement system may undermine reform efforts through misinformation. Targeted training should also be extended to external and internal auditors, financial controllers, and other relevant stakeholders, including on technical specifications and related aspects of procurement.

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The legal framework establishes the role for capacity building for the authorized body and it undertakes such training and certification of the procurement coordinators with mandatory refresher courses. It has also envisaged further training under its reform initiatives. The assessment team was not able to find any information on integrity training being part of the courses currently provided.

Reviewing the procurement documents (SBDs, forms, amendments to the PL and Government decisions) drafted by the PPD staff and based on the meetings and discussions with procurement stakeholders (representatives of the private and public sectors, judges etc.) it was noted that the language used in the above documents in many instances is not clear and contains many ambiguities.

Article 16.1 of the PL creates a barrier to direct involvement of the authorized body in procurement processes, but GoA Decree 390-N requires the MoF's approval in specific procurement situations, which may indirectly involve the MoF in procurement planning, thus creating potential conflicts.

While the Law on Public Service addresses COI and provides some general principles, it lacks a clear, structured system or set of procedures to manage procurement-related COI at the institutional level. This is especially relevant for high-ranking officials or decision-makers who, although not directly involved in the procurement or evaluation process, still have the ability to influence it during the planning phase.

The current procurement legislation lacks clear provisions for addressing COI at the institutional level and does not reference the Law on Public Service or other relevant legal frameworks that regulate such issues.

- **Recommendations**

When the PL is updated, it is recommended that the mandate for issuing and amending the regulations rest exclusively with the authorized body and/or the Minister of Finance.

It is recommended that the updated legal framework include specific provisions on the monitoring of procurement as part of the authorized body's functions.

The authorized body/MoF/PPD needs to utilize the statistics available through the e-GP system and include these findings in its annual reports. The new e-GP system currently under consideration by the MoF should capture all procurement data from planning to project/contract completion and must have the capability to generate meaningful reports.

Capacity development activities need to be implemented continuously, including refresher training. It is also recommended that these activities include awareness sessions for civil society and the media. A long-term capacity strategy is required to support the professionalization of the procurement function, along with expanded competence-based training in collaboration with the Civil Service Office.

Integrity training must be included as a component of all procurement-related training.

Relevant staff at the PPD are recommended to receive training on international best practices concerning procurement documents, forms, procedures, and legislation.

Specific procedures and approval criteria need to be established to ensure that MoF involvement does not compromise the intended independence of the procurement process.

To address gaps in institutional-level COI management, it is recommended that a dedicated framework be developed. This framework needs to outline how COIs are identified, disclosed, and managed within

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procurement, applying to senior officials and decision-makers—even those not directly involved in procurement.

Procurement legislation needs to be revised to explicitly regulate institutional-level COI, ensuring consistency and cross-referencing with the Law on Public Service and other relevant legal acts governing ethics, transparency, and public sector conduct.

It is recommended to strengthen institutional capacity through training of public procurement officials, focusing on the applicable legal framework, COI risks, and best practices for maintaining transparency in procurement.

Summary of substantive gaps and recommendations of Indicator 5

Substantive gap	Risk classification and red flags	Recommendations
Sub-indicator 5(b)(d) While the possibility to monitor exists at the authorized body, neither the PL, nor the Procurement Regulations, have a provision that clearly mandates the authorized body to conduct procurement monitoring as part of its functions.	High	Include specific language on the monitoring of procurement as part of the functions of the authorized body when updating the legal framework.
Sub-indicator 5(d)(a) While PL Article 16.1 keeps the authorized body out of procurement and the public-service legislation sets out general conflict-of-interest principles, there does not appear to be a structured, procurement-specific system to manage conflicts of interest at the institutional level, and the MoF's approval role under Decree 390-N may give rise to a conflict-of-interest exposure at the planning stage that is not specifically managed.	High	It is recommended to establish specific approval procedures and criteria so that the MoF's involvement does not undermine the independence of the process; to develop a procurement-specific COI framework (identification, disclosure and management) covering high-ranking officials and decision-makers, aligned and cross-referenced with the Law on Public Service; and to strengthen institutional capacity through COI training for procurement officials.

Indicator 6. Procuring entities and their mandates are clearly defined

This indicator assesses: i) whether the legal and regulatory framework clearly defines the institutions that have procurement responsibilities and authorities; ii) whether there are provisions for delegating authorities to procurement staff and other government officials to exercise responsibilities in the procurement process, and iii) whether a centralised procuring entity exists.

- **Synthesis of the indicator**

The assessment of Indicator 6 reveals that Armenia's public procurement system is legally decentralized, with contracting authorities broadly defined under the PL to include a wide range of public institutions and entities using state or community funds. These authorities are responsible for conducting procurement processes in line with legal and regulatory requirements. Key responsibilities include publishing procurement plans and contract notices, appointing procurement coordinators, and forming evaluation committees. While the law requires qualified procurement coordinators, it does not mandate

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the creation of dedicated procurement departments, leaving structural decisions to each authority, which may affect procurement consistency and institutional knowledge retention. Centralized procurement is allowed under the PL, but no single centralized procurement body currently exists. Instead, certain ministries carry out centralized procurement on behalf of their sectoral entities. However, the legal framework lacks clarity on roles and responsibilities, and previous practices such as framework agreements are not explicitly allowed under the new law. To strengthen governance, it is recommended to amend the PL to enable framework agreements, clarify the roles of centralized procurement actors, and encourage the establishment of specialized procurement units in entities with significant procurement volumes.

- **Findings**

Sub-indicator 6(a) – Definition, responsibilities and formal powers of procuring entities

Procurement governance in Armenia is decentralized, with coordination, operational responsibility, and bid evaluation functions distributed among the coordinator, the responsible subdivision, and the evaluation committee, and further governed by government decrees and oversight from the MoF.

Contracting authorities in Armenia are defined in Article 2 of the PL and include:

a. public administration and local self-government bodies, state or community institutions provided for by the Constitution of the Republic of Armenia and laws of the Republic of Armenia;
b. Central Bank of the Republic of Armenia;
c. state or community non-commercial organizations;
d. organizations with more than 50% of state or community shares;
e. foundations established or associations (unions) formed by the state or community, or state or community non-commercial organization, or organizations with more than 50% of state or community shares;
f. legal persons having received means in the form of donation or grant from the state or community, or from state or community non-commercial organizations, or organizations with more than 50% of state or community shares — as regards procurement carried out at the expense of means received in the form of donation or grant;
g. foundations restructured through reorganization of state or community non-commercial organizations or organizations with more than 50% of state or community shares;
h. public organizations.

These authorities are responsible for conducting procurement in accordance with the legal framework when using such funds.

The responsibilities of contracting authorities are detailed in multiple articles of the PL. Article 15 requires them to publish the procurement plan and any amendments within two working days after its approval, except when the plan contains a state secret. Article 15 also states that a contract may only be signed if the necessary financial resources have been allocated, and obligations under the contract must remain within those limits.

According to Article 16, the head of the contracting authority must appoint a procurement coordinator who is responsible for organizing the procurement process, reviewing procurement documents, acting as

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secretary of the evaluation committee, and drafting procurement records and contracts. The procurement coordinator may be a department, an official, or an external consultant.

Article 10 requires contracting authorities to publish a contract award notice in the procurement bulletin no later than the first working day after the award decision. Article 11 similarly mandates publication of a concluded contract notice, while also detailing the required information to be included.

Article 9 obliges contracting authorities to document and report procurements that exceed a defined base unit and to register such transactions with the authorized body. If the price is below that threshold, documents must still be properly stored. This article also requires annual reporting to the MoF and publication of the annual report by May 1 each year.

In Article 6, the head of the contracting authority is authorized to debar firms for specific violations, such as failing to sign a contract or violating obligations resulting in termination. Article 12 requires authorities to report illegal actions during procurement processes to law enforcement on the day they are discovered.

Article 23 gives contracting authorities the right to use the SS method in cases where additional goods or services are needed due to unforeseen circumstances. Article 24 obligates the authority to respond to requests for clarification and ensure that all bidders have access to the same information.

Under Article 26, the evaluation committee is formed by the head of the contracting authority. Article 33 gives bidders the right to request the minutes of evaluation committee meetings, and the authority is responsible for maintaining confidentiality of any information marked as confidential by bidders.

Article 36 provides that the contracting authority must issue a formal proposal and draft contract to the selected bidder after the standstill period ends. Article 37 requires authorities to publish the justification for cancelling a procurement, except in the case of a closed tender.

Article 38 prohibits negotiations between the authority and bidders, except under certain conditions such as when only one bid is compliant or when all bids exceed the available budget. In such cases, negotiations must only aim to reduce the price and must be conducted equally with all bidders.

Article 41 describes the authority's responsibilities in E-Auctions, including evaluating bids, keeping bidders informed of their ranking, and ensuring anonymity. Article 42 requires the contract to be signed with the winning bidder based on the auction results.

Specific rules and exemptions apply to procurements by public utilities (Articles 52 and 53), the Central Bank (Article 54), and electoral-related purchases (Article 55).

Procurement Regulations also define responsibilities in more detail. Clause 5 states that the head of the contracting authority, the procurement coordinator, the responsible subdivision, and the evaluation committee are accountable for procurement processes. Clause 6 further clarifies who qualifies as the head depending on the type of organization.

Clauses 7 to 14 of the Regulations outline duties for each actor. The procurement coordinator is responsible for organizing and coordinating procurement, reviewing documentation, and preparing records and contracts. The responsible subdivision prepares technical specifications, monitors contract performance, and proposes amendments to procurement plans. The evaluation committee approves procurement documents, evaluates bids, and selects winners.

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The procurement coordinator must be listed among qualified coordinators certified and continuously trained by the MoF. While the law emphasizes the coordinator's qualifications, it does not require a specialized procurement department in every authority, leaving organizational structure to the discretion of each entity.

Sub-indicator 6(b) – Centralised procurement body

While the public procurement system in Armenia is in general a decentralized system, the PL nevertheless provides for the possibility of centralized procurement under Article 17. It particularly stipulates:

"*1. Procurement for the needs of contracting authorities or separate groups thereof may be carried out in a centralized manner as prescribed by the GoA.*

2. Centralized procurement shall be carried out by a body or a legal person authorized by the GoA."

Chapter XV of the Procurement Regulations entitled "*Arrangement of Centralized Procurement Process for Needs of State and Community Non-Commercial Organizations*" cover how the contracting authority should conduct centralized procurement for the needs of the state/community Non-Commercial Organizations and organizations with more than 50% of state/community shares operating within their administration system.

Procurement Regulations (Clause 19 (2), (3), (4) and (5)) delegates to the state agencies the responsibility for the development and implementation of the Government policy in the: (i) urban development; (ii) culture; (iii) water sector; and (iv) road sector - to procure services and act as a Client in the contracts for development and expert examination of the detail design documents and for author and technical supervision required for the state budget financed civil works to be implemented in areas they are in charge of.

At the moment there is no "centralized" procurement body in Armenia. As explained above, centralized procurement takes place at the ministerial level in most instances and is covered/allowed for under the law. However, there is not one single legal entity that undertakes this on behalf of all government. Hence, there is no legal status, or funding, or clearly defined roles and responsibilities as requested under this indicator.

- **Gaps**

While the law requires the appointment of a procurement coordinator and emphasizes the importance of their qualifications and training, it does not explicitly mandate the establishment of a specialized procurement department or define clear criteria for the structure and capacity of the procurement function within different procuring entities, especially considering factors such as the volume and complexity of procurement activities. Moreover, the law allows procurement coordinator to be an invited person, which could affect continuity and the retention of institutional knowledge.

While the legal framework allows for centralized procurement, and this is undertaken at the ministerial level on behalf of their provincial and community level counterparts, the legal framework does not currently provide for the possibility of framework contracting/agreements, although they were used prior to the introduction of the new law.

- **Recommendations**

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While the law acknowledges the importance of qualified procurement coordinators, it should explicitly encourage the establishment of dedicated procurement departments within some procuring entities in order to ensure consistency and efficiency in procurement processes. This can be done by amending the legal framework to require the establishment of a specialized procurement department (or unit depending on the volume of procurements undertaken on an annual basis) and ensure the availability of in-house procurement coordinators within each procuring entities, particularly for medium and large-scale organizations. The law should provide clear guidance on the minimum requirements for the structure and capacity of procurement functions within procuring entities, while allowing for flexibility to adapt to the specific needs and circumstances of each entity.

It is recommended that the legal framework is revised to also incorporate the use of framework contracts/agreements, which can bring many advantages to the GoA.

The GoA is advised to explore whether a single centralized body should undertake centralized procurement, or if the existing system—where centralized procurement is handled at the ministerial level—is sufficient. Whatever the decision, it is advisable to clarify the legal language to eliminate any room for misinterpretation.

Summary of substantive gaps and recommendations of Indicator 6

Substantive gap	Risk classification and red flags	Recommendations
Sub-indicator 6(a)(c) While the law requires the appointment of a procurement coordinator and emphasizes the importance of their qualifications and training, it does not explicitly mandate the establishment of a specialized procurement department or define clear criteria for the structure and capacity of the procurement function within different procuring entities, especially considering factors such as the volume and complexity of procurement activities. Moreover, the law allows procurement coordinator to be an invited person, which could affect continuity and the retention of institutional knowledge.	High	Encourage the establishment of dedicated procurement departments within some procuring entities in order to ensure consistency and efficiency in procurement processes. This can be done by amending the legal framework to require the establishment of a specialized procurement department (or unit depending on the volume of procurements undertaken on an annual basis) and ensure the availability of in-house procurement coordinators within procuring entities, particularly for medium and large-scale organizations. Provide by legislation clear guidance on the minimum requirements for the structure and capacity of procurement functions within procuring entities, while allowing for flexibility to adapt to the specific needs.
Sub-indicator 6(b)(a) Although the legal framework allows for centralized procurement at the ministerial level on behalf of provincial and community-level counterparts, it does not currently include provisions for framework contracting/agreements.	Medium	Revise the legal framework to incorporate the use of framework contracts/agreements, which could offer significant advantages to the GoA.

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Indicator 7. Public procurement is embedded in an effective information system

The objective of this indicator is to assess the extent to which the country or entity has systems to publish procurement information, to efficiently support the different stages of the public procurement process through application of digital technologies, and to manage data that allows for analysis of trends and performance of the entire public procurement system.

- **Synthesis of the indicator**

Armenia's centralized procurement platform, managed by the MoF and accessible at official procurement webpage, provides key procurement documents and information but lacks full coverage of all procuring entities. Much of the data is not available in machine-readable formats, limiting effective analysis and monitoring. While the government has prioritized modernizing the e-procurement system under recent reform strategies, these improvements have yet to be fully implemented. Additionally, translations into English and Russian are often inaccurate or incomplete, posing challenges for international bidders.

The e-Procurement system, launched in 2009 with WB support and expanded in 2015, is mandatory for many public bodies and has seen increasing usage—accounting for 42% of procurement procedures and 58% of their value in 2023. Procurement staff are generally well trained, and supplier participation, including by SMEs, is active though data on SME involvement remains limited. Barriers such as poor search functions and lack of supplier classification hamper SME access.

Procurement data is published through the ARMEPS system's PPCM module, allowing filtering and downloading of information, but the system currently manages procurement only up to contract issuance and lacks functionalities for contract management and performance monitoring. Published reports provide statistical data without deeper analysis. There are ongoing issues with incomplete contract information, weak enforcement of publication requirements, and the absence of a training module in the system.

To improve transparency and efficiency, Armenia needs to update and verify procurement data, enhance multilingual support, enforce mandatory e-procurement use by all contracting authorities, and implement a comprehensive new e-GP system that covers the full procurement cycle and includes training capabilities. Strengthening monitoring and compliance mechanisms will also be crucial for ensuring data completeness and fostering inclusive participation, especially by SMEs.

- **Findings**

Sub-indicator 7(a) – Publication of public procurement information supported by information technology

The centralized procurement platform of Armenia[27] provides access to various procurement-related documents and information, such as laws, decrees, procurement plans and notices, bidding documents, evaluation reports, and contract details. It is maintained by the regulatory body under the MoF and is the main source for publishing procurement opportunities.

[27] https://gnumner.minfin.am

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While the platform ensures timely and relevant information, it lacks full coverage, as not all procuring entities are included. Moreover, much of the data is not in machine-readable formats, limiting stakeholders' ability to analyze and monitor procurement performance effectively.

Recognizing these limitations, the government prioritized the modernization of the e-procurement system in the 2019–2023 Public Finance Management Reform Strategy, aiming to expand access and improve monitoring. However, these goals have not yet been achieved.

A further push toward digitalization and the creation of a new e-procurement system was outlined in the Concept of Development of the Procurement System and its Action Plan (Prime Minister Decree 977-L, August 25, 2022). This plan reiterates the earlier objectives.

The current platform offers structured data through the PPCM module in the ARMEPS system, categorized into contracts, procurement plans, archived tenders, etc., and allows filtering and downloading data. However, due to the absence of open data formats and comprehensive publication, access to procurement information remains limited. There are also no official statistics on how much of the data is openly available.

According to Article 16 of the PL, the authorized procurement body (currently MoF) is responsible for maintaining and coordinating the e-procurement system.

All procurement plans must be published on the official e-procurement portal, and no procurement can begin unless the item is included in the plan—except in cases involving national security, defense, or state secrets (Article 15.3 of the PL). Key procurement information—including plans, notices, contract awards, implementation updates, amendments, payments, and appeal decisions—is made publicly available on official sites[28].

The official portal also hosts a "Legislation" section with laws, decrees, guidelines, templates, and procedural documents. According to the MoF, all applicable procurement plans are published, and competitive procedures above the base unit follow transparency rules. Annual procurement reports are published by May 1 each year, and appeals decisions are posted within legal deadlines.

Sub-indicator 7(b) – Use of e-Procurement

The e-Procurement system in Armenia was designed and launched in 2009 with the support of the WB. In 2015, the WB funded the inclusion of three additional modules into the existing e-procurement system, i.e., Procurement planning; Monitoring and reporting; Contract administration.

GoA Decree 386-N of April 6, 2017. "On approval of the rules for conducting electronic procurement "sets that use of the e-Procurement system is mandatory for the following contracting authorities:

a. State administration bodies defined by the Constitution and the laws of Armenia, state institutions, "Yerevan Garbage Collection and Sanitation" community institution,
b. Communities of the Republic of Armenia that were carrying out procurement through e-procurement system before this decision was adopted,
c. Organizations where the state owns more than 50% of shares, "Yerevan Bus"; "YerevanTrans"; as well as "Nork Marash", "Surb Astvatsamayr" and "Yerevan" Medical Centers CJSCs,

[28] https://gnumner.minfin.am/, and https://www.armeps.am/ppcm/public/reports

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d. Foundations established or associations (unions) formed by the state,
e. Foundations or associations (unions) formed by the communities of the Republic of Armenia that were carrying out procurement through e-procurement system before this decision was adopted,
f. Foundations established or associations (unions) formed by organizations in which the state has a share of more than 50%,
e. State non-profit foundations or foundations reorganized through the reorganization of organizations where the state owns more than 50% of shares,
h. "Greening and Environmental Protection" community NCO under the Yerevan Municipality.

As mentioned in the indicators above, the GoA has been working on establishing and improving their e-GP system with the support of the WB since 2009. It is currently looking at procuring a new e-GP system that will be all encompassing from the procurement planning all the way through to completion of the contract and issuing certifications of completion and acceptance (payment of invoices, etc.).

Procurement personnel report no major issues with the current e-GP system. They are trained and certified through a licensing process, which includes mandatory refresher training every three years. Contracting authority staff demonstrated adequate knowledge and skills to operate the system. Suppliers, including MSMEs, also actively participate in e-procurement.

According to official information from the MoF, in 2022, e-procurement procedures accounted for 36% of the total number and 55% of the total value of procurement procedures. In 2023, these figures increased to 42% and 58%, respectively. However, the ARMEPS system does not classify suppliers by size, making it difficult to assess MSME participation directly.

A 2021 USAID-funded report analyzed SME participation for 2019–2020 and found that 4514 out of 4822 selected bidders were SMEs, as identified by the State Revenue Committee using employee count and turnover criteria. Notably, e-procurement covered only 33.4% of lots in 2019 and 38.7% in 2020, suggesting higher SME involvement in paper-based procurements at that time.

Barriers to SME participation remain, including poor search functionality on procurement websites—due to both system flaws and deliberate symbol manipulation by entities—which hinders access to relevant procurement information. Additionally, SMEs often lack the capacity or willingness to invest in staff training.

While official figures show a rise in participation (188,523 participants in 2022 and 214,936 in 2023), data on online bid submissions is not provided. Although the PPCM module includes infographics on procurement data, the reliability of these figures is uncertain, and no official statistics exist on MSME participation.

Sub-indicator 7(c) – Strategies to manage procurement data

Each contracting authority in Armenia uploads its procurement data to the e-Procurement system, which is consolidated and made publicly accessible through the PPCM module of the ARMEPS system. This module structures data into categories such as Contracts, Procurement Plans, Detailed Reports, Archived Tenders, Infographics, and Bids. It includes a search function that filters information by criteria like contracting authority, procurement method, category, status, and dates. Data can be downloaded in Excel format.

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Currently, the e-GP system covers the procurement process up to contract issuance but does not support contract management, payments, or performance monitoring.

No in-depth audits of the e-GP system were available for review. The MAPS assessment team was also unable to conduct a full audit beyond using MAPS core indicators.

As mandated by Article 9.5 of the PL, the authorized body must publish Annual Procurement Reports by May 1st each year. These are available in Armenian on the MoF website. However, these reports contain only statistical data and lack analytical insights or policy-relevant conclusions.

Key procurement statistics:

Indicator	**2022**	**2023**
Procurement procedures completed	113,054	114,657
Total contract value	AMD 390.6 billion	AMD 439.1 billion
Competitive method awards	AMD 224.7 billion	AMD 266.0 billion
Public procurement as % of expenditure	17.1%	17%
Public procurement as % of GDP	4.6%	4.6%

- **Gaps**

Monitoring procurement outcomes, results, and performance is challenging due to incomplete published information and the frequent use of non-machine-readable formats.

Not all information is up to date and some of the translations are either missing or need improvements.

Information posted on the procurement website is available mostly in Armenian with few documents translated into English and Russian. The quality of the translations into Russian and English have room for improvement. For example, the words in Armenian “Մեկ անձից իրականացված ընթացակարգեր” (to be read in English as “Procurement through the “Single Source” method”) is translated as “Procedures performed by one person” and in Russian as “Процедуры, выполняемые одним человеком“.

In addition, the predominance of Armenian-language information can pose challenges for international bidders.

Some information in the documents posted online need updating. For example, the WTO GPA - some of the ministries named in the list presented in the Annex 1 do not exist anymore.

Article 11 of the PL requires to publish contract notices which shall include: “*(1) the brief description of the subject of procurement; (2) the name of the contracting authority; (3) contract signing date; (4) selected bidder’s name and address; (5) the price proposals submitted by bidders and the contract price; (6) the information on publications made according to the Law for the purpose of involving bidders (if applicable); (7) the procurement method used and justification thereof.*”

The review of a randomly selected sample of contract notices posted on the website revealed many instances where the information posted by the contracting authorities were not complete and not consistent with the requirements under Article 11 of the law.

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Moreover, the PSRC Decision 273-A of August 19, 2020 (Clause 6.4 of the Annex 2) mandates public organizations (utility companies) to publish their notices and invitations of procurement (Article 27 of PL) at both the MoF's procurement webpage and their own official webpages simultaneously. According to Clause 6.4, the notice on concluded contract (Article 11 of PL) for procurements exceeding the procurement base unit (AMD 1 million) should be published within 5 days following conclusion of the contract (PL requires to publish in the bulletin no later than the first working day). However, it would appear that none of the six public organization named in the PSRC list (i.e.: “Electric Networks of Armenia;” “Gazprom Armenia”; "Trans Gas;” "Hrazdan Power Company"; "International Power Corporation"; and "Contour Global Hydro Cascade") have uploaded complete information on the platform with regards to the contracts that they award (there were only few invitations and notices on concluded contracts published at official procurement webpage).

While invitations to bid and contract awards are largely published for nearly all required contracts, details related to contract implementation are sometimes limited or incomplete. In addition, this information is published in a non-machine-readable format. The information available on the procurement bulletin website is also not in a machine-readable format, hindering data analysis and automated processes. Considering that information regarding paper-based procurement procedures is only published in the official bulletin, these limitations become even more challenging to address.

As in the case of other documents listed above, the review of sample contracts posted through the website highlighted that in several cases contracting authorities did not upload all the required information. Implementation, monitoring and enforcement are aspects currently not adequately in place under the public procurement system in Armenia.

While the e-procurement is widely utilized, with many major contracting authorities connected to the system, there remain some entities that have not yet integrated.

When the MAPS team met with some of the training institutions who also train the private sector and other relevant stakeholders of the public procurement system, they expressed a concern that the existing e-GP system does not have a “training module” that they can use when training their students. The system can only be used actively meaning that any sort of training that wants to be offered on the system has to be carried out in the “live” system meaning that overall statistics would be skewed due to fictional accounts/contracts being made for the purpose of training.

The e-procurement system/ARMEPS does not classify suppliers based on their size, which make it challenging to differentiate between MSMEs and larger suppliers when analyzing procurement data.

Thus, there is no formal procedure in place for record-keeping, data analysis, or the publication of results related to MSME participation in public procurement. Consequently, there is no clear method for tracking, evaluating, or disseminating information about the involvement of MSMEs in procurement activities.

The accuracy of some data presented in PPCM system is uncertain (e.g. number of bids submitted electronically).

There are issues with search tools and symbol distortions on official procurement websites, which hinder SMEs from accessing relevant procurement information and finding specific tenders.

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SMEs often lack professional skills for participating in e-procurement compared to more experienced organizations, which have dedicated staff for this.

The system currently in place does not run all the way through the contract completion, managing invoices/payments, and issuance of completion certificates for example. This is why the MoF is currently undertaking the procurement of a new all-encompassing e-GP system that can manage the entire process from A-Z. Aside from occasional spot checks for compliance, there is no systematic monitoring of data related to procurement performance, efficiency, and compliance.

As elaborated on above, a lot of contracting authorities do not upload all the information as required onto the system, so the data or statistics that are currently being generated are not fully accurate or dependable as they do not give the full picture of all procurements taking place in Armenia.

In the MoF Annual Procurement report for 2023 some of the presented data is questionable e.g. total amount of the contracts signed by the six public utility organizations under PSRC (i.e. Gazprom Armenia; Trans Gas (under Gazprom Armenia); Electric Networks of Armenia; Hrazdan Power Company; International Power Corporation (Sevan Hrazdan cascade); and Contour Global Hydro Cascade CJSC (Vorotan Cascade)) presented in table 11.4 on page 31 of the report as AMD 24,860.3 million, whereas in the Annual report posted at the website of the PSRC[29] total amount of investments done by two out of above six companies is more than AMD 61,000.0 million (i.e. AMD 25,000.0 million by Gazprom Armenia CJSC and 36,000.0 million by Electric Networks of Armenia CJSC.).

- **Recommendations**

While there exist centralized platforms and a plethora of information is captured therein, verifying the relevance of the data and updating it where needed is strongly advised, along with a review of translations mandated under the law into Russian and English to improve the accuracy of key legal and regulatory terminology, especially those guiding the procurement process.

Concrete steps must be taken to implement the measures outlined in the Concept of Development of the Procurement System and its Action Plan, which include modernizing the e-procurement system and expanding its use among procuring entities.

While a centralized procurement system exists and provides a wealth of information that is freely accessible, updating this information to reflect the latest versions should be prioritized. Additionally, ensuring that translations are completed for all documents as required under the PL and that contracting authorities are compelled to upload the necessary information remains critical. Although the system is in place, not all stakeholders are using it as mandated by law. Therefore, enhanced monitoring and enforcement by the authorized body are essential to drive compliance.

Ensuring that the new e-procurement system includes the publication of all relevant contract implementation details, such as amendments, milestones, and payments, is essential. Wherever feasible, procurement data should be published in open and structured machine-readable formats.

[29] www.psrc.am/contents/page/annual_reports

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In situations where e-procurement is not yet fully implemented, digitizing and publishing key details from paper-based procurement (e.g., bidders, contract awards, contract values) in machine-readable formats will significantly improve accessibility.

The authorized body under the MoF should address non-compliance by conducting in-depth monitoring of the procurement portal and ensuring contracting authorities fulfill their legal obligations to upload all required data.

As the MoF proceeds with the acquisition of a new e-GP system, designing the system to prevent advancement through the procurement process unless specific preconditions are met (e.g., mandatory uploads) is crucial. A notification or red-flag mechanism should be built in to alert both contracting authorities and the authorized body of missing information via system-generated reports, facilitating more consistent legal compliance.

Introducing regulatory or legislative measures that require all contracting authorities to fully integrate with the e-procurement system within a set timeframe would help ensure uniform application of procurement rules.

The new e-GP software being procured should include a training module to support the ongoing education of relevant stakeholders, ensuring they are well-equipped to use the system effectively.

As part of the new e-procurement system, including functionality that categorizes suppliers by size (e.g., MSMEs vs. large suppliers) would allow for targeted analysis, better policy development, and enhanced visibility of MSME participation. This could be supported by a formal data-sharing agreement between the MoF and the State Revenue Committee for timely and accurate supplier data exchange.

Tracking key performance indicators (KPIs) related to MSME participation, such as the percentage of tenders awarded to MSMEs, bid success rates, and contract values, would enhance visibility and oversight. Establishing clear procedures for collecting and managing this data is also advised.

Implementing an automated tracking feature within the e-procurement platform to record the number of electronic bids, categorized by supplier type, will support transparency and monitoring.

Particular attention should be given to improving the search functionality. Addressing current issues with symbol distortions and weak filters by incorporating a more robust search engine will help bidders easily find relevant tenders, especially those designated for small businesses.

Providing targeted training programs for MSMEs, including workshops and online resources focused on e-procurement processes and digital literacy will enhance their capacity to participate effectively.

The new e-GP software being acquired should include multilingual functionality, specifically in Russian and English, to comply with the existing PL requirements.

The MoF should continue advancing its strategy to enhance the e-GP system, ensuring that the platform captures, processes, and reports more meaningful and comprehensive procurement data and statistics.

Incorporating mandatory completion checks in the e-GP system—requiring users to fill certain fields or upload documents before proceeding—along with automated alerts for irregularities, is essential. Such mechanisms would enhance both compliance and system performance.

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The authorized body should leverage the data collected through the e-GP system to perform meaningful analysis that informs procurement policy in the future. While the system will aid this process, final analysis and reporting should be carried out by staff of the authorized body and made publicly available through annual reports on their website.

Summary of substantive gaps and recommendations of Indicator 7

Substantive gap	Risk classification and red flags	Recommendations
Sub-indicator 7(a)(c) While invitations to bid and contract awards are largely published for nearly all required contracts, details related to contract implementation are sometimes limited or incomplete. In addition, this information is published in a non-machine-readable format. The information available on the procurement bulletin website is also not in a machine-readable format, hindering data analysis and automated processes. Considering that information regarding paper-based procurement procedures is only published in the official bulletin, these limitations become even more challenging to address.	High	Ensure the publication of all relevant details related to contract implementation, such as amendments, milestones, and payments in the e-procurement system. Where possible, publish procurement information in open and structured machine-readable formats. Improve the accessibility of paper-based procurement information by at least digitizing and publishing core details (such as bidders, contract awards, values, etc.) in machine-readable formats.
Sub-indicator 7(a)(e) Not all information is published in an open, structured, and machine-readable format, either on the e-Procurement system or the official procurement bulletin. There is lack of official statistics on this.	Medium	Where possible, publish procurement information and data in open and structured machine-readable formats to facilitate data analysis, improve accessibility, and support automated systems for processing and decision-making.

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Sub-indicator 7(b)(d) The e-procurement system/ARMEPS does not classify suppliers based on their size, which make it challenging to differentiate between MSMEs and larger suppliers when analyzing procurement data. Thus, there is no formal procedure in place for record-keeping, data analysis, or the publication of results related to MSME participation in public procurement. The accuracy of some data presented in PPCM system is uncertain (e.g. number of bids submitted electronically). There are issues with search tools and symbol distortions on official procurement websites, which hinder MSMEs from accessing relevant procurement information and finding specific tenders. MSMEs often lack professional skills for participating in e-procurement compared to more experienced organizations, which have dedicated staff for this.	High	Implement a supplier classification feature (e.g., MSMEs vs. larger suppliers) to enable targeted analysis, policy development, and clearer visibility of MSME participation. Establish a formal data exchange protocol between the MoF and the State Revenue Committee for timely, accurate supplier data sharing. Define and track MSME-related KPIs such as the percentage of tenders awarded, bid success rates, and contract values. Establish guidelines and procedures for collecting, storing, and managing MSME procurement data. Introduce an automated system to track and record electronically submitted bids, segmented by supplier type. Improve the search interface by addressing current tool limitations and symbol issues. Equip the system with a stronger search engine and advanced filters to help bidders, especially small businesses, find relevant tenders. Introduce targeted training programs for MSMEs, including workshops and online resources on procurement procedures and digital tools.
Sub-indicator 7(c)(c) A lot of the contracting authorities do not upload all the information as required onto the system, so the data or statistics that are currently being generated are not fully accurate or dependable as they do not give the full picture of all procurements taking place in Armenia.	High	Ensure that the new e-GP system includes features requiring the mandatory completion of certain areas, fields, or uploads before progressing to the next step of the procurement process. Also, incorporate a system of notifications and red flags that alerts the procuring entity and the authorized body when irregularities are detected.
Sub-indicator 7(c)(d) In the MoF Annual Procurement report for 2023 some of the presented data is questionable e.g. total amount of the contracts signed by the six public utility organizations under PSRC (see Gaps section for details)	Medium	Have the authorized body/MoF monitor and analyze the information captured in the system to produce meaningful conclusions that can inform procurement policy for the coming years. The new e-GP system will support this work, but final analysis should be conducted by staff of the authorized body and presented in their annual reports published on their website.

Indicator 8. The public procurement system has a strong capacity to develop and improve

This indicator focuses on the strategies and ability of the public procurement systems to develop and improve. Three aspects should be considered: i) whether strategies and programmes are in place to develop the capacity of procurement staff and other key actors involved in public procurement; ii) whether procurement is recognised as a profession in the country's public service; iii) whether systems

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have been established and are used to evaluate the outcomes of procurement operations and develop strategic plans to continuously improve the public procurement system.

- **Synthesis of the indicator**

Armenia has established a solid foundation for procurement training, primarily managed by the MoF, which certifies and continuously trains procurement coordinators. Training focuses mainly on compliance with procurement rules, legal requirements, and e-procurement tools. Over 1,500 coordinators have been trained by the MoF, with additional support from institutions like GORTSQ and the Academy of Public Administration. Advisory services such as a hotline and Frequently Asked Questions (FAQs) further assist stakeholders. Despite this, the training remains largely compliance-driven and does not sufficiently address core competencies such as contract management, strategic procurement, or negotiation skills.

Procurement coordinators are mandatory in all government bodies and must meet educational and certification requirements, including refresher courses every three years. However, procurement is not yet fully professionalized within the civil service framework, lacking clear career paths, defined qualifications, and integration into civil service regulations. The law allows outsourcing procurement functions to private entities, which complicates professionalization efforts. Additionally, evaluation commission members and civil society groups, who play important roles in procurement oversight, currently receive little formal training.

The MoF collaborates with oversight bodies to monitor procurement performance and publishes annual procurement reports. However, these reports mainly present statistics without detailed analysis, and the reform strategy lacks a clear results framework with measurable targets. There is also no systematic assessment of skills gaps or linkage between performance evaluations and training needs.

To improve the system, it is recommended that Armenia develops competency-based training and formally recognizes procurement as a professional civil service function with clear qualifications, career progression, and salary structures. Outsourcing of procurement should be phased out to ensure qualified staff within public bodies. The MoF needs to enhance feedback mechanisms to better tailor training and capacity building, and incorporate a results-oriented framework into the reform agenda. Expanding training to include evaluation commission members and civil society, along with more analytical reporting supported by an advanced e-procurement system, will further strengthen Armenia's procurement system.

- **Findings**

Sub-indicator 8(a) - Training, advice, and assistance

Procurement training in Armenia is well established. Initially outsourced to institutions like GORTSQ, it has been delivered in-house by the MoF over the past two years. According to Article 16.2.3 of the PL, the MoF ensures the certification and continuous training of procurement coordinators, mainly focusing on compliance with procurement rules, legal reasoning, and e-procurement tools.

Procurement coordinators must pass an online test before attending face-to-face training and receiving a license from the MoF. They are also required to complete refresher training to maintain their license. To date, over 1,500 coordinators have been trained by the MoF.

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Other training providers include GORTSQ, which has trained over 3,000 coordinators and 1,500 companies, and the Academy of Public Administration, which offers training on demand and integrates procurement modules into its graduate programs.

The MoF regularly updates training materials in line with legal changes and provides ongoing advisory support through email, FAQs, and a hotline that handles about 1,500 calls per month, covering topics such as E-Auctions, regulations, and blacklisting.

Capacity development is a formal component of Armenia's Procurement System Development Strategy (Decree N977-L). The strategy outlines targeted training initiatives across multiple levels, including: procurement planning, technical specification development, contract management, business and judicial stakeholder training, managerial awareness.

According to the MoF's report on the implementation of the above activities in 2023[30]:

- 250 participants from 127 procuring entities were trained on procurement related to construction projects.
- 614 employees from state bodies and Yerevan Municipality received training on procurement planning, technical specifications, and contract management following a needs assessment.
- 185 specialists from medical organizations were trained on procurement-related topics.
- 389 certified procurement professionals underwent mandatory refresher training, incorporating updated methods such as Q&A sessions, case studies, and recommendations.
- 20 judges received specialized training through collaboration with the EU SIGMA program.
- 50 private construction firms participated in distance training on new procurement procedures for education-related construction projects.

Sub-indicator 8(b) - Recognition of procurement as a profession

The role of procurement coordinator is mandatory for each contracting authority, as stated in Articles 16.3 and 16.4 of the PL. According to GoA Decree 759-N, candidates must meet specific criteria (e.g., higher education, no criminal record) and pass a monthly online certification exam in Armenian organized by the MoF. Licensed coordinators must undergo 12 hours of refresher training every three years to retain their certification.

The Civil Service Office regulates job classifications and qualifications for all civil servants under First Deputy Prime Minister's Decree 3N (2019), which outlines procedures for defining job descriptions, including required education, experience, competencies, and responsibilities. Ministries are responsible for drafting descriptions and setting KPIs, with final review by the Civil Service Office.

Procurement coordinator appointments are competitive. Those in civil service must go through a formal recruitment process, including testing and interviews, as outlined in Decree 1554-N (2018). Internal and external candidates compete based on qualifications, with testing phases held electronically and interviews recorded.

[30] No statistics for 2024 were available at the time of assessment.

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While PL does not mandate a performance evaluation system specifically for procurement staff, civil service performance is assessed under Decree 1510-N (2011). Work plans and evaluations are entered into an electronic system, reviewed semi-annually, and used to plan development activities such as training or professional development.

The continuous training of procurement coordinators is governed by Decree 759-N, requiring periodic participation in MoF-approved programs. At least 30% of training content must be practical. Training topics are updated annually and published by March 15.

Broader civil service training is regulated by Decree 2N (2019), which mandates that each civil servant have an individual training plan based on assessed needs. The Civil Service Office delivers training on core competencies, while line ministries oversee professional knowledge areas. Distance and in-person learning are delivered through the civil service information platform.

Sub-indicator 8(c) - Monitoring performance to improve the system

The MoF consults with the Competition Protection Commission, State Supervision Service, External Audit Authority, and oversees i for the GoA. It reviews reports from these bodies to assess procurement system performance. The MoF also manages a procurement website, where it collects statistics and publishes annual reports[31].

According to Article 9.5 of the PL, contracting authorities must submit reports to the MoF for inclusion in the annual procurement report, which is published by May 1 of the following year.

The MoF uses this information to shape its procurement reform agenda (Decree 977-L). Key reform focus areas include:

- Capacity development
- Greater access to information
- Role adaptation for the MoF
- Digitalization and a new e-procurement system
- Standardization and green procurement
- Ongoing system improvements

While the reform plan identifies stakeholders and implementers—mainly the MoF—it lacks a results framework.

- **Gaps**

Procurement training in Armenia is primarily compliance-focused and lacks aspects of competence training (i.e., contract management, drafting qualifications and technical specifications, negotiations, strategic thinking in procurement, etc.) as communicated by most stakeholders met during the missions to Armenia. This may be due to the fact that the procurement profession is not yet fully integrated into civil service as a recognized procurement function with a career path, a position classification system mapped with qualification requirements, and promotions based on qualifications.

[31] https://gnumner.minfin.am/hy/page/2023_tvakani_hashvetvutyunner/

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Throughout our meetings contracting authorities consistently expressed a need for more training on drafting qualification criteria, technical specifications, and conducting evaluations. Evaluation commission members, who currently do not receive procurement training (reserved only for "procurement coordinators"), also need a solid understanding of procurement to perform their roles effectively. Additionally, the government has not provided training to CSOs.

While the MoF includes training on FAQs received via their website and help desk as part of the procurement coordinator training, they acknowledge the need for a more comprehensive feedback mechanism. Such a system would allow them to gather and incorporate feedback to improve training content. Currently, there is no thorough "skills-gap" analysis of public procurement stakeholders to inform capacity-building efforts or guide adjustments to training programs based on identified needs.

Some aspects of the action plan of the Concept of the Procurement System Development still need to be implemented and continued to be rolled out on a continuous basis. Additionally, it does not take into consideration the training of civil society and the media, who can be important players in the procurement reform agenda or even cause problems if they don't have a good understanding of the system and yet try and put out statements in the media that may misinform the public and have adverse effects on the procurement reform agenda.

Clause 9 of GoA Decree 759-N contains the requirement for a person to not be deprived of the right to hold a public service position in order to be able to take the exam for qualification of procurement coordinators. There is no mention of a "civil service position". Despite the fact that according to official sources almost all procurement coordinators in public bodies are civil servants (except National Security Service and Foreign Intelligence Service), the absence of such a mandatory requirement and clear mention in the procurement legislation can create issues. This may also lead to misalignment with civil service legislation and regulations, particularly in relation to promotion. In addition, the PL allows for subcontracting outsourcing of the procurement function to the private sector (Article 16.4 of PL) and each contracting authority can make such decisions on their own, which can create an additional disconnect with the Law on Civil Service and decrees, because the Civil Service Office's mandate does not cover the private sector. As practice shows, in many instances, especially in small procuring entities, procurement is still carried out by other professionals such as HR staff or accountants for example. Procurement coordinators are also considered as "compliance officers" rather than procurement professionals by many.

It was communicated by MoF that the performance of meeting the KPIs or not is used to determine if a license will be retracted or not by MoF for procurement coordinators. It is not used by them or the contracting authorities, to their knowledge, to ascertain skills-gaps or training needs, and underperforming staff are not trained to better meet the KPIs in the ensuing year, but rather lose their license to be a procurement coordinator.

On the other hand, the Civil Service Office confirmed that under GoA Decree 1510-N of 2011, the regular evaluations of public and civil servants do take place and that the responsibility for requesting competence training for staff who have underperformed is the responsibility of the ministry; and when such requests are received then the Civil Service Office will offer the necessary competence training (First Deputy Prime Minister's Decision/Decree 2N of 2019). In reality, however, it would appear that they have not received any such training request with regards to procurement competence.

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Revision of the annual procurement reports show that procurement statistics are produced and communicated annually, but there does not appear to be much or any analyses of these procurements – at least not presented in the annual reports.

A strategic plan (or action plan) should, however, include a results framework to monitor the implementation of the planned reform actions. This should typically include goals, actions, indicators with baselines and targets, and timelines for the reforms. Performance targets should be presented in a format that is clear about what is being measured and how it is being measured (method of calculation and data sources). The reform action plan does not currently include such details.

- **Recommendations**

It is advised that competency-based training be developed and integrated into the existing training modules and infrastructure in Armenia, including training for evaluation commission members. Greater engagement with civil society and the media is encouraged, supported by targeted sensitization and training similar to that provided to private sector bidders. The procurement function should be professionalized and integrated under the Civil Service Office, with a clear career path and continuous capacity development.

Collaboration between the MoF and the Civil Service Office is recommended to establish procurement as a mandatory professional function within the civil service, with defined hierarchical levels and clearly specified qualifications and competencies, in line with the First Deputy Prime Minister's Decree 3N. Salary levels for procurement staff should be aligned with those of accountants or financial management specialists to ensure appropriate professional recognition. The outsourcing of the procurement function should be removed from the legal framework, and legislation should require procurement coordinators to be civil servants in each public body.

The MoF is encouraged to incorporate feedback and evaluation mechanisms into its training programs and, in cooperation with the Civil Service Office, to establish a mandatory professional procurement cadre subject to regular performance reviews and targeted skills development.

Available procurement statistics should be complemented by relevant analysis and published through annual reports. The new e-GP system planned by the Ministry of Finance is expected to cover the full procurement cycle, from planning to contract implementation and payment, generating comprehensive data to support reporting and inform future reforms. The reform program should also include measurable targets, appropriate methods for assessing progress against baselines, and a results framework with clear, verifiable indicators to enable effective monitoring and evaluation.

Summary of substantive gaps and recommendations of Indicator 8

Substantive gap	Risk classification and red flags	Recommendations
Sub-indicator 8(a)(b) While the MoF does also offer training on the FAQs they receive through their website and help desk as part of the procurement coordinator's training, they admit that they still need to create a more expansive system	Medium	Incorporate a feedback/evaluation mechanism for training courses into the MoF's existing capacity-building programmes.

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to receiving feedback on their training courses and use the feedback to adjust the training courses accordingly. There is no in depth "skills-gap" analysis of those stakeholders working in public procurement to feed into the capacity building initiatives and lead to adjustments in the programmes to cater for such identified skills-gaps.		
Sub-indicator 8(b)(a) Clause 9 of GoA Decree 759-N requires eligibility for public service to take the procurement coordinator exam but does not mention civil service. Although most coordinators are civil servants, the lack of clarity and the allowance for outsourcing under the PL creates inconsistencies with Civil Service Law. In practice, procurement coordinators are often viewed more as compliance officers. The Civil Service Office has not conducted competence-based training for procurement coordinators.	High	Collaborate with the Civil Service Office to establish procurement as a mandatory civil service profession with defined hierarchical levels and corresponding qualifications, as outlined in First Deputy Prime Minister's Decision 3N. Align salary levels with those of accountants or financial management specialists to ensure equal professional recognition. Remove the legal provision allowing outsourcing of procurement functions and mandate internal procurement staff in each public body. Require procurement coordinators to be civil servants, replacing the current reference to public service positions in Clause 9 of GoA Decree 759-N.
Sub-indicator 8(b)(c) The MoF uses KPI performance to decide whether to revoke procurement coordinators' licenses but not to identify skill gaps or provide training. Underperforming coordinators lose their license rather than receive support. The procurement function is not fully integrated into the civil service structure due to legal provisions allowing outsourcing and decentralized staffing decisions by contracting authorities.	High	Cooperate with the Civil Service Office to create a mandatory professional procurement cadre, where staff undergo performance reviews to identify skills gaps and receive targeted training to improve performance and meet KPIs.
Sub-indicator 8(c)(c) The procurement reform program lacks a comprehensive results framework.	Medium	Incorporate a results framework into the procurement reform program to enable monitoring of objective achievement through measurable and verifiable indicators.

3.3. Pillar III - Public Procurement Operations and Market Practices

This Pillar looks at the operational efficiency, transparency and effectiveness of the procurement system at the level of the implementing entity responsible for managing individual procurements (procuring entity). In addition, it looks at the market as one means of judging the quality and effectiveness of the system in putting procurement procedures into practice. This Pillar focuses on how the procurement system in a country operates and performs in practice.

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Indicator 9. Public procurement practices achieve stated objectives.

The objective of this indicator is to collect empirical evidence on how procurement principles, rules and procedures formulated in the legal and policy framework are being implemented in practice. It focuses on procurement-related results that in turn influence development outcomes, such as value for money, improved service delivery, trust in government and achievement of horizontal policy objectives.

- **Synthesis of the indicator**

The assessment of Armenia's public procurement highlights gaps in planning, selection, and contract management. Current regulations do not require needs or market analyses during procurement planning, and contract templates lack provisions to specify desired outcomes or incorporate sustainability criteria. The PL allows two-stage bidding in limited cases and in practice, selection is predominantly based on the lowest price, despite provisions allowing for quality-based evaluation.

Analysis of 96 procurement procedures from 2022-2023 shows mixed results: procurement durations vary by method, with some improvements in timelines. However, a high share (about one-third) of procurements are conducted via SS methods, often without clear justification, suggesting poor planning. Urgent SS procurements sometimes reflect avoidable delays rather than genuine emergencies.

Contract management suffers from insufficient transparency and accountability. Although contracts and amendments are published, the data is not machine-readable, and quality control or invoicing details are incomplete, limiting oversight. Many contracts experience delays and frequent amendments, particularly open tenders, which reflects weak risk management and planning. Public oversight is mandated but underutilized.

Key recommendations include revising laws to restrict and justify SS use, publishing all procurement data in standardized, machine-readable formats, and adopting international data standards like Open Contracting Data Standard (OCDS). Strengthening planning, risk management, and training procurement teams, alongside enhancing e-procurement systems with better data analytics and performance tracking, will improve transparency, efficiency, and reduce unnecessary contract amendments, thereby bolstering the procurement system overall.

- **Findings**

Sub-indicator 9(a) – Planning

When reviewing the PL, the Procurement Regulations, as well as GoA Decree 390-N "On Approval of The Procurement Plan Form, Its Fill Out, Approval and Publication Procedure", there is no language mandating or even encouraging the conducting of a needs analyses and market analyses as part of the procurement planning process.

Contract forms for procurement of goods/works/services attached to the relevant sample bidding documents do not have clauses within them indicating that contracting authorities should specify desired outcomes.

Sustainability criteria are not currently in use in Armenia and there are no specific references to them within the procurement legal framework either.

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Sub-indicator 9(b) – Selection and contracting

Article 19 of the PL allows the use of two-stage bidding in specific situations: when the contracting authority cannot clearly define the procurement requirements, when bidders are permitted to submit alternative proposals, or when negotiations are necessary to clarify certain technical aspects of the procurement. In such cases, a prequalification stage must be conducted, open to all interested bidders. Only prequalified bidders are invited to participate in negotiations aimed at developing one or more acceptable options for the procurement description. Following these negotiations, a final invitation is issued.

Article 16.2.8 of the PL authorizes the MoF to approve standard procurement documents, including invitation and contract templates. These documents, adopted under Minister of Finance Order 121-A of March 30, 2021 (most recently amended by Order 31-A on February 26, 2024), are categorized for e-procurement, paper-based procurement, and procurement involving state secrets. The Armenian versions, with some documents in Russian, are publicly available on the MoF's procurement website[32].

According to Article 5.1.11 of the PL and Government Decree 390-N of April 13, 2017, the GoA is responsible for approving the structure, completion, approval, and publication process of procurement plans. These plans must specify the procurement method for each item and, when financed from the state budget, are approved annually as an annex to the Government's decision on implementing the state budget.

Article 9 of the PL stipulates that for procurements exceeding the base unit value (AMD 1 million), the contracting authority must prepare detailed minutes of the procedure within three working days after contract signing or an unsuccessful outcome. These minutes must include a justification of the procurement's necessity and the chosen method.

The law provides detailed rules for the submission, receipt, and opening of bids under Articles 20 (open tender), 21 (closed tender), 24 (prequalification), 30 (submission), 33 (opening), and 40 (E-Auctions). These procedures are also outlined in the standard procurement documents, particularly in Chapters 4 and 8 of the Invitation.

Article 33.5 of the PL grants bidders and their representatives the right to attend evaluation commission sessions and request the minutes, which must be delivered within one calendar day. Confidential information marked by bidders must be protected by the contracting authority. However, there is a legal contradiction, as the Procurement Regulations (Clause 32.4) and sample documents (Clause 8.8) also require that upon request, any bidder may obtain copies or view the bid documents of competitors, potentially breaching confidentiality.

Article 5.1 of the PL provides for public oversight of contract implementation for procurements exceeding the base unit value. This oversight can be carried out by bidders, NGOs registered in Armenia, and media representatives.

Bid evaluation criteria are defined in Article 34.2 of the PL. The winning bidder may be determined either by selecting the lowest-priced bid among those meeting technical criteria or by awarding the bid with the

[32] https://gnumner.minfin.am/hy/page/gnumneri_gortsyntacnerum_kirarvogh_pastatghteri_orinakeli_dzever/

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highest combined score based on price and non-price criteria. Non-price factors must be relevant to the procurement and must be clearly weighted in the bidding documents. However, the standard invitation form only includes the lowest-price method.

Contract award notices are governed by PL Articles 10 and 11. Before a contract is signed, the contracting authority must publish an award decision notice within one working day. This notice must include procurement details, selected bidder information, contract value, and the selection method. After a 10-day standstill period (during which appeals may be submitted), the contract may be signed. Once signed, a notice of the concluded contract must also be published.

Currently, Armenia's procurement legal framework does not incorporate SPP considerations. Additionally, contract templates do not include incentives for exceeding performance expectations. On the other hand, they emphasize penalties for non-performance. For instance, contract Clause 2.1.2(b) allows the contracting authority to terminate the contract and demand repayment and penalties if performance fails to meet standards.

Based on the analysis of selected 96 procurement procedures, the average time for the procurement of goods, works and services (in days) can be presented as follows:

Procurement procedure	2022	2023
Open tender	84	72
Price quotation	41	39
E-auction	34	39
Urgent SS	18	18

Procurement item	2022	2023
Goods	44	35
Works	45	49
Services	37	43

The number of days between advertisement/solicitation and contract signature can be presented as follows:

	2022		2023	
Procurement procedure	Minimum number of days	Maximum number of days	Minimum number of days	Maximum number of days
Open tender	35	129	38	165
Price quotation	31	59	7	57
E-Auction	27	39	32	63
Urgent SS	7	38	1	43

Overall, the indicator for the average number of bids submitted did not vary significantly across procurement methods/forms. However, the situation differed when it came to the responsiveness of the bids:

	Average number of bids	% of bids that are responsive from total number of bids

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Procurement procedure	2022	2023	2022	2023
Open tender	5	5	52%	43%
Price quotation	6	4	64%	79%
E-Auction	5	6	72%	74%
Urgent SS	2	1	80%	100%

Analyzing the results of competitive procurement methods, the highest responsiveness of bids in 2022 was observed in E-Auctions, where 72% of the total bids were responsive or compliant. In 2023, the best performance was recorded in price quotations, with 79% of the bids meeting responsiveness criteria.

Across the two observed periods, there were at least 15 procurement procedures for which complete information was not published on the procurement website.

All 96 analyzed procurement procedures resulted in successful awards.

Sub-indicator 9(c) – Contract management in practice

While contracts and amendments are published on the e-portal[33], the data is not in a machine-readable format, and the implementation status is limited to invoices and delivery-acceptance acts, which are sometimes incomplete. This lack of comprehensive data affects transparency, accountability, and hinders effective data processing and analysis. According to the data provided by the procuring entities, out of 96 procurement procedures and contracts, many experienced delays in their execution.

	Average delay in days		Time overrun in % (each type of procurement)	
Procurement procedure	2022	2023	2022	2023
Open tender	70	13	8%	25%
Price quotation	84	-	25%	-
E-Auction	29	13	25%	33%
Urgent SS	31	138	42%	42%

As the data shows, in 2023, most procurement types experienced shorter delays compared to 2022, with the exception of the urgent SS procedure. However, there was an increase in the occurrence of time overruns across these procedures. The urgent SS process saw a significant rise in delays in 2023, indicating that urgent procurement processes are facing substantial inefficiencies.

Clauses 108 to 112 of Procurement Regulations outline the procedures for accepting the results of contract performance, including supervision and quality control measures. A responsible subdivision within the contracting authority is tasked with overseeing the contract's implementation and documenting its completion through a delivery and acceptance protocol. This protocol must be signed by both the head of the responsible subdivision and the person who signed the procurement contract, and it requires a prior written positive opinion from the official who prepared the procurement bid, confirming

[33] https://www.armeps.am/ppcm/public/reports

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that the deliverables meet or exceed contractual standards. Even if delays occur, a positive opinion is issued unless the contract is terminated.

In cases where public oversight is exercised, an observer may submit a written opinion on the quality and compliance of the delivered goods, works, or services. If the opinion is positive, it is included in the final documentation. If negative, but not shared by the responsible subdivision, the subdivision can still issue a positive opinion. Disputes are resolved through discussions between the subdivision and the contract signatory within 30 working days, with results recorded and published.

For construction contracts, after completion, a special commission must be formed (as per Decree 596-N) to inspect and formally accept the works. Final acceptance occurs only after verifying compliance and preparing a formal act. Before signing the final protocol, 5% of the contract value or the last payment is withheld as a retention amount.

Clause 113 of the Regulations stipulates that payment for procurement contracts (involving state or municipal entities with treasury accounts) must be initiated by entering the payment order and a copy of the protocol into the treasury system within three working days after signing the acceptance protocol. For entities without treasury accounts, payment is made within five working days as per the contract schedule. Advance payments require proof of security, and no further payments are processed until the advance is fully recovered.

MoF must process payments within five working days upon receipt of the correct documentation. Although no invoice data was available, the MoF confirmed that all invoices were paid on time during 2022 and 2023.

Regarding contract modifications, Procurement Regulations require that any changes to contracts exceeding the procurement base unit be published within three working days or submitted to the authorized body if the procurement involves state secrets. Certain modifications are prohibited, including reductions in quantity without price changes, increases in volume beyond 10%, substitutions exceeding 15% of the contract value, extensions over 30 days within the contract's total duration, unjustified price increases, or the introduction of advance payments not originally planned. However, in exceptional cases, the contracting authority may seek Government approval to deviate from these restrictions by submitting a draft decision for review.

The review of 96 procurement cases reveals that a significant number of amendments were made during the execution of contracts, with some contracts being amended multiple times (maximum was 14 amendments on a single contract).

	Amendments in % of total number of contracts	
Procurement procedure	2022	2023
Open tender	67%	67%
Price quotation	58%	42%
E-Auction	33%	25%
Urgent SS	50%	58%

Both in 2022 and 2023, open tenders had the highest percentage of amendments, followed by price quotations, urgent SS procurement, and E-Auctions.

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The high amendment rate for open tenders was mainly due to the larger scope and complexity of these contracts that require ongoing adjustments.

Some of the changes were caused by the delayed financial allocations necessary for executing the procurement (Article 15.6 of the PL), which resulted in the need for signing new agreements and making adjustments.

Unfortunately, an analysis of changes in contract value could not be conducted due to insufficient data. Specifically, this information was only provided by a few procuring entities, making it difficult to perform a comprehensive analysis across all cases.

The review of data published on the official procurement websites shows that all contract amendments were issued and published in a timely manner, in accordance with the required procedures and regulations.

As already mentioned, procurement statistics in Armenia are accessible through the ARMEPS system, particularly via its PPCM module, which provides reporting tools, graphical data, and analysis features. According to Article 5.1 of the PL, public control over contract implementation and management is permitted for non-classified procurements and may be exercised by bidders, Armenian-registered NGOs, and media representatives. For procurements involving state secrets, only participating bidders may conduct oversight.

Oversight representatives must not have COI (e.g., close family ties or business associations with contract parties) and are required to sign and publish a Declaration of no conflict of interest. Their role is advisory and must be conducted jointly with the contracting authority's implementing unit. Their opinions must be discussed, with outcomes documented and published. If no input is submitted, this is noted in the contract implementation justification.

Public oversight is applicable for contracts exceeding the procurement base unit. Participation terms and deadlines are established in the contract notice, with at least three calendar days for applications. If a person's input is found to be unjustified twice, they lose the right to continue oversight on that contract, and a public notice is issued.

Public monitoring data and outcomes are published in a dedicated section on the official procurement websites. Since the mechanism was introduced in 2021, only 15 public monitoring cases have been recorded.

None of the 96 procurement cases reviewed showed direct involvement of external stakeholders in the contract implementation stage.

Thus, all procurement information—covering works, goods, and services—is publicly available at official sources[34], including contract details such as value, duration, and awarded entities. The centralized database compiles entries automatically from government bodies. However, due to the unavailability of information on quality control and invoices, this indicator cannot be fully assessed.

- **Gaps**

[34] https://gnumner.minfin.am/hy/ and https://www.armeps.am/ppcm/public/reports

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During the MAPS assessment, some contracting authorities indicated that they conduct market research as part of procurement planning; however, this practice is inconsistent. Several procurement processes were unsuccessful due in part to a lack of market analysis and insufficient market capacity to respond to tender requirements. For example, the “Renovation of the Nor Geghi - Yeghvard transport hub” contract (#ՏԿԵՆ-ՀԲՄԱՇՁԲ-2024/12Շ) was awarded only after four attempts because no bids were submitted in the first three rounds, largely due to inadequate market assessment.

Randomly selected and reviewed contracts for goods and services (i.e., “Supply of medical supplies for hospital” ref. #ԳԾ-ԳՀԱՊՁԲ-2021-1; non-consulting services for “Streets’ winter maintenance (snow removal)” # ՇՄԱՔ-ԳՀԾՁԲ-21/3) did have provisions in the technical specifications with regards to requirements and desired outcomes, but most other contracts did not.

Sustainability criteria are currently not considered. However, the authorized body has the introduction of SPP as part of its intended future reform agenda (as already elaborated on above under indicator 3 of this report, focusing on SPP).

SBDs/sample documents are limited and largely identical across goods, works, and services, with wording for “works” simply replaced by “services” or “goods.” No standard documents exist for consultancy services, and all documents are only available in Armenian.

During the assessment, it was noted that SS and lowest cost are the primary procurement method/approach used by many contracting authorities, despite the PL preferring tenders as the main method and allowing quality-based selection/evaluation. Earlier WB and ADB reports highlighted frequent use of SS procurement, sometimes unjustified by best practices.

Contracting authorities use two types of SS methods: (i) standard SS, applied when goods, works, or services can only be provided by one supplier; for additional purchases up to 10% of the initial contract from the same supplier; when the price does not exceed the procurement base unit (AMD 1 million); or for procurements outside Armenia; and (ii) Urgent SS, used for procurement due to emergencies or unforeseen situations.

The legislation provides inadequate enforcement mechanisms to ensure that the chosen procurement method is properly justified. Some items procured via the urgent SS method (such as printing passport booklets and driving license forms, supplying equipment for 750 police patrol cars, organizing events, constructing a customs point, and technical supervision over construction) suggest these cases stem more from poor procurement planning rather than genuine emergencies or unforeseen situations.

Clause 21.1(d) of the Procurement Regulations may be interpreted as requiring at least three potential bidders for procurements under Article 23.1.2 of the PL (emergencies or unforeseeable urgent needs), except when conducted via the e-procurement system. This, however, could be viewed as conflicting with the purpose of SS procurement, especially in situations where competition is impractical.

In addition, Clause 71.1(b) of the Regulations stipulates that the bid preparation period must be no less than two and no more than five working days. The list of contracts signed in 2022-2023 includes many road rehabilitation projects valued between USD 2.0 and 10.0 million. Considering the maximum five-day bid preparation period allowed under Clause 71 of the Regulation, the accuracy and reasonableness of prices determined within such a limited timeframe are questionable.

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There is a contradiction between two clauses (i.e. PL Article 26. “Evaluation commission” and Clause 32.4 of the Procurement Regulations) which could bring into contention the interpretation of the assurance of confidentiality of bid information. The law is supreme over the regulations, nevertheless Clause 32.4 of the Regulations poses a serious risk to confidentiality.

Reviewing the procedures followed in public procurement, particularly when the lowest bid price is the most frequently used criteria for contract award, provided that the bidder is: (i) eligible; (ii) doesn’t have COI; and (iii) submitted all required securities, without taking into consideration the qualification of the bidder, its financial standing, technical capability and other ongoing contract commitments, it should be mentioned that these are very far from the provision in the Article 3 of the PL where it is declared that: “1.The objective of this Law is to ensure value for money in the procurement process.”

From the review of past procurement cases and the discussions held with stakeholders during the assessment, almost every single stakeholder mentions that in practice lowest price is the only determinant and some even expressed a fear to choose another option other than lowest price out of fear of reprisal from the auditing authorities. There appears to exist a wide-spread practice in Armenia that lowest price is the only way to award a contract.

There are no clear methodologies for applying non-price criteria, which leads to their infrequent use by procuring entities.

Incentives to exceed performance is missing and the level of penalties existing not only in contract documents but the legal framework for procurement is demotivating to the private sector and was mentioned in the assessment team’s meeting with the private sector. We also notice that the average number of bids per tender is less than 2 currently in Armenia reflecting the increased disinterest from the private sector to participate in public bidding because of an unbalanced system in terms of incentives and penalties.

The meaning of the “…satisfactory evaluated bid…” is defined in the Article 34.6 of the PL as follows: “*6. The bid shall be evaluated as satisfactory, where the data submitted according to part 5 of this Article meet the requirements defined in the invitation.*” Given that part 5 of the Article 34 was “repealed by HO-4-N of January 21, 2022”, it is not clear what data should be submitted by the bidders to have their bids evaluated as satisfactory.

The bid price could be corrected by the evaluation committee only if there is an inconsistency between the amounts presented in letters and in figures, the amount in letters prevails (Article 34.4 of the PL). Evaluation process does not include correction of arithmetical errors. Moreover, bidders for civil works contracts are not required to submit a priced BoQ with their bids.

Despite Article 6.3 of the PL stipulates that the bidder must meet the qualification criteria defined by the invitation (i.e., compliance of the professional activities to the activities in the contract; professional experience; technical, financial, and labor resources) the bidding documents do not require to present evidences to proof the above. Instead, the successful bidder, as a precondition for contract signing, in addition to the Contract Security (10% of the contract price), should present Qualification Security in amount 15% (or 30%) of the estimated price. Both securities could be either a bank guarantee or banking transfer to the treasury account indicated in the bidding documents.

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According to the Clause 7.6 of the Invitation the bid shall be rejected unless it is accompanied by a Bid Security in amount 5% of the estimated price. Bid Security could be in a form of a unilateral commitment to pay penalty, either a bank guarantee or banking transfer to the treasury account indicated in the bid document. Bid Security will be retained if the bidder, being awarded the contract, will refuse to sign it (Clause 7.3 of the Invitation). In addition to that the bidder will be subject to be included in the list of debarred firms as per the Clause 2.1 of the Invitation. In some cases, this results in double punishment.

The lack of comprehensive and accessible data regarding contract management negatively impacts transparency, accountability, effective performance monitoring and analysis.

The analysis of sample procurement cases indicates that, while there have been faster execution times for several procurement types in 2023, the increased time overruns and significant delays in the urgent SS procedure highlight considerable inefficiencies. This is particularly problematic given that the primary objective of this procedure is to process requests promptly.

Public procurement records in Armenia are not always complete, accurate, or easily accessible. Although documents are published on official websites, they are often in non-machine-readable formats, incomplete, and not fully integrated. Search tools on these websites have several shortcomings, users must navigate through multiple sections to find relevant information, and updates may not be timely, affecting transparency and accessibility.

For instance, while invoices and delivery-acceptance acts are published on the e-portal, they are not in machine-readable format and are incomplete. As a result, it is not possible to determine whether invoices are paid on time, which limits transparency and accountability in the procurement process. Additionally, the review of procurement data reveals that information on how inspection, quality control, and supervision are conducted is not publicly available. This lack of transparency hinders accountability and effective oversight in the procurement process.

While information on contract amendments is issued and published in the official bulletin, and contracts are generally made available on the e-portal in a timely manner, the data is published in a non-machine-readable format. As a result, conducting efficient analysis and extracting valuable insights from this data becomes challenging.

In addition, there may be gaps in how efficiently these amendments were executed, particularly when frequent changes occur on the same contract.

High amendment rate for reviewed procurement cases indicates a gap in effective planning or risk management that could minimize such amendments.

Despite the existence of some procurement statistics, there is no comprehensive data on non-digital (paper-based) procurement activities and some of the data available on the e-portal is published in non-machine-readable formats. As a result, interested parties face challenges in easily and comprehensively accessing the data, making it difficult to effectively measure/monitor public procurement outcomes, results, and performance. In addition, the functionality of the section for graphical representation of reports is quite limited and does not work properly.

The public monitoring outlined in Article 5.1 of the PL only covers the implementation and contract management phases, excluding other stages of procurement process.

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As noted earlier, since the implementation of this mechanism in 2021, only 15 cases of public monitoring have been carried out, which reveals that the implementation of this procedure remains inefficient. Various challenges may hinder effective engagement of public, such as lack of awareness, insufficient resources, or bureaucratic obstacles.

- **Recommendations**

It is recommended that the new PL and/or by-laws (GoA decisions) include a requirement to conduct needs analysis, market research, and prepare a procurement strategy as integral parts of the procurement process, to serve as prerequisites for the preparation of the procurement plan, accompanied by a guidance note/manual for their preparation.

Contract forms attached to bidding documents need to be supplemented with clauses that clearly define the expected outcomes of the delivered goods/works/services and outline the desired results.

Incorporation of SPP principles into the new law and regulations for procurement in Armenia is important.

The MoF should be tasked with creating SBDs for goods and non-consulting services, as well as RFPs for consultancy services, utilizing standardized documents supported by donors (WB, ADB, EFSD, etc.). Availability of these documents in the three official languages and their open publication on the procurement website must be ensured.

As elaborated in Pillar I, the revised PL and regulations ought to include additional procurement methods and clearly specify the justified circumstances for their application.

The requirement to invite proposals from three bidders under the SS method needs repeal, as situations where more than one supplier can provide the required goods/works/services cannot be considered SS. A clear definition of “emergency” or “unforeseen situation” should be established, including designation of the authority/person empowered to declare these situations, alongside a provision mandating contracting authorities to prepare and file justifications for SS method applications with other procurement documents.

Clause 32.4 of the Procurement Regulations should be repealed or reworded to align with Article 26 of the law, ensuring confidentiality is maintained throughout the evaluation and award process.

Enhanced training and sensitization across Armenia for procurement professionals and stakeholders is necessary to promote understanding that procurement approaches can focus beyond the lowest price to achieve better outcomes and value for money. Professionalization of procurement functions, as covered under indicator 8, also requires emphasis to deepen understanding of internationally accepted procurement methods.

Development of detailed guidelines and practical tools for applying non-price criteria tailored to procuring entities, their incorporation into procurement regulations, and inclusion in capacity-building programs is recommended to encourage regular, effective use and facilitate sustainable procurement.

Explicit inclusion of SPP within the legal procurement framework is advised.

Revision of responsibilities and potential penalties (including blacklisting) under the new law, regulations, and contract documents should be considered to make public tenders fair and attractive, thereby enhancing competition and value for money.

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The meaning of "…satisfactory evaluated bid…" should be clearly defined in the new PL.

The legal framework and bidding documents require supplementation with provisions mandating verification and correction of arithmetical errors during bid evaluation.

The requirement for submission of Qualification Security ought to be repealed, as it is unrelated to bidder qualification. Instead, provisions should be added to require: (a) inclusion of qualification criteria in bidding documents; (b) bidders to submit evidence proving qualification and resource availability; (c) confirmation that selected firms meet qualification criteria; (d) mandatory assessment of bidder qualification during evaluation; (e) assurance that technical qualifications and specifications are met; and (f) verification that BOQs are fully priced and checked for arithmetical accuracy, front loading, and unbalanced pricing.

Avoidance of double penalties, such as simultaneous retention of Bid Security and debarment, should be ensured.

Mandatory publication of all procurement-related documents throughout contract implementation—including contracts, amendments, invoices, delivery-acceptance acts, inspection or quality control reports, and implementation status updates—should be ensured on the e-procurement portal in a complete, machine-readable format. This should be supported by automated document upload processes and automatic monitoring mechanisms to track and enforce compliance.

Automation of these processes will facilitate regular performance reviews and enable post-procurement evaluations to identify issues proactively.

Introduction of planning and project management tools for procurement teams is needed to support visualization of timelines, progress tracking, and risk management, thereby improving efficiency, transparency, and adaptability. Integration of these tools with procurement data systems is critical to ensure seamless information flow between contract management, procurement status updates, and planning tools, supporting timely, informed decision-making.

Establishment of standardized data fields for all procurement data published within the new e-procurement system is important, with clear and consistent reporting of key contract details such as contract value changes, reasons for amendments, and amendment frequency.

Frequent contract amendments require addressing through enhanced training for procurement teams and strengthened planning and risk management practices to reduce adjustments and improve contract execution. Emphasis should be placed on thorough pre-contract risk assessments, adoption of risk management frameworks, and inclusion of contingency plans in contracts.

Consideration of existing PPCM system gaps is necessary when establishing the new e-procurement system, ensuring integration of regular data collection, reporting, data analytics, and clear performance indicators focusing on efficiency, cost-effectiveness, and supplier performance to identify improvement opportunities. Adoption of standardized frameworks such as the OCDS will support structured, machine-readable data publication, enhancing transparency and monitoring effectiveness.

Extension of public monitoring beyond contract implementation to include procurement planning, bid evaluation, and contract awarding phases is important to enhance transparency, enable early issue detection, and build public trust.

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Implementation of targeted outreach and education campaigns to inform public, bidders, CSOs, and media about their rights to participate in procurement monitoring is essential. Informational materials such as guides, brochures, online content, workshops, webinars, and forums should be utilized to encourage stakeholder engagement.

Provision of technical assistance to CSOs, media representatives, and other stakeholders will facilitate understanding of complex procurement regulations, use of digital tools, and application of evaluation techniques such as identifying irregularities and assessing compliance with laws and contract terms.

Establishment of a network of trained CSOs and media professionals is recommended to foster collaboration and experience-sharing in procurement monitoring, supported by an online platform for Q&A, resource sharing, and cooperative initiatives. Regular consultations among government procurement authorities, CSOs, and media should be held to discuss challenges, share feedback, and provide updates, thereby building trust and promoting joint oversight efforts. Promotion of joint monitoring projects among multiple CSOs or media will strengthen transparency and effectiveness.

Overall, improvements in accessibility and transparency of procurement records require automation of data collection, publishing, and updating via a centralized real-time system converting documents into machine-readable formats, enhanced with AI-powered search and automated compliance checks. User-friendly features such as virtual assistants to guide portal users would further streamline access and improve data accuracy.

Summary of substantive gaps and recommendations of Indicator 9

Substantive gap	Risk classification and red flags	Recommendations
Sub-indicator 9(a)(a) Some contracting authorities reported conducting market research during procurement planning, but this is not consistent. Failures in completing some procurement processes highlight a lack of market analysis and insufficient understanding of market capacity to meet tender demands (see example in Gaps section above).	High	Provide in the new PL and/or by-laws (GoA decisions) requirement to conduct needs analysis, market research, and to prepare procurement strategy as part of the procurement process, as a prerequisite for the preparation of the procurement plan, as well as guidance note/manual for their preparation.
Sub-indicator 9(a)(b) Randomly selected and reviewed contracts for goods and services did have provisions in the technical specifications with regards to requirements and desired outcomes, but most other contracts did not.	High	Supplement the contract forms attached to the bidding documents with clauses where the outcomes of the delivered Good/Works/Services should be clearly defined and desired outcomes outlined.
Sub-indicator 9(a)(c) Sustainability criteria are currently not considered. However, the authorized body has the introduction of SPP as part of its intended future reform agenda (as already elaborated on above under indicator 3 of this report, focusing on SPP).	High	Incorporate SPP principles into the new law and regulations for procurement in Armenia.
Sub-indicator 9(b)(b)	High	Create SBDs for goods and non-consulting services, as well as RFPs for consultancy

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There are no SBDs or sample documents for each individual type of procurement (works, goods, services). The one for works is copied verbatim for services and goods. And no such document exists for procurement of consultancy services. Also, these documents only exist in Armenian and not in Russian or English.		services. Use standardized documents supported by donors (WB, ADB, EFSD, etc.). Make these documents available in the three languages specified in the law and publish them openly on the procurement website.
Sub-indicator 9(b)(e) There is a contradiction between two clauses (i.e. PL Article 26. "Evaluation commission" and Clause 32.4 of the Procurement Regulations) which could bring into contention the interpretation of the assurance of confidentiality of bid information. The law is supreme over the regulations, nevertheless Clause 32.4 of the Procurement Regulations poses a serious risk to confidentiality.	High	Repeal or reword Clause 32.4 of the Procurement Regulations to align with Article 26 of the law and ensure confidentiality is always maintained during the evaluation and award process.
Sub-indicator 9(b)(f) Contracts are often awarded solely based on the lowest bid price, without considering the bidder's qualifications, financial status, technical capacity, or other commitments. This approach contradicts Article 3 of the PL, which aims to ensure value for money. Stakeholders consistently report that lowest price is the primary criterion in practice, with some fearing repercussions if they select otherwise. Additionally, there are no clear methods for applying non-price criteria, resulting in their rare use by procuring entities.	High	Increase training and sensitization in Armenia for all procurement professionals and stakeholders to raise awareness of procurement methods beyond lowest price, highlighting approaches that provide better outcomes and value for money. Promote the professionalization of the procurement function, as covered under indicator 8, to improve understanding of internationally accepted procurement methods. Establish detailed guidelines and practical tools for applying non-price criteria, tailored to procuring entities' needs, incorporate these into procurement regulations, and provide capacity-building programs to encourage their regular and effective use, also supporting sustainable procurement.
Sub-indicator 9(b)(h) Contract clauses do not include sustainability considerations.	High	Include SPP within the legal framework for procurement.
Sub-indicator 9(b)(i) Incentives to exceed performance is missing and the level of penalties existing not only in contract documents but the legal framework for procurement is demotivating to the private sector.	High	Revise the level of responsibilities and potential penalties (including blacklisting) under the new law, regulations, and contract documents to make participation in public tenders fair and attractive, thereby increasing competition and improving value for money.
Sub-indicator 9(b)(j) Article 34.6 defines a "satisfactory evaluated bid" as one that meets requirements outlined in part 5 of the same article. However, since part 5 was repealed in January 2022, it is unclear what data bidders must submit for their bids to be considered satisfactory.	High	Make sure that the meaning of the "…satisfactory evaluated bid…" is properly disclosed in the new PL. Supplement the legal framework and the bidding documents with a provision requiring verification and correction of arithmetical errors while evaluating the bids.

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The evaluation committee can only correct bid prices if there is a discrepancy between figures and words, with the written amount prevailing, but arithmetical errors cannot be corrected. Civil works bidders are not required to submit a priced BoQ. Although Article 6.3 of the PL states bidders must meet qualification criteria (e.g., relevant experience, resources), bidding documents do not require proof at submission; instead, successful bidders must provide a qualification security (15%-30% of the estimated price) along with a contract security (10%) before signing. Bids also require a 5% Bid Security, forfeited if the bidder refuses to sign, risking debarment, in some cases incurring double punishment.		Repeal requirement to submit a Qualification Security as it has nothing to do with the bidder's qualification and supplement the legal framework with provisions requiring to: (a) include into the bidding documents the qualification criteria; (b) ask the bidders submit documents/evidences to proof their qualification, availability of the resources; (c) ensure that the firm selected for contract award meets qualification criteria defined in the bidding documents, and (d) conduct assessment of the bidder's qualification as a mandatory part of the evaluation process, (e) ensure that the firm selected for contract award meets the required technical qualifications and specifications, (f) ensure BOQs are fully priced and checked for arithmetical correctness, front loading, and unbalanced prices." To exclude double punishment (i.e., retaining the Bid Security and naming the firm in the list of debarred firms).
<u>Sub-indicator 9(c)(a)</u> The absence of comprehensive, accessible contract management data undermines transparency, accountability, and performance monitoring. Although some procurement types showed faster execution in 2023, significant delays and time overruns in the urgent SS procedure reveal notable inefficiencies, contradicting its goal of prompt processing.	High	Make publishing machine-readable data on procurement contract implementation mandatory and automate the process. Ensure all relevant documents—contracts, amendments, invoices, delivery-acceptance acts, and implementation statuses—are automatically uploaded and updated on the e-procurement platform. Implement an automatic monitoring system to track compliance and maintain consistently available, up-to-date data. Automate the process to enable regular performance reviews and introduce post-procurement evaluations to identify issues. Introduce planning and project management tools for procurement teams to visualize timelines, track progress, and manage risks more effectively. Integrate these tools with the procurement data system to ensure seamless information flow between contract management, procurement updates, and planning, enhancing data accuracy and supporting informed, timely decisions.
<u>Sub-indicator 9(c)(f)</u> The public monitoring outlined in Article 5.1 of the PL only covers the implementation and contract management phases, excluding other stages of procurement process. Since the implementation of this mechanism in 2021, only 15 cases of public monitoring	High	Ensure that public monitoring extends beyond contract implementation to include planning, bid evaluation, and contract award stages to enhance transparency and public trust. Implement targeted outreach and education campaigns to inform the public, CSOs, and media about their rights and roles in

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have been carried out, which reveals that the implementation of this procedure remains inefficient. Various challenges may hinder effective engagement of public, such as lack of awareness, insufficient resources, or bureaucratic obstacles.		monitoring, using guides, online content, and awareness events. Provide technical assistance to help stakeholders understand procurement rules and use oversight tools effectively. Establish a network of trained CSOs and media professionals, supported by an online platform and regular consultations with government bodies, to foster collaboration. Promote joint monitoring initiatives to strengthen overall procurement oversight.
Sub-indicator 9(c)(g) Public procurement records in Armenia are not always complete, accurate, or easily accessible. Although documents are published on official websites, they are often in non-machine-readable formats, incomplete, and not fully integrated. Search tools on these websites have several shortcomings, users must navigate through multiple sections to find relevant information, and updates may not be timely, affecting transparency and accessibility.	Medium	Automate the data collection, publishing, and updating process to improve the accessibility and transparency of public procurement records in Armenia. Implement a centralized system for real-time data entry, convert documents into machine-readable formats, and enhance search functionality with AI-based tools. Use automated compliance checks and reporting tools to ensure timely and accurate publication, and add user-friendly features like a virtual assistant to guide users through the portal.

Indicator 10. The public procurement market is fully functional

The objective of this indicator is primarily to assess the market response to public procurement solicitations. This response may be influenced by many factors, such as the general economic climate, policies to support the private sector and a good business environment, strong financial institutions, the attractiveness of the public system as a good, reliable client, the kind of goods or services being demanded, etc.

- **Synthesis of the indicator**

Armenia's government engages with the private sector and civil society through occasional consultations, mainly under the OGP framework and through the e-draft platform[35], where draft laws and decrees are made publicly available for consultation, enabling stakeholders to provide comments and feedback.

While these mechanisms promote transparency, engagement is inconsistent, and responses to feedback are often procedural rather than substantive, which weakens stakeholder trust. Surveys indicate that communication between the government and business community is irregular, with many struggling to stay informed about procurement changes.

The private sector, including MSMEs, benefits from growing access to public procurement opportunities through the ARMEPS electronic system, with a notable increase in registered suppliers and contract awards. Despite this progress, challenges persist. Concerns about corruption and favoritism, as well as

[35] www.e-draft.am

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restrictive tender requirements, limit fair competition. The procurement process often prioritizes lowest price over quality and innovation, disadvantaging companies offering more valuable solutions. MSMEs face additional barriers due to limited financing, complex bidding processes, and insufficient technical and administrative capacity.

Moreover, no detailed market or sector analyses have been conducted to guide procurement planning, limiting the ability to manage risks and identify opportunities strategically. To address these issues, it is recommended that the government improves the quality of feedback during consultations and establishes more regular, structured dialogues with the private sector. Enhanced training and updated resources should be provided to help businesses, especially MSMEs, navigate procurement procedures. Efforts to improve access to financing and technical support are critical for MSME participation. Additionally, procurement evaluation criteria should be broadened to consider quality, innovation, and sustainability alongside price. Implementing mandatory market and sector analyses would further strengthen procurement effectiveness and foster a more transparent, competitive, and inclusive system.

- **Findings**

Sub-indicator 10(a) - Dialogue and partnerships between public and private sector

The government occasionally organizes discussions with the private sector and CSOs on various issues. Within the framework of the OGP, Armenia develops action plans that include specific measures to enhance transparency, public participation, and accountability in governance. These action plans often include provisions for consultations with private sector stakeholders and CSOs on the development of new strategies, reforms, and legislation.

Additionally, dialogue with the private sector, particularly on legislative matters, can be initiated through the online e-draft platform. The platform serves as a central hub where draft legislation, regulations, and policies are posted publicly. Anyone with an interest in the draft, including businesses, can participate in the consultation process. The platform allows users to make comments on the drafts, propose suggestions, and provide feedback that can help improve the proposed legislation. After the consultation period ends, the government body responsible for the draft is required to summarize the suggestions and respond publicly. This ensures that stakeholders not only have the opportunity to influence policy but also receive feedback on how their input was considered. This process enhances the transparency and accountability of the government's legislative activities.

While the government’s efforts to engage the private sector and civil society through public consultations and platforms like e-draft are commendable, the real success of these dialogues depends on how well the feedback is handled and acted upon. Ensuring that responses to feedback are substantive (rather than merely procedural) and that changes to drafts reflect valid suggestions is crucial for maintaining the credibility of the consultation process.

The survey results suggest that while there is some level of communication between the government and the business community, it is far from consistent. A significant proportion of respondents feel that communication is either infrequent/seldom (48.5%) or nonexistent/never (9.1%), highlighting a gap in effective engagement.

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While most participants can keep up with changes in the public procurement framework, nearly a third (31.3%) face challenges, highlighting the need for clearer communication, better training, or more user-friendly resources to ensure full awareness and compliance.

Most respondents feel they have competent resources to stay informed on procurement legislation changes, but a significant minority (27.3%) still struggle with access or quality, pointing to the need for improved support.

Sub-indicator 10(b) - Private sector's organisation and access to the public procurement market

Armenia's private sector, including MSMEs, has strong potential to participate effectively in public procurement. The country benefits from a dynamic business environment and tools like the ARMEPS e-procurement system, which improves access to procurement opportunities. Government initiatives are working to simplify regulations and enhance the overall business climate.

As of November 2024, 23,188 suppliers were registered in ARMEPS, representing about 21% of all suppliers in Armenia (109,592 in 2023). In 2022, 7,568 ARMEPS-registered suppliers were awarded contracts, accounting for 21% of participants. In 2023, the number increased to 8,749 suppliers, or 38% of ARMEPS-registered businesses. Foreign firms received 101 contracts worth AMD 15.1 billion in 2022 and 118 contracts worth AMD 5.6 billion in 2023, amounting to 4% and 1% of the total contract values for those years, respectively.

Despite these improvements, several challenges persist. Concerns about corruption and favoritism in the procurement process undermine trust and discourage new entrants. Some tender requirements are seen as overly specific or tailored to favor certain suppliers, limiting fair competition. In practice, procurement decisions are largely driven by lowest-price considerations, with limited use of evaluation criteria that capture quality, innovation, or life-cycle value. This approach can disadvantage bidders offering higher-quality or more innovative solutions with higher initial costs.

Many MSMEs face difficulties accessing financing for procurement projects. While 57.6% of surveyed respondents believe financing is adequate, 42.4% still consider it insufficient. Financial requirements such as bid, performance, and qualification guarantees further restrict participation by smaller firms. Additionally, many MSMEs lack the technical and administrative capacity to meet complex bidding requirements.

Survey data highlights further concerns. A majority of respondents (60.6%) feel that procurement methods do not match the level of risk or value involved. Over half (51.5%) say that the rules for participation are not simple or flexible. Two-thirds (66.7%) believe contract performance risks are not fairly shared. A majority (63.6%) view payment conditions as unfair, although 75.8% say invoices are generally paid on time. A large majority (81.2%) consider dispute resolution and appeals mechanisms to be ineffective.

Respondents suggest a range of improvements to strengthen private sector access to procurement. These include clearer and more inclusive technical specifications, a balance between price and quality in evaluations, simpler and more transparent procedures, and reduced reliance on financial guarantees and blacklisting. Fairer payment terms, better dispute resolution, and the ability to negotiate rather than relying solely on the lowest price were also recommended.

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Sub-indicator 10(c) - Key sectors and sector strategies

No detailed market analyses are mandated under the legal framework, nor was the assessment team able to identify any such analyses that were conducted on identified key sectors for public procurement.

Similarly, no detailed sector analyses have been conducted, hence, no risk/opportunity analyses have been carried out either.

- **Gaps**

While discussions occur, the frequency and depth of engagement can be irregular. In some instances, consultations are held but the results or subsequent discussions are not clearly communicated back to stakeholders, which can undermine trust in the process.

The e-draft platform allows public feedback, however user engagement is limited due to lack of awareness and sufficient outreach.

Although the requirement to summarize feedback and provide a response is a positive step, there are instances where this is overlooked, and the responses tend to be more procedural. They often consist of generic acknowledgments rather than addressing the specific content of the feedback in detail. For instance, feedback may be limited to a simple "Accepted for consideration," without adequately explaining how the suggestions were evaluated or incorporated into the final decision.

The survey results indicate a gap in the effectiveness of engagement and communication between the government and the business community.

There are no special trainings and capacity-building programs for private companies to facilitate new entries into the public procurement marketplace. The online educational materials available on procurement official webpage are outdated.

MSMEs face multiple barriers to effective participation in public procurement, including limited access to finance and difficulties in meeting financial guarantee requirements. Capacity constraints—particularly in technical expertise, bid preparation, and administrative and managerial skills—further hinder their ability to compete successfully and deliver public contracts. In addition, while anti-corruption efforts are ongoing, persistent concerns regarding corruption risks and the overall integrity of the procurement process continue to affect confidence and participation, especially among smaller firms.

Perceptions of bias and an uneven playing field remain significant obstacles to fair competition and trust in the procurement system. Businesses report concerns that certain suppliers may be favored due to political connections or past relationships, even in the absence of substantiated evidence. In some cases, tender specifications are perceived to be narrowly defined or tailored to specific suppliers or technologies, thereby limiting competition and excluding other potential bidders.

Price is often the dominant evaluation criterion, leading to a preference for low-cost solutions at the expense of quality, innovation, and long-term value.

No detailed market analyses are mandated under the legal framework, nor was the assessment team able to identify any such analyses that were conducted on identified key sectors for public procurement.

Likewise, no detailed sector analyses have been performed; therefore, corresponding risk and opportunity assessments have not been conducted either.

- **Recommendations**

To enhance stakeholder engagement, holding more frequent and structured consultations—either in person or virtually—with clear timelines for feedback and follow-up discussions is encouraged. Setting regular intervals for engagement, such as quarterly or bi-annual consultations, can build consistency.

Reaching a wider and more diverse audience could be achieved by using multiple channels (social media, webinars, partnerships with industry groups, etc.) to increase awareness of the e-draft platform and inform stakeholders about consultation opportunities and the importance of their input.

It is recommended to ensure that once consultations have been held, the outcomes and any subsequent decisions or actions are communicated back to stakeholders promptly. Instead of generic responses substantive ones are recommended which will contain more detailed explanations of how feedback was evaluated and whether or how it was incorporated into the final decision. It would be good to ensure a mechanism for users to request clarification if they feel their feedback wasn't adequately addressed.

The MoF should revive and expand in-person and virtual training programs tailored for businesses, especially new entrants to the public procurement marketplace. These sessions ought to cover essential topics such as ARMEPS navigation, procurement procedures, and updates to legislation.

Increasing awareness of available training and resources through targeted outreach, including webinars, newsletters, and partnerships with business associations, is important. All materials should be made accessible, including in multiple languages if needed.

Hosting a dedicated, user-friendly education portal on the official procurement website, containing up-to-date videos and guides, is recommended. Content should be updated promptly to reflect changes in procurement legislation and systems.

Strengthening engagement with the private sector, particularly MSMEs, through regular public–private dialogue is essential to better identify their needs and challenges in public procurement. Collaboration with MSMEs, industry associations, and procurement experts can support the development of practical and relevant training materials that address real-world procurement challenges. Targeted capacity-building initiatives, including training on procurement procedures, technical specifications, and bid preparation, as well as mentorship and advisory services, would enhance MSMEs' technical, administrative, and contract management capabilities, enabling more competitive and successful participation.

Business associations can play a key role in delivering these programs by leveraging their networks and resources to support MSMEs. In parallel, improving access to finance remains critical; options such as government-backed loan programs, credit guarantee schemes, partnerships with financial institutions, and access to low-interest loans should be explored to help MSMEs meet financing and guarantee requirements, particularly for large-scale projects.

Finally, establishing continuous feedback mechanisms, through public forums, consultations, surveys, and structured feedback loops, would allow businesses to propose improvements, assess the effectiveness of

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training and support programs, and ensure that procurement policies and systems remain responsive, relevant, and effective over time.

Where appropriate, standardization of technical specifications across similar tenders is advisable to avoid excluding potential bidders due to overly specific requirements.

Encouraging the inclusion of non-price criteria—such as quality, innovation, sustainability, and long-term value—in the evaluation process, alongside the use of performance-based contracts to emphasize project sustainability and overall impact, is necessary.

The authorized body should undertake an exercise to identify key sectors and conduct in-depth market analyses for those sectors to enable more targeted and effective/efficient procurement going forward.

Making needs analyses and market analyses mandatory as part of the procurement planning exercise in Armenia for all contracting authorities is advisable.

As part of detailed market analyses for critical public procurement sectors, assessing risks and opportunities is also recommended.

Summary of substantive gaps and recommendations of Indicator 10

Substantive gap	Risk classification and red flags	Recommendations
Sub-indicator 10(a)(b) There are no special trainings and capacity-building programs for private companies to facilitate new entries into the public procurement marketplace. The online educational materials available on procurement official webpage are outdated.	High	Revive and expand both in-person and virtual training programs tailored for businesses, especially new entrants to public procurement, covering topics like ARMEPS navigation, procurement procedures, and legislative updates. Increase awareness of available training and resources through targeted outreach—such as webinars, newsletters, and partnerships with business associations—ensure all materials are accessible, including in multiple languages if needed. Host a dedicated, user-friendly education portal on the official procurement website with up-to-date videos and guides, update promptly to reflect changes in procurement legislation and systems. Collaborate with SMEs, industry associations, and procurement experts to ensure training materials address practical business challenges. Establish a feedback mechanism to enable businesses to suggest improvements, keep training relevant and effective over time.
Sub-indicator 10(b)(b) There are perceptions that the procurement process favors certain suppliers due to political connections or past relationships, even though there may be no concrete evidence to support this.	High	Standardize technical specifications across similar tenders where appropriate to avoid excluding potential bidders due to overly specific requirements. Encourage including non-price criteria—such as quality, innovation, sustainability, and long-term

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Tender specifications may be written in a way that favors specific suppliers or technologies, limiting fair competition by excluding other potential bidders. Price is often the dominant evaluation criterion, leading to a preference for low-cost solutions at the expense of quality, innovation, and long-term value. Especially SMEs face challenges in preparing competitive bids due to a lack of technical expertise and administrative capacity. They also struggle to secure financing and meet financial guarantee requirements, limiting their participation in procurement opportunities.		value—in evaluations and using performance-based contracts to emphasize sustainability and overall project impact. Ease access to low-interest loans to help SMEs secure funds for large-scale projects. Provide training programs on procurement procedures, technical specifications, and bid preparation to enhance SMEs' administrative and technical capabilities. Establish a continuous feedback loop through public forums, consultations, and surveys to regularly gather stakeholder input and evaluate the procurement system's effectiveness.
Sub-indicator 10(c)(a) No detailed market analyses are mandated under the legal framework, nor was the assessment team able to identify any such analyses that were conducted on identified key sectors for public procurement.	High	Undertake an exercise to identify key sectors and conduct in-depth market analyses for those sectors to allow for more targeted and effective/efficient procurement going forward. Make needs analyses and market analyses mandatory as part of the procurement planning exercise in Armenia for all contracting authorities.
Sub-indicator 10(c)(b) No detailed sector analyses have been performed; therefore, corresponding risk and opportunity assessments have not been conducted either.	High	Include risk and opportunity assessments as part of detailed market analyses for critical sectors in public procurement.

3.4. Pillar IV - Accountability, Integrity and Transparency of the Public Procurement System

Pillar IV includes four indicators that are considered necessary for a system to operate with integrity, that has appropriate controls that support the implementation of the system in accordance with the legal and regulatory framework, and that has appropriate measures in place to address the potential for corruption in the system. It also covers important aspects of the procurement system, which include stakeholders, including civil society, as part of the control system. This Pillar takes aspects of the procurement system and governance environment to ensure they are defined and structured to contribute to integrity and transparency.

Indicator 11. Transparency and civil society engagement strengthen integrity in public procurement

Civil society, in acting as a safeguard against inefficient and ineffective use of public resources, can help to make public procurement more competitive and fairer, improving contract performance and securing results. Governments are increasingly empowering the public to understand and monitor public contracting. This indicator assesses two mechanisms through which civil society can participate in the

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public procurement process: i) disclosure of information and ii) direct engagement of civil society through participation, monitoring and oversight.

- **Synthesis of the indicator**

Armenia has developed a basic framework for public consultation and monitoring in public procurement, supported by tools such as the e-draft platform, government circulars, and consultative meetings. However, these consultations are irregular and lack a systematic approach. While there are examples of government responsiveness to stakeholder input—such as the 2019 revision of bank guarantee requirements following civil society and private sector feedback—such instances are relatively infrequent. Civil society involvement in procurement oversight is legally permitted but limited in practice. The law restricts participation mainly to contract implementation, excluding planning, bid evaluation, and award phases, and only about 15 civil society monitoring requests have been recorded since 2021.

Access to procurement information is generally strong, with laws, regulations, and contract data published online through a centralized portal. Still, barriers such as limited training, awareness, and technical capacity prevent broader participation by civil society and oversight bodies. Institutions like the AC, State Supervision Service, and Anti-Corruption Committee have not received adequate training to conduct procurement audits. Similarly, civil society lacks the tools and knowledge to perform meaningful oversight. To improve, Armenia should institutionalize regular stakeholder consultations, train both oversight institutions and CSOs in procurement monitoring, and broaden legal provisions to allow CSO participation throughout the procurement cycle.

- **Findings**

Sub-indicator 11(a) - Enabling environment for public consultation and monitoring

The MoF has several ways of consulting with the various stakeholders, which include government counterparts, the private sector, and members of civil society. E-draft platform can be used to facilitate public consultation by publishing draft laws and decrees and enabling stakeholders to provide comments and feedback. Additionally, they share circulars to government bodies on any proposed changes to the law to allow for comments and questions and, finally, they also engage in consultative meetings with various stakeholders like government counterparts and the private sector.

For the time being, as described under indicator 8 above the training has predominantly focused on the law and regulations and the recipients of such training have been the procurement coordinators and to a lesser degree the private sector bidders.

There is occasional evidence that the government considers the input, comments and feedback received from civil society. Notably, on October 10, 2019, the government adopted Decree 1422-N (for amending Decree 526-N), which introduced new qualification criteria alongside stricter application requirements. The most concerning aspect was the initial requirement to provide a qualification bank guarantee for 100% of the bid price, which posed significant challenges for private sector, particularly for MSMEs. In response to negative reaction from public/CSOs and private sector, the government revised this requirement, reducing the bank guarantee to 15% for contracts up to AMD 80 million and 30% for those above that threshold. Additionally, for procurement lots under AMD 25 million, the bank guarantee requirement was eliminated altogether, except for construction projects. In addition, analyses and

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publications made by CSOs and media are sometimes being considered by authorized body (e.g., TIAC Armenia, National Center of Public Policy Research NGO, Hetq media).

Sub-indicator 11(b) - Adequate and timely access to information by the public

The laws, regulations, and policies governing public procurement are published and easily accessible to the public at no cost as elaborated on under the first indicator of this report.

The procurement process primarily takes place on an e-portal, where all information, except for legally protected confidential data, is publicly accessible. This information is available through a centralized online portal, ensuring transparency.

Announcement of procurement opportunities are all passed through the e-GP system with open access to all interested parties.

Sub-indicator 11(c) - Direct engagement of civil society

Article 5.1 of the PL establishes a legal foundation for public control in the implementation and management of procurement contracts. It allows bidders, registered NGOs, and media representatives to participate in overseeing contract execution, provided the procurement does not involve state secrets. In cases involving state secrets, only bidders may participate.

To avoid COI, participants must sign a declaration confirming the absence of close personal or financial ties to the contracting party. This declaration is published by the contracting authority.

Public oversight is conducted in collaboration with the contracting authority's contract management unit. While the oversight role is advisory, authorities must review and respond to submitted positions. A summary of these discussions is published; if no feedback is received, this is also documented.

Participation is applied for contracts exceeding the procurement base unit. The minimum application period is three calendar days, as defined in the contract notice. If a participant's submitted position is deemed unjustified twice, they lose their right to further involvement in that specific contract.

In May 2024, the government revised Procurement Regulations (Clauses 50, 50.1 and added 50.2, 50.3) to enhance this process. The updates include a new system for pre-registering NGOs and journalists. Once on the list, these entities are exempt from applying to monitor each individual contract. To be listed, they must submit identification and contact information, nominate up to ten individuals, and commit to avoiding COI situations. The MoF issues a certificate of inclusion within three working days.

As noted before, since the introduction of this mechanism in 2021, there have been 15 documented cases of public monitoring, according to the official procurement webpage.

Additionally, in November 2023, the MoF, in collaboration with CSOs and international partners, launched the "Promotion of Public Control and Accountability in Public Procurement" program. This initiative aims to improve transparency, strengthen monitoring capacity, and encourage more active stakeholder participation in overseeing public procurement processes.

In May 2023 public discussion of the draft of the technical task of the new e-procurement system was held with participation of NGOs (and later in June 2023 with private sector), where stakeholders had an opportunity to propose questions, observations, and suggestions about the project. During 2024 several

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meetings with private sector have been held regarding changes in procurement system, existing challenges, and possible ways of overcoming them (e.g., meetings with 'Partners Business Club', 'Mantashyants' business club).

- **Gaps**

While consultative meetings have taken place, they do not appear to be systemized and are conducted on an ad hoc basis.

Discussions with the AC indicated that they have not received detailed training on how to conduct procurement audits (compliance or performance). They have some procurement coordinators who have received the basic training to obtain the license from MoF to be a procurement coordinator, but specific training on conducting procurement audit has not taken place, nor do they have a procurement audit manual. The same applies for the State Supervision Service of Armenia under the office of the Prime Minister. Finally, the IA function is also one that lacks such training and where the current set-up allows the IA function to be subcontracted to the private sector, which will be discussed with in greater detail below under indicator 14. The Anti-Corruption Committee and the Corruption Prevention Commission of Armenia have also not received detailed training on how to monitor and audit procurement.

By extension civil society has therefore also not been trained on procurement or how to conduct a social audit on the procurement process. In fact, it has been reported that there are quite a few misunderstandings on the procurement process by civil society.

While there are instances where the GoA/MoF has considered input, comments, and feedback from civil society, such occurrences remain infrequent. This limited engagement suggests that there is still significant room for improvement in fostering a more consistent and inclusive dialogue between the GoA/MoF and CSOs.

Article 5.1 of the PL only covers the aspect of implementation and contract management, not the aspects of planning, bid opening, evaluation, and contract award. The language also implies that an NGO needs to be registered first before it can participate in a "public control".

Additionally, while this clause was in the law with the intention of it being used, it actually has not been put into proper practice yet. In the past 3 years only approximately 15 requests have been made by CSOs for conducting public audits.

- **Recommendations**

The consultative process with CSOs and private sector stakeholders should adopt a more systematic and institutionalized approach. Establishing regular forums or mechanisms for dialogue would enhance collaboration, ensure that stakeholder feedback is consistently gathered and integrated into decision-making, and foster trust between the GoA/MoF and civil society. A structured approach would also contribute to more effective, inclusive policies that reflect the needs and concerns of the community, while clarifying the procurement process for stakeholders who may otherwise issue counterproductive public statements.

If the intention under the procurement legislation was to institute social audits (referred to as public control), this should be reflected in practice. Current interviews indicate that this has not yet occurred. It is recommended to clarify the legislative language, remove pre-registration requirements, and provide

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training to interested CSOs to equip them with knowledge of procurement procedures. Expanding CSO involvement across multiple stages of the procurement process—including planning, bid evaluation, and contract implementation—would further strengthen oversight and transparency.

Efforts should also address barriers to public engagement, such as lack of awareness, limited resources, and bureaucratic hurdles. Outreach and education can empower citizens to participate actively, while technical support can enable CSOs to understand complex regulations, utilize digital tools, and apply practical oversight techniques, including identifying irregularities, assessing compliance, and monitoring contract performance.

Training should be provided to CSOs, media organizations, and oversight institutions—including external audit bodies, the Corruption Prevention Commission, and the Anti-Corruption Committee—to build capacity for monitoring all phases of procurement. This comprehensive training will enable stakeholders to effectively fulfil their oversight roles, contributing to a more transparent, accountable, and inclusive procurement system.

Summary of substantive gaps and recommendations of Indicator 11

Substantive gap	Risk classification and red flags	Recommendations
Sub-indicator 11(a)(c) Evidence that the government takes civil-society input into account appears to be occasional and relatively infrequent, with few documented instances (such as Decree 1422-N of 2019), suggesting that engagement remains limited and not yet consistent.	High	It is recommended to adopt a more systematic approach so that civil-society feedback is consistently gathered, considered and integrated into decision-making. A structured process would also help build trust between the government/MoF and CSOs.
Sub-indicator 11(a)(b) The AC, State Supervision Service, IA function, Anti-Corruption Committee, and Corruption Prevention Commission have not received specific training on procurement audits or monitoring, nor do they have a procurement audit manual. Civil society is also untrained in procurement or social audits, leading to common misunderstandings about the process.	High	Include training of oversight institutions—such as external audit, the Corruption Prevention Commission, Anti-Corruption Committee, and members of civil society—in the "capacity building" sub-section of the MoF procurement reform program.
Sub-indicator 11(c)(a) Article 5.1 of the law only covers the aspect of implementation and contract management, not the aspects of planning, bid opening, evaluation, and contract award. The language also implies that an NGO needs to be registered first before it can participate in a "public control". Additionally, while this clause was in the law with the intention of it being used, it actually has not been put into proper practice yet. In the past 3 years only approximately 15 requests have been made by CSOs for conducting public audits.	High	Implement the social audit mechanism (referred to as public control in the act) in practice if it is intended under the procurement framework. Clarify the language and remove the pre-registration requirement to enable a true open social audit. Train CSOs interested in conducting social audits on procurement processes to enable and empower their participation. Expand CSO involvement in other aspects of the procurement process.
Sub-indicator 11(c)(b) Direct public participation in procurement appears to remain limited. The law allows it only at the	High	Raise public and CSO awareness of the right to take part in procurement monitoring. Give CSOs and media practical

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contract-management stage, and not during planning, bid opening, evaluation, or award. Even where it is allowed, it does not appear to be used much in practice. Only about 15 public-monitoring cases have been recorded between 2021 and 2024, and none of the 96 sampled procurement cases showed outside stakeholders taking part. Taken together, this suggests there is not yet enough evidence of active public participation across the procurement cycle.		training and support so they can take part effectively. Extend the opportunity to participate beyond the contract-management stage to earlier stages such as planning and bid evaluation.

Indicator 12. The country has effective control and audit systems

The objective of this indicator is to determine the quality, reliability and timeliness of the internal and external controls. Equally, the effectiveness of controls needs to be reviewed. For the purpose of this indicator, "effectiveness" means the expediency and thoroughness of the implementation of auditors' recommendations. The assessors should rely, in addition to their own findings, on the most recent PEFA and other analyses that may be available.

- **Synthesis of the indicator**

Armenia's procurement oversight framework is legally well-founded and incorporates IA, external audit via the AC, and anti-corruption controls. Although procurement oversight is not explicitly detailed in procurement-specific legislation, PFM laws provide a comprehensive basis for oversight. The IA is mandatory for public entities under the Law on Internal Audit, covering both high- and low-value procurements. However, significant capacity limitations within IA units have led to increased outsourcing, which has produced mixed results—56% of ministries reported dissatisfaction due to inadequate sector-specific knowledge.

The AC has strengthened its institutional independence and conducts audits that include procurement-related elements, though these are not consistently categorized or tracked as distinct procurement audits. Coordination mechanisms between oversight bodies exist to avoid duplication, but practical collaboration remains weak. Enforcement of audit recommendations is limited by fragmented follow-up data and unclear accountability mechanisms. While procurement audits have increased (from 148 in 2021 to 234 in 2023), there is no legal requirement for procurement-specific audits, nor is procurement expertise formally required for auditors. Internal auditors often lack specialized training, and audit manuals tailored to procurement are absent.

To strengthen procurement oversight, Armenia should establish a centralized, independent IA authority to supervise, assign, and train auditors, with guaranteed operational and financial autonomy. Legislation should be streamlined, with mandatory procurement audit training and standardized procedures. Clear legal provisions are needed for audit follow-up enforcement, improved data tracking, and stronger coordination between internal and external audit functions.

- **Findings**

Sub-indicator 12(a) - Legal framework, organization, and procedures of the control system

Armenia's control system is grounded in a wide range of laws and regulations that together establish a robust structure encompassing internal controls, IA, external audit, and anti-corruption oversight. Although the procurement legislation itself does not specifically reference internal or external audit mechanisms, these are covered under broader PFM laws, including the Laws on the Budget System, Treasury System (2001), Internal Audit (2010), Civil Service, and Public Sector Accounting. Despite the existence of these regulations, a dedicated legal framework for financial management and control has yet to be developed, although it was outlined as a priority under the 2019–2023 PFM Strategy.

The IA is mandated for all public sector entities by the Law on Internal Audit, including central and local government bodies, public institutions, and organizations with over 50% state or community ownership. The IA units are required to be functionally independent, reporting directly to the heads of budget organizations, but their financial independence is not ensured. The law mandates risk-based three-year strategic and annual plans for audits, though external evaluations by the MoF, required every five years, have not been conducted. The IA procedures are governed by Minister of Finance Order 143-N, which defines compliance and performance audit practices, particularly in procurement, where at least 30% of small-value procurements (under AMD 20 million) and all high-value or sensitive contracts must be audited. Auditors follow a comprehensive IA manual and use a partially automated system (AIS), though its inflexibility has led many to revert to manual documentation.

The AC serves as Armenia's Supreme Audit Institution, with its operations defined in the Constitution and the Law on Audit Chamber. Since 2018, and especially following amendments in May 2024, the AC's independence has been significantly strengthened. It now independently approves its audit program and conducts financial, compliance, and performance audits in line with international standards (ISSAIs). The AC audits 70–80% of public expenditures annually and has gained direct access to government financial databases. The 2024 amendments to the Law on Audit Chamber introduced and strengthened the follow-up process, requiring audited entities to submit implementation plans for audit recommendations and provide periodic progress updates within specified timeframes. Additionally, when audits reveal potential criminal activity, the AC refers the findings to the Prosecutor General's Office, which is obliged to respond and investigate as appropriate.

The State Supervision Service, operating under the Prime Minister's authority, provides oversight for public sector operations, including procurement. Established under the 2018 Law on the State Supervision Service, this body includes a procurement oversight department and uses risk assessment tools (adopted in 2023) to prioritize its interventions.

Armenia's anti-corruption framework is supported by two main institutions: the Corruption Prevention Commission and the Anti-Corruption Committee. The Corruption Prevention Commission, active since 2019, analyzes asset declarations, detects COI, and investigates integrity breaches. The Anti-Corruption Committee, a law enforcement body operational since 2021, is tasked with investigating and prosecuting corruption crimes, including in procurement.

All public contracts are registered in the Client Treasury system, which ensures that budget availability is verified before payments are processed. The payment process follows the "four-eye" principle, where two staff members from different departments authorize disbursements. Although procurement legislation lacks direct internal or external audit provisions, guidelines such as MoF Order 143-N require timely audits of both procurement procedures and contract implementation. Internal auditors are

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expected to submit audit reports within two to four months, depending on the audit type, and these must be timely, accurate, and conducive to corrective action.

Parliamentary oversight is exercised through the National Assembly (NA), which reviews the AC's opinions on budget execution. Public hearings are required, although in practice they are inconsistently conducted, as noted in the May 2024 PEFA report. While the legislature can make recommendations based on audit findings, there is no formalized mechanism requiring follow-up on these actions. The AC presents an annual activity report to the NA by June 1 each year, but the NA does not vote on or adopt this report.

Sub-indicator 12(b) - Coordination of controls and audits of public procurement

Armenia's IA system is legally grounded in the Law on Internal Audit, which defines IA as a function that must be conducted according to recognized standards, rules of conduct, and core principles such as independence, objectivity, capability, impartiality, and confidentiality (Article 3). This law is supplemented by various Government decrees and Minister of Finance orders, which together establish the regulatory framework and practical implementation procedures. Specifically, GoA Decree 1233-N classifies IA standards into three categories—attribute, performance, and implementation—and formally designates the MoF as the authorized body overseeing IA activities in the public sector. Further methodological guidance is provided by Minister of Finance Order 974-N, which outlines how IA professional standards are to be applied, and Order 143-N, which details the structure and contents of the IA Manual used throughout the public sector. These regulations collectively emphasize the importance of quality assurance, requiring IA units to adopt ongoing supervision, internal assessments, and periodic independent external evaluations of their functions. The latter are coordinated by the PFM Methodology Department and regulated by GoA Decree 896-N, which also provides for collaboration with external audit bodies and state inspection authorities.

According to Minister of Finance Order 1096-N, IA procedures must integrate procurement-related documentation, such as the procurement procedure protocol and acceptance documentation, into audit reviews. The IA Manual elaborates on compliance audits, which assess the adherence of organizational activities to legal and regulatory standards, and performance audits, which examine the efficiency, effectiveness, and economy of public service delivery. IA units are required to produce interim, preliminary, and final reports, as well as an annual report detailing their activities. In urgent situations, interim reports must be communicated quickly, even verbally, to the head of the organization and IA committee and later documented officially. The annual IA report, mandated under Article 12 of the Law on Internal Audit, must outline strategic and annual plan execution, the audits conducted, constraints or deviations from planned activities, recommendations made and implemented, detected violations or fraud indicators, and proposals for further developing IA in the institution. This report is submitted to the head of the organization, the IA committee, and also forwarded to the MoF by March 1 each year.

The IA Manual requires a systematic approach to procurement audit as part of assurance services. It mandates that, annually, at least 30% of lower-value procurement operations (below AMD 20 million) and all higher-value operations, including those involving classified information, must be audited. These audits include two main components: a review of the procurement procedure, reported within two months of protocol approval, and a review of contract implementation, reported within four months of contract execution. These tasks are supported by a structured IA environment, with coordination procedures laid out to avoid duplication of audits performed by external or oversight bodies. GoA Decree 896-N establishes mechanisms for cooperation with external inspectors and the AC, including joint planning,

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action plan development following external inspections, and responsibility for monitoring implementation of remedial measures. The IA units are expected to adapt their annual and strategic plans to accommodate the timelines and findings of external oversight bodies, to avoid redundant audits and ensure a harmonized control environment.

In practice, the public sector's IA capacity is still developing. According to the Public Sector Internal Audit Report 2023 prepared by the MoF, 50 public entities submitted IA reports for the year, of which 32 had outsourced IA functions due to limited internal capacity. Ten entities failed to conduct IA activities at all, citing staffing shortages or procurement failures in acquiring audit services. Procurement audits were often integrated into broader compliance or performance audits rather than treated as standalone engagements. In 2023, 1,767 procurement-related operations were reviewed, including 222 high-value and 1,543 low-value transactions, and two involving classified data. However, due to the lack of categorical labeling, it remains difficult to isolate and analyze procurement-specific audit findings statistically.

As already noted, the external audit function is performed by the AC, which operates independently under the Constitution and the Law on Audit Chamber. The AC adopts its own annual activity program at least 30 days before the start of each budgetary year, including planned thematic audits. According to Article 26, each thematic audit results in a report that may focus on financial, compliance, or performance dimensions. In 2023, the AC conducted 54 audits under its approved program, including 12 based on risk methodology. The resulting interim reports and conclusions were presented to the NA, the GoA, and audited institutions, and were also made publicly accessible on the AC's official website. Among the 54 audits, one was a financial audit, seven were performance audits, and four combined financial and compliance aspects. Although procurement-related irregularities were reviewed in these audits, they were not systematically categorized as procurement audits, limiting the visibility of procurement issues in aggregated audit reporting.

The number of audits carried out by the IA units, categorized by type

Types of audits actually performed	2023	2022	2021
1. System evaluation audit	480	401	354
2. Performance audit	53	81	24
3. Financial audit	83	269	165
4. Information technology audit	-	-	-
5. Compliance or legal audit	321	302	301
6. Procurement audit, including	234	209	148
6.1. Audit of procurements with value exceeding twenty-fold of the procurement base unit	48	77	30
6.1.1. Audit of procurement procedure	30	46	26
6.1.2. Audit of contract performance	18	31	4
6.2. Audit of procurements with value not exceeding twenty-fold of the procurement base unit	185	130	47
6.2.1. Audit of procurement procedure	48	71	19
6.2.2. Audit of contract performance	137	59	28
6.3. Audit of procurements containing state, service, and bank secrecy	1	2	71
6.3.1. Audit of procurement procedure	1	2	14
6.3.2. Audit of contract performance	0	0	57

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Total	1171	1262	992

Based on the data presented in the MoF Internal Audit report, number of specialized procurement audits conducted in 2021, 2022, and 2023 were 148, 209, and 234, respectively, representing approximately 15%, 17%, and 20% of the total IAs.

These figures indicate a growing emphasis on procurement audits, both in terms of absolute figures and as a percentage of overall IAs conducted.

Number of procurement performance audits (contract performance) carried out in 2021, 2022, and 2023 were 89, 90 and 155 respectively, accounting approximately 60%, 43% and 66% of total number of procurement audits conducted.

The data indicates that while the absolute number of contract performance audits has generally increased, there have been variations in their share of total procurement audits. The increase in 2023, both in absolute terms and as a percentage of total audits could indicate a renewed focus on ensuring proper execution of contracts, possibly due to rising concerns about performance issues or the complexity of procurement processes.

Chapter 64 of the Minister of Finance Order 974-N defines in detail the peculiarities of provision of sensitive information within and outside the common reporting chain. It states that for special disclosures, some links in the normal chain of accountability may be bypassed in accordance with the provisions for such cases under relevant legislation and accepted practice. Disclosure of adverse information to anyone within the organization outside the normal chain of IA accountability is considered internal whistleblowing, and disclosure of adverse information to government agencies or other bodies outside the organization is considered external whistleblowing. In some situations, laws and other legal acts require public sector employees to report illegal incidents and unethical practices to the appropriate authorities as required by law. The law protects the rights of citizens who disclose specific types of inappropriate actions. These types of activities include criminal offenses and other violations of the law; actions that are considered unfair; actions that endanger the health and safety of individuals; actions that are harmful to the environment; and actions that mask or conceal any of the above actions.

In addition, Chapter 4500 of the IA manual defines that in the course of their activities IAs may discover sensitive information for the organization, which may lead to significant consequences. That information may relate to embezzlement, corruption, abuse, fraud, or other wrongdoing. In such a case, the internal auditor should submit that information to the appropriate law enforcement agencies. The internal auditor may be faced with the dilemma of whether information should be disclosed to persons outside the normal chain of accountability or even outside the organization. The normal chain of accountability can be bypassed when some sensitive information comes to light, even when the head of the organization, the IA committee, and the head of the IA unit agree on what action to take. In making this decision, the auditor may obtain legal or other professional advice, if necessary.

The AC cooperates with relevant oversight bodies and law enforcement agencies. Article 8.4 of the Law on Audit Chamber states that if in result of audit the AC arrives at a conclusion that a committed act contains prima facie elements of crime, the relevant materials shall, upon decision of the AC, be sent to the Republic of Armenia Prosecutor's Office. The AC may terminate the public audit to that extent. Article 57.3 further elaborates that the Prosecutor's Office informs the AC in writing about the decisions made on the basis of the materials received in accordance with the above-mentioned article. The Annual Report

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of the AC provides detailed information of the number of cases that have been referred to law enforcement agencies, including the number of subsequent convictions.

Sub-indicator 12(c) - Enforcement and follow-up on findings and Recommendations

According to Article 8.3.1 of the Law on Internal Audit, the head of the IA unit should submit reports to the head of the organization and IA committee, which among other things contain information on the audit results, identified issues, recommendations made, and actions taken to improve the organization's activities.

In addition, Article 10.5 states that the annual IA plan should include the assessment of the quality and timeliness of the implementation of recommendations provided as a result of previously conducted IAs.

As regards the external audit, according to Article 29 of the Law on Audit Chamber, after approval, the conclusion on the execution of the state budget and the current conclusion are presented to the NA and the GoA, while the audit report is submitted to the heads of the audited entities and, as necessary, to the heads of other bodies related to the subject of the audit. The heads of the audited entities, who are the recipients of the recommendations presented in the documents, are obligated to submit an action plan for the implementation of the recommendations addressed to them to the AC within 30 days after receiving the documents. This plan must contain information on the responsible person for each measure and the deadline for its completion. The heads of the audited entities, are required to provide the AC with information on the progress of the implementation of the recommendations and the action plan, within the timeframe proposed by the AC.

Overall, there is a lack of systematic and comprehensive statistics on follow-up processes.

As per the MoF's Public Sector Internal Audit Report 2023, the details of audits carried out by the IA units and the inconsistencies identified are summarized in the following table:

Year	2023	2022	2021
Number of recommendations in final reports	4826	4279	4176
Total number of measures in the action plans (based on audit tasks), including:	5497	4569	3407
Number of measures implemented within the set timeframe	3561	1540	1964
Number of measures implemented after the deadline	123	298	19
Number of measures not implemented as planned	85	201	8
Number of measures still within the set timeframe	1728	2530	1416

There is a lack of clear statistics on the implementation of IA recommendations. However, data on the implementation of measures outlined in the action plan, show that the number of measures completed within the set timeframe in 2021, 2022, and 2023 were 1964, 1540, and 3561, respectively. These figures correspond to 58%, 34%, and 65% of the total measures planned for each year.

Although there has been progress in the timely implementation of audit measures between 2022 and 2023, the overall consistency of follow-up remains weak. The 2023 Audit Chamber report noted 59 recommendations issued to various stakeholders, categorized as system-oriented (22), result-oriented (17), and problem-oriented (20). However, comprehensive data on the resolution of audit findings remains lacking, with most issues reported as being in progress.

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The IA review process, governed by Chapter 67 of Minister of Finance Order 974-N and Chapter 4800 of the IA Manual, requires that action plans addressing audit findings be approved by the head of the organization. IA units are responsible for monitoring the implementation schedule and verifying the adequacy and timeliness of corrective measures. Recommendations are prioritized by materiality, with major ones receiving more follow-up attention. The process includes interim reporting and continuous assessment, particularly for long-term actions.

As already noted, recent amendments to the Law on Audit Chamber have also strengthened follow-up procedures. Auditees must submit detailed action plans within 30 days of receiving audit conclusions and report progress according to timelines set by the AC. Despite these formal procedures, the overall lack of detailed follow-up statistics signals a need for stronger oversight and reporting mechanisms.

Sub-indicator 12(d) - Qualification and training to conduct procurement audits

Procurement audits are not legally required in Armenia, and as a result, there are no designated procurement auditors within the internal or external audit systems. Although some auditors may hold qualifications as procurement coordinators, these are acquired based on specific audit needs and are not mandated by law. The AC has confirmed that no procurement audits have been conducted to date and that no specialized training has been provided in this area. Moreover, current legislation governing internal and external audit does not specify procurement-related knowledge requirements, although general competency standards are included.

According to Article 2 of the Law on Internal Audit, competence is defined as the possession and application of relevant knowledge, skills, and experience. The MoF Order 974-N (Chapter 9) and the Internal Audit Manual (Chapter 1820) elaborate on this, requiring the head of the IA unit to ensure that auditors have the necessary knowledge in areas such as finance, economics, law, IT, and quantitative methods. Competency assessments are required at least once per year, and continuous professional development is mandatory. If internal capacity is insufficient, the IA unit may engage external experts. Chapter 10 of Order 974-N defines an expert as an independent party with the necessary experience and knowledge, not previously affiliated with the audited entity within the last two years. The IA unit must verify both the expert's competence and independence.

Article 9 of the Law on Internal Audit states that heads of IA units and internal auditors in public sector bodies must be included in the MoF's official list of qualified individuals. Trainee auditors may be appointed for up to three years. The qualification system is further detailed in MoF Order 516-N (adopted on 28 December 2023), which establishes a register of qualified individuals and audit organizations. Eligibility criteria include passing an official exam, holding recognized national or international audit qualifications, and meeting certain integrity and legal standards. The exam is held at least monthly, includes 50 questions, and lasts two hours. Applications must be submitted five working days in advance, and notices are published 15 working days before the exam.

Qualified internal auditors must also complete professional training every three years following qualification. The training must consist of at least 30 hours per year, with no less than 30% devoted to practical sessions. Auditors who fail to attend at least 80% of the training are disqualified. Organizations eligible to conduct internal audits must have at least three years of relevant audit experience and employ at least three qualified auditors who meet specific legal and professional standards. Restrictions on obtaining services from affiliated audit firms are also specified.

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The legal framework places strong emphasis on auditor independence. Article 2 of the Law on Internal Audit defines independence as the separation of the IA function from other activities within an organization, and Article 3 identifies it as a core principle. Chapter 1810 of the IA Manual outlines measures for maintaining independence, including the responsibilities of the IA committee and the head of the organization. Internal auditors must complete a formal declaration of independence, and any experts involved in audits must not review work they performed within the year preceding the audit.

The qualifications and responsibilities of the AC are governed by several provisions of the Law on Audit Chamber. Article 5 sets out the professional criteria for appointment as a member or Chairperson of the AC, including minimum education and work experience requirements. These include at least five years as an auditor (with three as a lead auditor) or extensive experience in finance or public service in managerial roles. Members of the AC are elected by the NA for six-year terms, with a limit of two consecutive terms.

Articles 39 to 41 define the system of AC employee positions, eligibility requirements, and disqualifying conditions such as criminal history, health limitations, or revoked audit qualifications. Vacant positions are generally filled through competitive procedures or temporary appointments for up to one year. Article 43.1 grants the Chairperson of the AC the authority to appoint and dismiss most employees, except in autonomous roles.

Finally, the AC is functionally independent from all bodies subject to public audit. Its expenditures are included in the State Budget, supporting its institutional and operational autonomy.

- **Gaps**

According to Article 5.2 of the Law on Internal Audit, the IA is carried out by the IA department/unit operating in the structure of the organization or invited persons, who are included in the list provided for in Article 13.4.5 of this law (list of qualified persons and organizations for audit).

Both options quoted above, however, bring with them an element of “perceived COI,” because in both scenarios the auditor has to report, and is being paid by, the same entity which it is audited, and this is generally not a good practice.

According to PEFA Report for Armenia (May 2024), despite the progress in IA, the function is still not regarded as fully operational and efficient. This is primarily due to challenges associated with the implementation of the financial management and control system, as well as the limited capacity of internal auditors. The IA mainly focused on reviewing the compliance of transactions. Additionally, concerns about independence highlighted the need for improvements in IA legislation and a restructuring of the current IA model.

The outsourced IA service was first implemented in 2020. Over the three years of using this model, there have been conflicting views on its efficiency and effectiveness. Some ministries believe that an in-house function is more beneficial due to its sector-specific knowledge, while others argue that the outsourced model is more cost-effective and produces higher-quality IA reports. The interviews with the sampled ministries show the majority of the ministries, 56%, are not fully satisfied with the quality of the outsourced IA service (PEFA).

The IA legislation is overly complex, with too many separate legislative acts and some provisions being repetitive in different documents. In addition, MoF’s webpage has a section for IA, also containing a

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corresponding legislation part. However, it seems that this part is not being updated regularly and the links to the legislative acts are presented in already downloaded format (pdf), rather than an active link to Arlis system, which contains all the most recent versions of the national laws. So, during the assessment it was observed that there was a legislative act published in this section of the MoF's webpage which was no longer active starting from 2023.

Interviews with the AC confirmed that no procurement-specific or performance audits have been conducted to date. While procurement documents are reviewed during external audits, they are not explicitly identified or reported as procurement audits, making it impossible to systematically analyze findings or trends. Most of the procurement processes which are audited are done so on a compliance basis and not on a performance basis.

Despite the fact that there are written standards and procedures for the IA unit (or function) to perform both compliance and performance audits, there are no specific ones for procurement. There are no manuals for procurement audit, neither for IA, nor for external audit. Moreover, there is no coordination framework between IA and external audit in this area.

Follow-up mechanisms also remain weak. While legislation outlines general provisions for addressing audit findings, it lacks clear and enforceable procedures for systematic follow-up by legislators or public finance governance bodies. Annual IA summary reports are not consistently submitted to the MoF, and at least ten public bodies reportedly conduct no IA activities due to dissolved units, ineffective procurement processes, or unfilled positions.

Data on follow-up—particularly for external audits—is fragmented and incomplete, and although implementation of IA action plans has improved, overall follow-through remains inconsistent. The absence of explicit enforcement mechanisms and penalties for non-compliance further undermines the effectiveness of audit recommendations.

The qualification of auditors in this area is not mandated by legislation and is largely driven by specific, situational needs, with some auditors obtaining procurement qualifications as required. There is no formal program in place to ensure that auditors are adequately qualified to conduct high-quality procurement audits, including performance audits.

While the different legislative documents elaborated on immediately above do imply the need for such required knowledge in procurement for conducting procurement audits, it was observed that procurement audits are not clearly specified and mandated in legislation. Although IA legislation includes some provisions related to procurement audits, it does not specify the required knowledge or qualifications for conducting these audits.

While legislation promotes the independence of internal auditors in Armenia, their actual independence can be influenced by other factors like the source of financing. As far as IA function relies on funding controlled by the management of the entity being audited, it could create risks of real or perceived COI or limit the auditor's ability to operate autonomously.

These structural weaknesses, combined with the lack of procurement-specific audits, qualifications, and follow-up mechanisms, significantly limit the contribution of audit functions to strengthening procurement accountability, transparency, and value for money.

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- **Recommendations**

It is recommended that Armenia adopt a system of independent IA through a centralized state body responsible for the IA function across government. Under this model, internal auditors would report to the central IA body rather than to the ministries where they are posted, be selected and deployed on a rotational basis, and receive standardized training from this authority. This would strengthen auditor independence while keeping the IA function within government. Subcontracting IA to the private sector should be discouraged, given the sensitivity of information and the presence of state secrets.

The IA legislative framework should be revised to ensure full independence and simplified to reduce fragmentation and duplication. In parallel, the MoF website should replace static PDF documents with direct links to the Arlis legal database to ensure continuous access to the most up-to-date legislation.

Detailed and tailored standards and procedures/manuals for procurement-related audits should be developed, covering both compliance and performance audits and addressing procurement-specific risks, legal compliance, and process efficiency. These standards should apply to both internal and external audit functions.

It is recommended to clearly define the role of the AC in relation to procurement audits and establish a dedicated procurement audit function to specifically review and assess procurement processes. While procurement documents are currently included in external audits, they should be explicitly categorized and examined through specialized procurement audits to ensure a focused and thorough evaluation. In addition, the AC should expand its audit scope beyond compliance to include performance audits in the area of PFM.

A comprehensive assessment should be conducted to identify and address systemic issues affecting IA functions, with a focus on sustainable solutions to strengthen IA capacities. A standardized framework must be implemented across all public bodies to ensure consistent IA activities and effective execution.

The legal framework for internal and external audit should be strengthened to ensure effective follow-up and enforcement of audit recommendations. This should include clearly defined responsibilities, timelines, and formal mechanisms for tracking implementation, supported by systematic data collection, regular reporting, and penalties for non-compliance. Engagement of CSOs in the audit and follow-up process could further enhance transparency, accountability, and public trust.

In parallel, procurement audits should be explicitly mandated by law, particularly within the external audit framework.

Minimum qualification requirements for procurement auditors should be established in law, including procurement-specific certifications and ongoing professional development in procurement legislation, procedures, and performance auditing. Both internal and external auditors conducting procurement audits should be required to meet these standards.

Summary of substantive gaps and recommendations of Indicator 12

Substantive gap	Risk classification and red flags	Recommendations

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Sub-indicator 12(a)(b) While progress has been made in IA, the function is not yet fully operational or efficient. Key challenges include issues with implementing the financial management and control system and the limited capacity of internal auditors. IA has mainly focused on transaction compliance, and concerns about independence point to the need for legislative improvements and a restructuring of the IA model. Since its introduction in 2020, the outsourced IA service has received mixed reviews. Some ministries prefer in-house IA for its sector-specific knowledge, while others favor outsourcing for its cost-effectiveness and higher-quality reports. However, interviews with sampled ministries indicate that 56% are not fully satisfied with the quality of the outsourced IA service.	High	Adopt a system of independent IA. This means establishing a state body responsible for IA across the government, where internal auditors report to this centralized body instead of the ministries where they are posted. This body should select and assign auditors on a rotational basis and provide the relevant training. Such a structure would ensure the independence of internal auditors while keeping them within the government sphere. Discourage outsourcing IA to the private sector, as state secrets should not be exposed to non-governmental actors.
Sub-indicator 12(a)(d) AC had not carried out any procurement specific audits and had not received any training on procurement other than the mandatory license for procurement coordinators which two of their staff obtained from MoF. No performance audits were carried out in the field of procurement and no procurement audit manuals exist.	High	Encourage the AC to obtain the necessary training for conducting procurement audits and to carry out such audits. Develop special procurement audit manuals for this purpose. The AC should also conduct performance audits, not only compliance audits, in the context of PFM.
Sub-indicator 12(a)(e) While the legislation outlines mechanisms for addressing audit findings, it does not explicitly specify procedures for follow-up by the legislator or other entities responsible for public finance governance. This lack of clear procedures can hinder the implementation of audit recommendations and the overall effectiveness of the audit process.	High	Amend the legislation to include clear and detailed procedures for the legislature or other public finance governance bodies to follow up on audit findings. These procedures should define timelines, responsible entities, and mechanisms for tracking the implementation of recommendations. Develop a structured framework for monitoring and reporting the implementation of audit recommendations, including details on progress and any challenges. Include CSOs in the audit process to promote

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		greater transparency, accountability, and public trust.
Sub-indicator 12(b)(a) Despite the fact that there are written standards and procedures for the IA unit (or function) to perform both compliance and performance audits, there are no specific ones for procurement.	High	Establish detailed and tailored standards and procedures for IA of procurement, covering both compliance and performance audits, with a focus on procurement-specific risks, legal compliance, and efficiency.
Sub-indicator 12(b)(b) There are no manuals for procurement audit, neither for IA, nor for external audit. Moreover, there is no coordination framework between IA and external audit in this area.	High	Create procurement audit manuals for both internal and external audit bodies, with a dual focus on compliance and performance. As mentioned above, the GoA should consider establishing an independent IA authority to manage the IA function on behalf of the government. This body should coordinate with the external audit authority on annual audit planning and share critical information.
Sub-indicator 12(b)(c) It appears that annual summary reports on IA were not submitted by all public bodies to the MoF. The absence of IA activities in at least 10 public bodies highlights a substantial gap in the auditing system. The challenges these bodies face regarding IA activities stem from systemic issues such as the dissolution of IA units, ineffective procurement processes, and unfilled staffing positions. While procurement documents were audited as part of external audits by the AC, they were not distinctly categorized as procurement audits and cannot be identified as such.	High	Conduct a comprehensive assessment to identify and address systemic issues affecting IA functions, focusing on sustainable solutions to rebuild and strengthen IA capacity. Implement a standardized IA framework across all public bodies to ensure consistency and effectiveness. Define the role of the AC in procurement audits and establish a dedicated procurement audit function to specifically assess procurement processes. Although procurement documents are currently included in external audits, they should be explicitly categorized and reviewed through specialized procurement audits. Develop and enforce detailed procurement audit guidelines and provide AC staff with specialized training to enhance their audit capacity.
Sub-indicator 12(c)(a)	High	Improve the collection, management, and reporting of data related to follow-up on external audit activities.

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There is a lack of structured and comprehensive data on follow-up processes, particularly concerning external audits. Although the implementation rate of measures outlined in the IA action plan has improved, the overall implementation process remains inconsistent.		Ensure that relevant stakeholders participate and remain accountable for timely implementation of audit recommendations. Conduct regular reviews and updates to track compliance with timelines.
<u>Sub-indicator 12(c)(b)</u> The legislation on internal and external audit lacks clear mechanisms for enforcing audit recommendations and imposing penalties for non-compliance.	High	Revise the legislation on internal and external audits to include provisions for enforcing audit recommendations. This should establish formal processes for tracking, setting deadlines, and applying penalties for non-compliance.
<u>Sub-indicator 12(d)(a)</u> Procurement audits are not explicitly specified by law, especially within the context of external audits. The qualification of auditors in this area is not mandated by legislation and is largely driven by specific, situational needs, with some auditors obtaining procurement qualifications as required. There is no formal program in place to ensure that auditors are adequately qualified to conduct high-quality procurement audits, including performance audits.	High	Introduce legal provisions that mandate procurement audits, particularly within the scope of external audits. These provisions should require that auditors meet minimum qualifications, including certifications and training in procurement legislation, processes, and performance auditing.
<u>Sub-indicator 12(d)(b)</u> While various legislative documents imply the need for procurement-related knowledge to conduct procurement audits, such audits are not clearly specified or mandated in the legislation. Although the IA legislation contains some provisions related to procurement audits, it does not define the required knowledge or qualifications for auditors. Most procurement audits focus on compliance rather than performance.	High	Ensure that the Supreme Audit Institution (SAI)/AC undertake procurement audits and obtain the necessary skills through training and certification. Additionally, update the IA legislation to require specialized expertise in procurement auditing, including mandatory certification and continuous professional development.
<u>Sub-indicator 12(d)(c)</u> While legislation promotes the independence of internal auditors in Armenia, their actual independence can be influenced by other factors like the source of financing. As far as IA function relies on funding controlled by the management of	High	Establish mechanisms that guarantee adequate and independent financing of the IA function to protect its independence. This can include centralizing IA funding by transferring financial responsibility from individual entities to a central authority such as

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the entity being audited, it could create a COI or limit the auditor's ability to operate autonomously.		the MoF or a designated public audit body, thereby eliminating dependence on ministry-controlled budgets.

Indicator 13. Procurement appeals mechanisms are effective and efficient

Pillar I covers aspects of the appeals mechanism as it pertains to the legal framework, including creation and coverage. This indicator further assesses the appeals mechanisms for a range of specific issues regarding efficiency in contributing to the compliance environment in the country and the integrity of the public procurement system.

- **Synthesis of the indicator**

Armenia's current procurement complaint system relies entirely on the judiciary following the elimination of its extrajudicial appeals body in 2022. While the process is legally sound and guarantees independence, it has proven inefficient in practice. Complaints are reviewed by civil courts under the Civil Procedure Code, which mandates decisions within 30–40 days; however, delays are common, especially when cases proceed to appeals or cassation, which can extend the process by months or more. The automatic suspension of procurement upon court acceptance of a complaint often disrupts procurement timelines. Despite legal guarantees of transparency, decision publication is sometimes delayed, and there are no statistics on complaints returned or unresolved due to submission errors.

The judiciary is independent but overburdened, with only nine judges handling procurement disputes. High court fees and complex submission requirements create barriers to access, particularly for smaller suppliers. Survey data reveals low public trust in the fairness and reliability of the current system, with many stakeholders calling for a return to an extrajudicial mechanism. To improve effectiveness, it is recommended that Armenia introduce a tiered appeals process starting with the procuring entity, followed by an independent review board, and courts as a final recourse. Enhancing submission procedures, publishing complete statistics, and providing user-friendly guidance are also essential to improving accessibility, efficiency, and transparency.

- **Findings**

Sub-indicator 13(a) - Process for challenges and appeals

Since the elimination of Armenia's extrajudicial procurement appeals system on June 1, 2022, all procurement-related complaints must be submitted directly to the civil courts of first instance. This process is regulated by the Civil Procedure Code, which requires that court decisions be both justified (Article 8) and reasoned (Article 9), based strictly on evidence presented during the trial (Chapter 8, Articles 57–92). This approach has been consistently confirmed by Armenian stakeholders, including judges.

The Judicial Code also governs the binding nature and appeal mechanisms of court rulings. According to Article 13, once a judicial act enters into legal force, it is binding and non-compliance carries legal consequences. Article 14 provides for appeals and cassation, permitting review of both final and non-final judicial acts according to established legal procedures.

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In practice, reliance solely on the court system has proven inefficient due to lengthy proceedings. For instance, the Monitoring Report of the Procurement Complaint System (2023) by TIAC Armenia noted that between June 1 and December 31, 2022, a total of 72 complaints were submitted to the Yerevan Court of First Instance. Of these, only 40 cases (55%) resulted in final decisions during that period. Six cases were appealed, with only one reaching a final judgment (rejected).

The PL specifies that a standstill period of at least 10 days (Article 10.3) must elapse before contract signing. If no appeal is lodged during this time, the contract may proceed (Article 10.5). However, once a court accepts a complaint, the procurement process is automatically suspended until the court's first-instance decision enters into legal force.

While Article 234.5.2 of the Civil Procedure Code requires courts to review cases within 30 days (extendable by 10 days), actual procedures often stretch much longer. The Court of Appeal can take up to 180 days, and cassation reviews have no set time limit. Delays are exacerbated by administrative inefficiencies—though courts are required to decide on admissibility within 3 days, cases may be resubmitted multiple times, further prolonging the process.

Although recent legal reforms have aimed to reduce case processing times, procedural delays in complaint admission and adjudication persist. These delays adversely affect the overall efficiency and continuity of the procurement process.

Sub-indicator 13(b) - Independence and capacity of the appeals body

The appeals body in Armenia, which is the court system, operates independently and is not involved in the procurement process itself. The Law on State Duty, adopted on January 21, 2022, sets fees for different types of procurement-related disputes. These fees vary depending on the nature of the dispute, expressed as multiples of the base duty, which is set at AMD 1,000. For example, general procurement disputes require a state duty of 1% of the purchase price but no more than 10,000 times the base duty, while other specific disputes carry fixed multiples ranging from 30 to 200 times the base duty.

Article 46 of the PL establishes the right of any interested party to appeal actions, inactions, or decisions by the contracting authority or evaluation commission within deadlines aligned with the Civil Procedure Code. It clarifies that procurement disputes are not administrative but regulated under civil law and that damages caused by procurement decisions are to be compensated according to the Civil Code. The statute of limitations for appeals is generally aligned with the bid submission deadlines, except for certain appeals related to contract decisions, which have a 30-calendar-day limit.

Articles 27 and 28 of the PL mandate that notifications of procurement opportunities must include information on the right to appeal, detailing the appeal process and timelines. Chapter 27.2 of the Civil Procedure Code specifically governs procurement dispute proceedings, requiring courts to examine and resolve such disputes within 30 days of accepting the claim, with a possible single extension of up to 10 days. The court must decide on whether to accept a claim within three days of its submission and must require the respondent to submit all relevant evidence within five days. Failure to comply allows the court to base its decision on the evidence available, presuming facts claimed by the plaintiff to be true if supported by evidence in the respondent's possession.

The Code requires the court to consolidate cases involving the same procurement process and mandates immediate notification to the authorized body and public publication of decisions that suspend the

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procurement process. Responses to claims must be filed within five days of the court's acceptance of the claim, and parties must be notified electronically. The court generally examines procurement disputes through written procedures but can hold hearings if requested or deemed necessary.

The burden of proof lies with the respondent, who must justify the legality of the contested acts within the evidence submission period. Appeals against procurement decisions automatically suspend the procurement process unless public interest or national security requires continuation, in which case the court may lift the suspension based on a formal motion.

Final judicial acts take effect upon promulgation and must be communicated to the authorized body for immediate publication. The appeal process allows for review of first-instance court decisions, with cassation available on limited grounds; cassation rulings are final.

According to the 2023 Monitoring Report by TIAC Armenia, despite the statutory requirement for procurement complaints to be resolved within 30 days (extendable to 40 days), 38% of resolved cases exceeded the 40-day limit, and 68% exceeded the 30-day limit. While the court system has nine judges dedicated to procurement disputes, the judges themselves have expressed that direct first-instance appeals to the courts have overburdened them, and that the 30-day timeline may compromise the quality of judicial review.

Sub-indicator 13(c) - Decisions of the appeals body

According to the Civil Procedure Code, decisions are issued based on the evidence provided by the complainant and the procurement case file. The rationale behind each decision is documented in the decision protocol, which is publicly accessible at DataLex system[36].

According to the Civil Procedure Code (Article 13.2), the court, while maintaining independence and impartiality, conducts the trial and, if necessary, during the examination of the case, clarifies the rights and responsibilities of the parties involved, warns about the consequences of performing or not performing procedural actions, and creates conditions for clarifying the factual circumstances of the case, as well as for comprehensively, fully, and objectively examining the evidence.

The survey results show that most of the respondents (53.3%) were not perceiving the appeals system as trustworthy. This suggests that the system faces credibility issues and may not be meeting public expectations, especially in areas of fairness, transparency and predictability.

Consistent pattern further reveals that the majority of respondents who have filed complaints (70.6%) feel that the complaints system is neither reliable nor fair. This indicates a serious gap in public trust regarding the effectiveness of the complaints process in public procurement.

The data shows that 53% of respondents who have made complaints believe that the decisions of the review bodies or courts were not clear or coherent with similar cases.

In addition, a significant portion of respondents (64.5%) expressed dissatisfaction with the decision to centralize the appeals process within the courts.

[36] www.datalex.am

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The majority of respondents strongly advocate for simplifying, institutionalizing, and ensuring neutrality in Armenia's public procurement complaint system. Key suggestions include reinstating the extrajudicial mechanism, introducing an intermediate appeal stage, and creating a fair, transparent system that is more accessible to suppliers. There is a clear call to reduce administrative hurdles, streamline the process, and make it more predictable, with some respondents also recommending structural reforms within the MoF to enhance the system's efficiency.

The decision protocol published in the centralized judicial information system/DataLex[37] outlines the court's ruling on procurement complaints, including case details, the decision outcome, reasoning, and any remedies or actions required. Final parts of the decisions are also being published in the official procurement website[38].

According to Monitoring Report of the Procurement Complaint System (2023) by TIAC Armenia, in 2022, between June 1 and December 31, out of 72 complaints submitted to the court, 11 were satisfied, including partial satisfaction (15% of all submitted cases, decision in favor of the applicant/supplier), 29 were rejected (40% of all submitted cases, decision in favor of the procuring entity), and for the remaining cases, the claim was either returned or the review was not completed. During the same period, 6 cases were appealed to the Civil Review Court, and only one of those cases had its review completed, with a final decision issued (rejected). According to data from MoF, in 2023 out of 210 complaints submitted to the court, 92 were satisfied, including partially (44%) and 118 were rejected (56%).

As already mentioned, all information regarding procurement complaint decisions issued by the current appeals body/court is published on the Datalex system. Additionally, the decision to accept the claim for proceedings in court, as well as the final part of the court decision or other final judicial act related to procurement procedures, should be immediately published on the official procurement website [39] (Articles 234.6 and 234.12 of Civil Procedure Code).

The observation confirmed that all appeal decisions were published on the official procurement website. However, despite the legal requirement for immediate publication, in 2024, a total of 90 court decisions (final parts) were posted within approximately five working days.

- **Gaps**

Whilst the practice of first review is indeed at the level of the courts as specified under the law, it is not common practice that the first complaint should go straight to the courts as the nature of the complaints may be a simple administrative one (a simple administrative error on behalf of the procuring entity). While the previous administrative review system faced several issues, as highlighted in the SIGMA report titled "The Principles of Public Administration of Armenia," particularly concerning the independence of the reviewing body, which was financed by the MoF, partners did not advocate for its complete abolition.

Going directly to the courts is not the most efficient system as the court system usually takes an exceedingly long time. Even though the first review by the courts must be made in 30/40days according to Article 234.5.2 of Civil Procedure Code, the complainant reserves the right to appeal and then the appeals court can take up to 180 days to make a ruling. And finally, there is one more step thereafter

[37] www.datalex.am
[38] https://gnumner.minfin.am/hy/page/datakan_kargov_boxoqarkumner_2024_am/
[39] https://gnumner.minfin.am/hy/page/datakan_kargov_boxoqarkumner_2024_am/

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which is cassation court which has no time limit. Add to this the fact that if the court of first appeal considers the complaint to be substantive and accepts the heading then the procurement process is automatically stopped/suspended (Article 234.11 of Civil Procedure Code). So, the needs of the government may be delayed by years if the process goes all the way to the court of appeals and cassation. This is not efficient and common practice.

The procurement process is halted/suspended as soon as a case is accepted by the courts of first instance.

Despite the fact that legal amendments have significantly reduced the time for courts to examine cases, there are still instances where the process of admitting or reviewing complaints is prolonged.

The current process lacks a mechanism to effectively address delays caused by resubmissions or procedural issues, which results in prolonged timelines for final decisions. This gap in the system not only extends the resolution of disputes but also continues to disrupt the procurement process.

As described above there are fees that the courts prescribe for each level of the review mechanism which goes contrary to the principle of internationally accepted procurement appeals mechanism which ought to be free of charge or a minimal administrative fee at most. Court fees especially for high-value procurement cases are quite higher than those previously imposed by the extrajudicial review body, which may unduly limit access to appeal mechanism.

As stated above, the system is not efficient and puts a strain on the judges which may impact the quality of hearing due to being overburdened with complaints and the strict time limits which they have to adhere to.

There is a considerable gap between the expectations set forth in the Civil Procedure Code and the current public perception of the procurement complaints system. Public trust is undermined by concerns over impartiality, transparency, and predictability. The survey reveals that a large number of respondents view the complaints system as neither reliable nor fair, with over half of those who filed complaints pointing to a lack of transparency and clarity in the decision-making process. The survey results highlight dissatisfaction with the decision to centralize procurement complaints within the courts, indicating that the shift has not met expectations in terms of accessibility, fairness, or efficiency.

Despite clear legal requirements, practice frequently deviates from prescribed procedures, with recurrent delays in the handling of appeals. Applicants and bidders often fail to meet basic submission requirements, leading to repeated returns of claims for correction and subsequent resubmission. In some cases, claims are returned multiple times for the same deficiencies, resulting in significant delays or, ultimately, the failure to resubmit corrected claims and the closure of cases without substantive resolution.

Although the Civil Procedure Code requires the publication of information on the acceptance of claims and final court decisions on the procurement website, in practice no information or statistics are available regarding claims that are repeatedly returned or closed without resolution. This lack of transparency further limits oversight and understanding of the effectiveness of the appeals mechanism.

In addition, observations show that final parts for court decisions are posted on the official procurement website not immediately as required by Civil Procedure Code.

- **Recommendations**

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The GoA should establish a structured, multi-tiered procurement appeals mechanism whereby complaints are first submitted to the procuring entity during the standstill period and, if unresolved, escalated to an independent complaints review board or appeals panel as the second and final administrative instance. The legal framework should clearly define timelines for each stage of the process. Decisions of the appeals board should be final, with recourse to the courts reserved as a last resort in accordance with constitutional provisions.

To improve the quality and efficiency of appeals, authorities should develop clear, user-friendly guidelines for applicants and bidders on how to prepare and submit complaints, including common errors and key compliance requirements. Consideration should also be given to introducing pre-submission advisory support, such as a helpdesk, or an electronic submission platform with built-in validation features to automatically flag missing or incorrect information prior to final submission.

Monitoring and evaluation mechanisms should be established to assess the efficiency and effectiveness of the complaints resolution system, including analysis of delays, repeated returns, and case closures. Feedback mechanisms for suppliers and users of the appeals system should be introduced to identify recurring issues and inform continuous improvement.

To enhance transparency and accountability, the procurement website should publish comprehensive data and statistics on all complaint cases, including those returned for correction, resubmitted, or closed without resolution. A case-tracking system should be introduced to monitor the status and outcomes of complaints, including reasons for returns or closures. In addition, stronger internal controls should be implemented to ensure timely publication of final court decisions in line with Civil Procedure Code requirements.

Summary of substantive gaps and recommendations of Indicator 13

Substantive gap	Risk classification and red flags	Recommendations
Sub-indicator 13(a)(d) The procurement process is halted/suspended as soon as a case is accepted by the courts of first instance. Despite the fact that legal amendments have significantly reduced the time for courts to examine cases, there are still instances where the process of admitting or reviewing complaints is prolonged. The current process lacks a mechanism to effectively address delays caused by resubmissions or procedural issues, which results in prolonged timelines for final decisions. This gap in the system not only extends the resolution of disputes but also continues to disrupt the procurement process.	High	Adopt a system involving an appeals mechanism whereby the first complaint would be raised at the level of the procuring entity within the standstill period. If unsatisfied with the procuring entity's response, escalate the issue to an independent complaints review board (appeals mechanism/board/panel), ensuring that the legal framework includes appropriate timelines for proceeding through the appeals process. Consider that decision as final, with recourse to the courts as a last resort, in accordance with the national constitution.

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Sub-indicator 13(b)(b) There are fees that the courts prescribe for each level of the review mechanism which goes contrary to the principle of internationally accepted procurement appeals mechanism which ought to be free of charge or a minimal administrative fee at most. Court fees especially for high-value procurement cases are quite higher than those previously imposed by the extrajudicial review body, which may unduly limit access to appeal mechanism.	High	Adopt a system involving an independent appeals body to handle procurement complaints, reserving the courts as the final step in the process.
Sub-indicator 13(b)(e) Despite legal requirements, delays often occur in practice, partly due to non-compliant appeal submissions that require repeated corrections and resubmissions; in some cases, this results in multiple returns and ultimately the closure of cases without resolution.	High	Issue comprehensive, user-friendly guidelines for applicants on preparing and submitting appeals; to provide pre-submission checks or helpdesk advisory services and enable electronic submission with automated validation to reduce errors and delays; and to establish monitoring of the complaints-resolution process (including reasons for delays and case closures) to support continuous improvement.
Sub-indicator 13(b)(g) The system is not efficient and puts a strain on the judges which may impact the quality of hearing due to being overburdened with complaints and the strict time limits which they have to adhere to.	High	Establish the previously described appeals mechanism: an independent appeals body (complaints review board), with recourse to the courts as a last resort.
Sub-indicator 13(c)(b) There is a considerable gap between the expectations set forth in the Civil Procedure Code and the current public perception of the procurement complaints system. Public trust is undermined by concerns over impartiality, transparency, and predictability. The survey reveals that a large number of respondents view the complaints system as neither reliable nor fair, with over half of those who filed complaints pointing to a lack of transparency and clarity in the decision-making process. The survey results highlight dissatisfaction with the decision to centralize procurement	High	Establish feedback mechanisms for suppliers and users of the procurement complaints system to evaluate public perception, identify concerns, and use the data for continuous improvement. Additionally, as previously suggested, establish an independent appeals body to manage procurement complaints, with the courts used only as a final recourse.

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complaints within the courts, indicating that the shift has not met expectations in terms of accessibility, fairness, or efficiency.		

Indicator 14. The country has ethics and anticorruption measures in place

This indicator assesses i) the nature and scope of anti-corruption provisions in the procurement system and ii) how they are implemented and managed in practice. This indicator also assesses whether the system strengthens openness and balances the interests of stakeholders and whether the private sector and civil society support the creation of a public procurement market known for its integrity.

- **Synthesis of the indicator**

Armenia has made progress in building anti-corruption institutions, but its public procurement system still faces significant challenges in this regard. The PL lacks clear definitions for prohibited practices such as fraud, bribery, collusion, and coercion, which weakens enforcement and accountability. Although the law disqualifies bidders convicted of bribery, it does not clearly define bribery or link to relevant legislation. The COI rules are minimal and scattered, with little focus on procurement-specific risks.

Overall, the debarment regime is not yet fully proportionate or aligned with good international practice, as some grounds are overly punitive while others are too limited to safeguard procurement integrity effectively.

Enforcement mechanisms like whistleblower protections and anti-corruption bodies exist but do not specifically target procurement-related corruption. No dedicated procurement offenses exist in the Criminal Code, and data on procurement corruption cases or sanctions are unavailable. Training for procurement officials on ethics and anticorruption is limited, and codes of conduct lack procurement-specific guidance.

Transparency efforts involving civil society and media are positive but limited by funding, capacity, and low private sector engagement. Public monitoring tools and procurement data remain underutilized and often incomplete.

To improve, Armenia should amend the PL to clearly define and sanction prohibited practices and require beneficial ownership disclosure in all procurement types. Contract templates should include clauses on prohibited conduct. Introducing a specific criminal offense for procurement corruption will aid prosecution and data tracking. Strengthening enforcement through faster legal processes, specialized training, and better resources is crucial.

Expanding mandatory ethics training and developing a procurement-specific Code of Conduct will enhance integrity. Finally, boosting civil society involvement, improving transparency, and clarifying whistleblower protections will help make public procurement more transparent, accountable, and resistant to corruption.

- **Findings**

Sub-indicator 14(a) - Legal definition of prohibited practices, conflict of interest, and associated responsibilities, accountabilities, and penalties

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The PL and related procurement regulations in Armenia do not explicitly define or address fraud, corruption, collusion, coercion, or other generally prohibited practices within public procurement. While bribery is mentioned in the PL under Article 6.1.3 in relation to eligibility criteria for bidders—specifically, a bidder is ineligible if convicted of giving or receiving a bribe within the past five years—the law does not provide a definition of bribery nor specify which other laws or regulations govern this offense. The PL requires contracting authorities to notify law enforcement in writing upon detecting any unlawful acts within the procurement process, but it does not detail the nature of such acts or how they are to be handled. Regarding COI, the PL contains limited provisions, requiring only that members of evaluation commissions sign COI statements; however, the law itself does not offer a definition of COI. Disclosure of beneficial ownership is mandated only for bidders involved in tenders, price quotations, and E-Auction procedures but is not explicitly required for those participating in SS procurement. Additionally, there are inconsistencies between the PL and Procurement Regulations concerning the definitions of affiliated persons, which could cause confusion or loopholes.

Other relevant legislation partially addresses corruption and ethical conduct in public service. The Law on Whistleblowing System (2017) enables reporting of corruption but does not define prohibited practices explicitly. The Law on Public Service (2018) provides a broader and more detailed framework regarding ethics, behavior, gifts, and COI. It offers a comprehensive definition of COI, describing it as a situation where private interests influence or may influence the impartial performance of official duties. The law outlines obligations for public officials to avoid and disclose COI and mandates supervisors to take specific steps to resolve such conflicts. It also defines affiliated persons broadly to include family members, close relations, and organizations controlled directly or indirectly by the official or their affiliates. The law includes provisions on gift acceptance, defining “gifts” in a broad manner that encompasses various forms of benefits, and restricts public officials from accepting gifts related to their official duties. It further prescribes disciplinary measures for violations, though these do not apply to individuals holding political positions. Additionally, the law includes post-employment restrictions, requiring a cooling-off period before former public officials can join organizations they once supervised.

The Law on Corruption Prevention Commission, also adopted in 2017, focuses on corruption prevention and oversees codes of conduct and ethics for civil servants. While it addresses COI and ethics, it does not provide definitions for corruption or other prohibited practices.

The new Criminal Code of Armenia, effective from July 2022, criminalizes corruption-related offenses without providing a formal definition of corruption. It includes specific provisions on bribery, fraud, and money laundering, categorizing them as corruption crimes when committed by public officials. However, none of these offenses are specifically detailed in procurement legislation.

Overall, there is a notable gap in Armenia’s procurement legal framework in terms of clearly defining and regulating prohibited practices such as fraud, corruption, collusion, and coercion. While some aspects, particularly COI, are more thoroughly treated in the Law on Public Service, the PL and Procurement Regulations lack comprehensive, consistent provisions. The requirements for disclosure of beneficial ownership are limited and not applied uniformly across all procurement methods. These gaps create risks of inconsistent application and enforcement, potentially allowing corrupt or unethical practices to persist in public procurement processes.

To address these issues, it would be important to develop clearer and harmonized definitions of bribery, corruption, fraud, collusion, and COI within procurement-specific legislation or complementary

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regulations. Expanding disclosure obligations and aligning COI provisions across all relevant laws would improve clarity and enforcement. Introducing explicit procurement-related anti-corruption measures and strengthening oversight mechanisms could also enhance the integrity and transparency of the procurement system in Armenia.

Sub-indicator 14(b) - Provisions on prohibited practices in procurement documents

As mentioned under indicator 14(a) above, the legal framework for procurement is silent on most of the prohibited practices in procurement such as: corruption, fraud, coercion, collusion, bribes and money laundering.

The standard form contract document (sample contract document) repeats the language of eligibility as per Article 6 of the PL, and do not include any further language on prohibited practices.

Sub-indicator 14(c) - Effective sanctions and enforcement systems

Article 12.2 of the PL mandates that if an unlawful act within the procurement process is detected, and it is committed by the bidder or their management representative, the contracting authority must notify law enforcement bodies in writing on the day the act emerges. Allegations of fraud, corruption, and other prohibited practices in procurement can also be reported through the whistleblowing mechanism established by the Law on Whistleblowing System. This law defines whistleblowing as the written or oral reporting by a whistleblower to an authorized person or body of information concerning corruption cases, COIs, ethics violations, incompatibility requirements, or other harms or threats to public interests within state and local government bodies, institutions, and public organizations.

The law classifies whistleblowing into three types: internal, external, and public. External whistleblowing involves reporting to a competent authority, while public whistleblowing includes publications in mass media about violations. These whistleblowing actions can trigger investigations or proceedings under the Republic of Armenia Code of Criminal Procedure and the Law on Corruption Prevention Commission. The Law on Whistleblowing System outlines procedures for handling reports, including record-keeping and timely initiation of proceedings. It also provides for a unified electronic platform allowing whistleblowers to anonymously submit information, ensuring accessibility to the Prosecutor's Office.

The competent body responsible for processing whistleblowing reports is defined as any state or local government body or public organization obligated to handle reports under the law, guaranteeing protection to whistleblowers. Upon receiving an external report, the competent authority must log it within one working day, initiate proceedings within three working days if grounds exist, and notify the Prosecutor's Office if prima facie criminal elements are detected. Failure to meet these obligations incurs legal liability.

In 2023, the electronic platform received 116 whistleblowing reports, 99 of which were anonymous. Proceedings were initiated in 22 cases, with criminal investigations opened in three. However, only one reported criminal code article related to corruption was abuse of official powers, and there was no detailed information on corruption specifically linked to procurement. The Prosecutor's Office annual report, which tracks corruption investigations by specific criminal code articles, does not separately report on procurement-related corruption due to the absence of a dedicated procurement corruption offense in the Criminal Code.

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The Corruption Prevention Commission, following recent legislative amendments, monitors restrictions on gift acceptance and can initiate administrative proceedings for violations. In 2023, the Corruption Prevention Commission started three such proceedings and imposed penalties, but none were linked to procurement. Separately, the State Supervision Service observed over 5,600 procurement procedures in the first half of 2024, identifying apparent violations in 13 cases which were forwarded to the Prosecutor's Office.

Improving the detection of corrupt economic offenses is a key priority in Armenia's Anti-Corruption Strategy 2023-2026. The strategy emphasizes strengthening the capacity of officials involved in procurement management, oversight, and detection of economic offenses. Key institutions involved include the Prosecutor's Office, Anti-Corruption Committee, Investigative Committee, Corruption Prevention Commission, State Supervision Service, and Competition Protection Commission. The strategy also calls for development of guidelines to identify and classify economic corruption offenses.

The PL establishes a suspension/debarment mechanism through an "ineligibility list" (blacklist). Under Article 6, bidders may be declared ineligible for certain serious criminal offences committed within the previous five years, for anti-competitive conduct established within the previous three years, for inclusion on the EAEU's ineligibility list, or for contract-related violations such as refusal to conclude a contract or breach of obligations leading to termination. The list is maintained and published by the authorised body, and inclusion is based on a reasoned decision of the contracting authority. Exclusion lasts for two years and is subject to due process and judicial review.

While laws on fraud, corruption, and other prohibited practices exist and are enforced in Armenia, challenges remain in full implementation. Since the 2018 Velvet Revolution, various reforms have taken place, leading to investigations of former officials and business leaders. Despite these efforts, corruption remains a persistent problem, compounded by slow legal proceedings that delay penalty enforcement.

Corruption investigations are led by the Anti-Corruption Committee, supported by a specialized department in the Prosecutor's Office responsible for overseeing pre-trial procedures to ensure legality. Judicial handling of corruption cases is conducted by the Anti-Corruption Court, which serves as the first instance. Its decisions can be appealed to the Anti-Corruption Court of Appeal, and further appeals are heard by the Anti-Corruption Chamber of the Court of Cassation. This specialized judicial framework aims to improve the efficiency and integrity of corruption case adjudication in Armenia.

Based on the data provided in the 2023 Report on Corruption Crime Investigation published by the Prosecutor's Office, the following table illustrates the number of corruption-related criminal cases, the individuals involved, and the outcomes for 2022 and 2023.

Category	2023	2022
Total corruption-related criminal cases	149	99
Total individuals involved	249	197
Cases led to convictions	97	67
Total individuals sentenced, including	140	132
Imprisonment	25	30
Fines	39	63
Other main punishments	3	0
Suspended	73	39
Supplementary penalties applied	9	8

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According to the same source, a total of 152 officials were prosecuted for corruption-related crimes in criminal cases investigated by the Anti-Corruption Committee in 2023, compared to 63 in 2022.

In addition, several former and current officials have been prosecuted for corruption-related crimes in criminal cases investigated by the Investigative Committee and the Investigative Department of the National Security Service.

While the Report on Corruption Crime Investigation provides general data and mentions some cases related to procurement corruption, it lacks a specific focus or detailed breakdown of corruption crimes in the procurement sector. As a result, it is difficult to present accurate statistics on the prosecution and conviction of firms/individuals/officials, as well as the penalties or sanctions imposed for corruption offenses in public procurement.

As of the end of 2024, the list of participants debarred from (or ineligible for) public procurement did not include anyone excluded due to a conviction for corruption offenses.

Survey data indicates that 21.2% of respondents believe companies are expected to provide a gift or bribe to secure contracts in public procurement. However, only one respondent admitted to having done so.

Sub-indicator 14(d) - Anti-corruption framework and integrity training

Since 2019, Armenia has undertaken significant reforms resulting in the establishment of specialized anti-corruption institutions. The Anti-Corruption Strategy and Action Plan for 2019-2022 reported good progress in several areas. The Corruption Prevention Commission, created in November 2019, is an autonomous body with independence safeguards and expanded powers, including conducting integrity checks. It is authorized to initiate proceedings for administrative offenses related to incompatibility requirements, violations of conduct rules, and situational COI, as well as disciplinary proceedings under the Judicial Code.

In October 2021, the Anti-Corruption Committee was established as an investigative body focusing on corruption offenses and operational intelligence activities, collaborating closely with government agencies. The Anti-Corruption Court was set up in July 2022 to handle corruption cases in the first instance, with appellate courts and a specialized chamber in the Court of Cassation following in 2023. The new Criminal Code, adopted in May 2021, revised corruption-related offenses and introduced criminal liability for legal entities. Amendments in 2022 improved legal regulations on COI, incompatibility requirements, and gift acceptance by public officials, including oversight mechanisms.

Transparency measures expanded with the mandatory disclosure of beneficial owners of legal entities starting in January 2023, accompanied by criminal and administrative penalties for non-compliance. An electronic register for beneficial owners was launched to enhance openness. Reforms in economic competition laws strengthened administrative proceedings by the Commission for Protection of Economic Competition, clarifying participants' rights and improving cooperation with intelligence bodies.

The whistleblowing system was enhanced by introducing a new category called "whistleblowing to the public" and expanding the scope to cover private sector and community institutions. The electronic whistleblowing platform [40] enables anonymous reporting of COI, violations of conduct codes,

[40] https://azdararir.am/en/

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incompatibility requirements, and declaration breaches. The Human Rights Defender was assigned to collect and publish whistleblower-related statistics, monitor protection enforcement, and oversee related duties. Public education campaigns have also been conducted to raise awareness about corruption and promote ethical governance.

The survey revealed that 63.6% of respondents considered the e-procurement system "quite effective" in reducing corruption, while 12.1% rated it as "very effective." However, around 24.2% felt the system was ineffective or only weakly effective, citing concerns over deeper structural vulnerabilities. Training and information dissemination were viewed less favorably, with no respondents rating them as "very effective" and over half seeing reporting channels as weak in curbing corruption. Similarly, 60.6% believed supplier declaration forms had limited or no impact on corruption reduction, indicating skepticism about their effectiveness alone. Disclosure of beneficial ownership and declarations of property and interests were generally seen as moderately effective, though a significant minority expressed doubts about their practical impact. Strong law enforcement was broadly supported as a key anti-corruption tool, but some respondents questioned enforcement capacity and integrity. Half of the participants viewed Codes of Conduct positively, though many doubted their real-world effectiveness given concerns about compliance and enforcement.

The survey results underscore a multi-faceted approach to tackling corruption in public procurement, highlighting structural reforms, enhanced oversight, improved skills, stronger enforcement, and cultural change. Recommendations include strengthening oversight, increasing transparency, insulating procurement from political influence, enhancing legal frameworks, and improving reporting mechanisms. The 2023-2026 Anti-Corruption Strategy recognizes the importance of bolstering anti-corruption tools in procurement but notes the absence of a dedicated mechanism to systematically identify and mitigate corruption risks throughout the procurement cycle.

As noted earlier, in 2023, 116 whistleblowing reports were submitted via the electronic platform, with 22 resulting in proceedings and 3 leading to criminal investigations. Only one related criminal code article concerned corruption (abuse of official powers), but detailed information was lacking. The Prosecutor's Office's annual corruption report does not provide procurement-specific corruption statistics, as the Criminal Code lacks a dedicated article for procurement-related corruption. The Corruption Prevention Commission's 2023 report recorded three proceedings on gift acceptance violations, without linking these to procurement. The State Supervision Service monitored 5,678 procurement procedures in the first half of 2024, forwarding 13 apparent violation cases to the Prosecutor's Office.

Armenia's anti-corruption measures in procurement include enforcing transparency through mandatory publication of procurement plans and contracts, conducting audits and monitoring by internal and external bodies, applying COI policies through declarations, maintaining whistleblowing channels with anonymous reporting options, and a legal framework supporting penalties for corrupt conduct. The 2023-2026 Action Plan sets targeted goals for improving COI mechanisms, screening software, procurement planning, transparency, accountability, and institutional capacity for detecting corrupt economic offenses, with responsibilities assigned to the MoF, Commission for Protection of Economic Competition, and Ministry of Justice.

Following the 2022 adoption of the Model Code of Conduct for Public Servants, the Corruption Prevention Commission organized training for 30 Integrity Officers in early 2023, focusing on ethical principles, COI management, gift acceptance, resource use, and whistleblowing. However, there are no specific integrity

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training programs for procurement professionals, and existing training for procurement specialists does not cover integrity issues.

Sub-indicator 14(e) - Stakeholder support to strengthen integrity in procurement

Since 2019, CSOs in Armenia have made important, though still limited, contributions to strengthening public procurement integrity. A small number of CSOs and activists actively focus on procurement-related transparency and oversight, with leading organizations including TIAC Armenia, the National Center of Public Policy Research, the Freedom of Information Center of Armenia, and the Union of Informed Citizens. Independent media, such as Hetq and Factor TV, also play a key role in investigating and reporting on procurement issues.

While CSOs are engaged through mechanisms such as the OGP and participate in government-organized consultations, challenges persist. Chief among these are resource constraints, limited technical capacity, and a lack of donor interest in procurement-related projects. As a result, only a small number of civil society actors are able to engage consistently in procurement monitoring and advocacy.

The government has taken steps to encourage participation, including legal amendments enabling public monitoring of contract execution (Article 5.1 of the PL, March 2021). As already mentioned, this allows CSOs, media, and bidders to monitor contracts exceeding AMD 1 million that do not involve state secrets. However, actual use of this mechanism has been minimal, as only 15 cases of public monitoring have been reported since its introduction.

Digital participation tools such as the Ministry of Justice's e-draft platform offer opportunities for public engagement in the legislative process. The platform is used to publish draft laws and receive feedback. However, civil society critiques, as documented in the 2022 and 2023 CSO Meter Armenia reports, suggest that the platform's impact is often symbolic rather than substantive. Key limitations include the lack of revised draft publications, delayed or absent feedback on proposals, vague justifications for rejected suggestions, and unreasonably short consultation periods. In some cases, the final adopted legislation differs significantly from the version open for comment.

Armenia's OGP national action plans include commitments to enhance transparency in procurement and encourage civil society involvement. CSOs have been active in shaping reforms under this framework and have advocated for the development of open procurement data platforms and legislation that increases public access to information. Their efforts have led to improvements in legal and institutional frameworks and increased public awareness.

Despite these advances, CSO engagement remains constrained. Beyond a few key actors, procurement is not a priority for most NGOs, and the overall number of CSOs consistently working in this area is small and undefined. Occasional involvement from other NGOs, such as the NGO Center and the Freedom of Information Center, does occur, but sustained focus is rare.

Engagement from suppliers and business associations in promoting procurement integrity is even more limited. This lack of involvement is attributed to a variety of factors, including a reliance on informal connections, perceived risks of retaliation, lack of trust in complaint mechanisms, and an overall focus on short-term business interests. Their participation in reform consultations tends to be reactive and issue-specific, rather than proactive or systemic. There is no available data quantifying how many suppliers in Armenia have implemented internal compliance or integrity mechanisms.

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In sum, while civil society and media actors have played a positive role in improving transparency and accountability in Armenia's procurement system, their engagement remains limited in scope and depth. Government openness to participation exists in principle, but more inclusive, systematic, and transparent channels are needed to foster meaningful engagement. The current gap in private sector involvement also highlights the need for targeted efforts to build trust, incentives, and safeguards to encourage ethical conduct and participation across all procurement stakeholders.

Sub-indicator 14(f) - Secure mechanism for reporting prohibited practices or unethical behavior

In Armenia, one of the most secure and confidential channels for reporting fraud, corruption, or unethical conduct is the unified electronic whistleblowing platform, which allows anonymous submissions. Among the three types of whistleblowing defined by the Law on the System of Whistleblowing (adopted on 9 June 2017)—internal, external, and public—external and public reporting are generally considered more secure due to stronger protections.

The law ensures whistleblower protection through several provisions. Whistleblowers have the right to confidentiality and are protected from retaliation (Article 10), and their personal data cannot be disclosed when submitting anonymous reports (Article 11). They are also entitled to judicial protection in case of harmful actions resulting from their disclosures (Article 12). Protection extends to persons related to the whistleblower if they face risks due to this connection (Article 10.5).

To qualify for protection, whistleblowers must act in good faith, with reasonable grounds to believe in the accuracy of the information and without malicious intent (Article 13). Bad faith actions—such as knowingly providing false information or seeking personal gain—are excluded from protection.

There is some evidence of functionality in practice: statistics from the platform show that around 57% of submitted reports led to operational-investigative actions, and approximately 15% of these resulted in criminal proceedings.

Sub-indicator 14(g) - Codes of conduct/codes of ethics and financial disclosure rules

In Armenia, public officials are required to adhere to ethical standards set out in the Law on Public Service and Law on Civil Service, which apply to all public servants, including those involved in PFM and procurement. These laws establish three distinct codes of conduct:

1. Code of Conduct for Public Officials (Articles 28.4–28.7, Law on Public Service)
2. Code of Conduct for Civil Servants
3. Model Code for Special Categories of Public Servants (e.g., MPs, judges, prosecutors, investigators) (Article 54.5, Law on Public Service)

These codes promote integrity, transparency, accountability, and the prevention of COI. Violations can lead to disciplinary sanctions (Article 28.9, Law on Public Service). For breaches, ethics commissions are formed on a case-by-case basis for civil servants (Articles 33–36, Law on Civil Service) and operate within public bodies for other public servants (Articles 44–46, Law on Public Service). Integrity officers advise on COI matters and initiate the creation of these commissions.

While the framework applies broadly, there is no specialized code exclusively for PFM or procurement officials. However, in June 2022, the Corruption Prevention Commission adopted a Model Code of Conduct for Public Servants, which public bodies may tailor to their specific needs. In 2023, the Corruption

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Prevention Commission also introduced an Interpretation Guide, including practical examples related to PFM and procurement. Still, it is unclear how many procuring entities have adopted dedicated codes.

Public officials and senior civil servants are required to file declarations of property, income, interests, and expenditures (Articles 34–43, Law on Public Service). In 2023, 8,352 officials submitted such declarations, although the report does not specify compliance by sector. From 2024, this obligation extends to state and municipal employees and public officeholders as of December 31, 2024.

Training on integrity is mandated (Article 46, Law on Civil Service), but implementation appears limited. In 2023, Corruption Prevention Commission and the Ministry of Justice conducted several Training of Trainers (ToT) sessions targeting integrity affairs organizers, though broader, systematic training is still lacking.

Armenia has also advanced beneficial ownership transparency. Since 2021, beneficial ownership data is published in open data format. By 2023, a public State Register of Legal Entities was launched, covering about 120,000 entities and aligning with the Beneficial Ownership Data Standard (BODS), significantly improving oversight and aligning with international standards.

- **Gaps**

The legal framework for public procurement is largely silent on prohibited practices. Armenian legislation does not specifically address corruption, fraud, collusion, coercion, bribery, or money laundering in the context of procurement, and therefore lacks clear definitions of responsibilities, accountability, and penalties for government officials, private firms, or individuals found guilty of such practices. There is no legal act, including the Criminal Code, that explicitly defines and sanctions corruption or other prohibited practices in public procurement, which makes it difficult to identify cases and compile reliable statistics.

Article 6 of the PL sets out eligibility requirements and grounds for exclusion, including bankruptcy, criminal convictions related to terrorism, trafficking, bribery, and economic crimes, as well as sanctions for anti-competitive behavior and inclusion in ineligibility lists. While these provisions address some prohibited practices indirectly, the law remains largely silent on a comprehensive set of procurement-specific prohibited practices. Sample contract documents similarly do not include clauses addressing corruption, fraud, coercion, collusion, bribery, or money laundering.

Provisions on COI are limited and focus primarily on defining affiliated persons for members of evaluation commissions and secretaries. The legal framework does not adequately recognize the various forms of COI that may arise at different stages of the procurement process or during contract implementation, involving actors both within and outside the procuring entity. In addition, there is no effective mechanism to verify beneficial ownership of bidders or contract awardees, and no explicit requirement for disclosure of beneficial owners in SS procurement procedures. Procurement Regulations introduce a broader concept of affiliated persons (Clauses 119-121 of the Procurement Regulations) and this is not reflected in the PL, which does not provide a general definition and limits affiliation to a closed list of relationships for evaluation commission members (Article 33.6 of the PL). These inconsistencies result in a fragmented framework that is not fully aligned with the broader concept of affiliation and influence established under the Law on Public Service, potentially leaving certain COI situations unidentified or insufficiently addressed.

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Although the grounds for debarment under Article 6.1 of the PL are generally acceptable, some provisions appear excessive, while others are insufficiently robust. In particular, debarring a bidder for two years for failure to submit a bid security on time may disproportionately affect MSMEs, which often require more time to obtain bank guarantees. In addition, the framework does not clearly define the relationship between bid security and debarment where a selected bidder refuses to conclude a contract or is deprived of the right to conclude a contract, creating uncertainty as to whether both consequences are intended to apply in all cases or only in more serious circumstances. This creates a risk of cumulative and potentially disproportionate consequences. At the same time, Article 6.1.3 introduces a five-year limitation period on conviction-based exclusions, meaning that entities or their representatives previously convicted of offences as grave as terrorism financing, child exploitation, or human trafficking regain eligibility to participate in public procurement once that period has elapsed. This time-limited blanket approach does not distinguish between offences of differing gravity and may inadequately protect the procurement system from high-risk actors. Taken together, these provisions suggest that the debarment regime is not yet fully proportionate or aligned with good international practice, as some grounds are overly punitive while others are too limited to safeguard procurement integrity effectively.

Despite Armenia's adoption of anti-corruption laws and reforms, enforcement remains inconsistent and often delayed. Slow legal proceedings reduce the effectiveness of sanctions and undermine deterrence. Corruption remains entrenched in some sectors, and high-profile cases have at times resulted in limited or no legal consequences, weakening public confidence. Political will continues to be a critical factor in determining the effectiveness of anti-corruption efforts.

There is a significant lack of statistics related to corruption offenses in public procurement. Neither procurement-specific corruption crimes nor separate statistics on detected cases, prosecutions, sanctions, dismissed proceedings, or high-level corruption offenses are systematically reported, including in the annual reports of investigators and prosecutors. The list of debarred or ineligible procurement participants does not include individuals excluded due to corruption convictions, pointing to gaps in enforcement and accountability.

While anti-corruption institutions have been strengthened, they continue to face limitations in resources, staffing, expertise, and training. Survey results indicate that most anti-corruption measures in public procurement are perceived as only moderately effective, reflecting skepticism regarding enforcement and compliance. There is no dedicated mechanism for systematically identifying and mitigating corruption risks throughout the procurement cycle.

Transparency gaps persist, including incomplete procurement data (notably for paper-based procurement) and publication of information in non-machine-readable formats, which hinders access and accountability. Interpretation and enforcement of integrity-related provisions—such as COI, gift acceptance, and rules of conduct—vary across institutions, and there is a lack of comprehensive methodologies and guidelines to support the detection and investigation of corruption-related offenses.

There are no dedicated integrity training programs for the procurement workforce, and existing procurement training does not include specific modules on integrity and corruption risks. Civil society engagement in procurement oversight remains limited, largely due to capacity and resource constraints, and few CSOs are active in procurement monitoring or social audit activities.

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Although the e-draft platform provides an avenue for public and CSO input, several shortcomings remain, including the lack of publication of revised drafts, significant discrepancies between draft and final adopted texts, limited feedback on submitted proposals, insufficient justification for rejected comments, and short consultation periods for complex legal drafts (15 days).

Public monitoring as provided under Article 5.1 of the PL is limited to contract implementation and management stages and does not cover earlier phases of the procurement cycle. There is a need for more active CSO involvement across all stages to strengthen integrity. Suppliers and business associations are also weakly engaged in promoting integrity and procurement reform, often focusing only on immediate concerns rather than long-term systemic improvements, highlighting the need for enhanced private-sector capacity-building.

Whistleblower protection provisions, while strengthened, have notable limitations. Special protection mechanisms largely apply only when whistleblowing relates to an ongoing criminal investigation, and broad definitions of competent authorities create ambiguity. Certain provisions may exclude protection in cases involving classified information, even when such information was lawfully obtained, raising concerns about the scope and effectiveness of whistleblower safeguards.

In particular, the OECD Baseline Report of the Fifth Round of Anti-Corruption Reforms in Armenia (2023) identifies that, while amendments enacted in January 2023 introduced a mechanism for granting "special protection" to whistleblowers, this protection is narrowly applied in practice. Although whistleblowers may apply to a "competent authority" for special protection, which may then be transmitted to the police, the Criminal Procedure Code (Article 73) limits such protection—particularly when requested by the Human Rights Defender—to cases involving an ongoing criminal investigation. As a result, whistleblowers are effectively excluded from special protection when their reports do not lead to, or are not linked with, formal criminal proceedings.

The OECD also raises concerns regarding the overly broad definition of "competent authority," which encompasses all state bodies, local self-government bodies, and public organizations. The same definition applies both to recipients of whistleblowing reports and to authorities responsible for granting special protection, creating legal ambiguity and undermining the effectiveness and predictability of the protection mechanism.

Furthermore, Article 10.3.3 of the Law on the Whistleblowing System provides that whistleblowers are exempt from liability only if their act does not contain elements of a crime. This limitation is problematic, as it excludes protection in cases where whistleblowing may involve the lawful acquisition but potentially unlawful disclosure of classified information, even when such disclosure serves the public interest. The OECD notes that this broad exception is inconsistent with international benchmarks, as it fails to distinguish between criminal acts committed to obtain information and lawful access to information disclosed in good faith to report wrongdoing.

Ethical standards for public officials are set out in the Laws on Public Service and Civil Service but apply broadly and are not tailored to public financial management or procurement functions. There is no specialized code of conduct for procurement officials. Asset declaration requirements cover a limited group of officials and lack sector-specific breakdowns, including for procurement roles. While compliance is mandatory, administrative and criminal consequences for non-compliance are not clearly defined.

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Although the establishment of public registers is a positive step, challenges remain in verifying the accuracy of declarations and beneficial ownership information. The Corruption Prevention Commission conducts some monitoring, including the use of media sources, but the effectiveness of these measures has not been fully assessed. There is also no evidence on how disclosed information is used by decision-makers, nor are there separate statistics related to procurement officials or suppliers participating in public procurement.

- **Recommendations**

The PL and Procurement Regulations should clearly define prohibited practices in their definitions section, explicitly prohibit them, and reference applicable sanctions under the Criminal Code and other relevant legislation. These practices should automatically trigger debarment and ineligibility for participation in public procurement. Armenian legislation should be amended to include a dedicated article on corruption and other prohibited practices in public procurement, supported by separate reporting and statistics linked to relevant legal provisions to improve tracking, enforcement, and prosecution.

Prohibited practices should be incorporated consistently across the PL, procurement regulations, guidelines, SBDs, and sample contract forms, with their inclusion made mandatory in all procurement documentation. Contract templates should explicitly address major prohibited practices, including fraud, corruption, and collusion.

The legislation should require disclosure of beneficial ownership for companies participating in SS procurement. To avoid inconsistencies, it would be useful to align the PL with the broader concept of affiliated persons in the Procurement Regulations and the Law on Public Service to ensure a consistent definition that captures ownership, control, and indirect influence for effective management of COI risks.

Although a debarment system is operational and the list of debarred entities is published, the grounds and consequences for debarment are not fully aligned with international good practice and should be revised. Some conditions appear excessive or insufficiently clear. In particular, the current PL wording may create uncertainty as to whether refusal by a selected bidder to conclude a contract may trigger both forfeiture/payment of the bid security and debarment for two years in all cases, or only in special circumstances. At the same time, exclusion for certain serious criminal offences appears to be limited to a maximum of five years regardless of the gravity of the offence. The debarment regime should therefore be revised to ensure that it is proportionate, risk-based, and aligned with international standards. In particular, debarment criteria should be clearly linked to well-defined prohibited practices in Armenian legislation, clearly distinguish between lesser procurement-related violations and grave criminal offences, establish differentiated exclusion periods accordingly, and ensure due process and clear conditions for reinstatement. The list of debarred participants should also include individuals convicted of corruption-related offences in order to strengthen accountability and prevent repeat violations.

Legal proceedings related to procurement corruption should be streamlined to ensure timely resolution, enhance enforcement, and strengthen public trust. Law enforcement should be supported through clear prosecutorial guidelines, specialized training, and independent oversight to ensure consistent application of anti-corruption laws.

Transparency should be improved by strengthening data collection and publication of procurement-related corruption offenses, including statistics on investigations, prosecutions, sanctions, and dismissed

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cases. All procurement data, including paper-based procedures, should be published in machine-readable formats.

Anti-corruption and procurement institutions require increased resources, staffing, and continuous training. Specialized programs should be introduced for investigators, prosecutors, and procurement officers to address emerging corruption risks and schemes. A risk-based monitoring system using data analytics should be developed to identify high-risk procurement activities, supported by a dedicated anti-corruption procurement framework covering prevention, detection, and response.

The legal framework should be harmonized across provisions related to conflicts of interest, gift acceptance, conduct rules, and incompatibility restrictions, supported by clear and enforceable guidelines. A comprehensive methodology and procedural guidelines for detecting and investigating procurement-related corruption should be developed, with institutionalized expert support (e.g., financial and legal experts) for complex cases.

A mandatory and enforceable Code of Conduct should apply to both public officials and private contractors, with clearly defined administrative and criminal penalties for non-compliance. Given the specific risks associated with PFM and procurement roles, tailored ethics provisions should be introduced, either through amendments to existing public service laws or a dedicated procurement ethics code.

Asset declaration requirements should be expanded to cover a wider range of officials, categorized by role and sector, with particular focus on procurement-related positions. Procedures should be established for the effective use of declaration data in procurement decision-making and risk assessment, supported by regular training for officials. A dedicated system should track declarations of procurement officials and beneficial ownership of bidding firms, with public access and analytical use to identify conflicts of interest and corruption risks.

Whistleblower protections should be strengthened by clarifying the definition of “competent authority” and amending Article 10.3.3 to ensure protection when disclosures serve the public interest, including cases involving classified information. Public awareness campaigns should promote reporting of misconduct and build trust in protection mechanisms.

CSOs engaged in procurement oversight should receive targeted support through training, funding, and donor partnerships. Government institutions should ensure meaningful CSO engagement in policy development, including improving the e-draft platform, extending consultation periods for complex legislation, and ensuring transparent feedback mechanisms. Public monitoring under Article 5.1 of the PL should be expanded to cover all stages of the procurement cycle.

Business associations should be encouraged to promote integrity by offering compliance training, guidance, and support mechanisms. Positive incentives, such as recognition of ethical companies, and a tracking system for suppliers with internal compliance mechanisms would further strengthen procurement integrity.

Summary of substantive gaps and recommendations of Indicator 14

Substantive gap	Risk classification and red flags	Recommendations

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Sub-indicator 14(a)(a) The legal framework for procurement is silent on prohibited practices.	High	State clearly in the PL and regulations what prohibited practices are, and define them in the definitions section. Establish these practices as prohibitive by law, and mention the sanctions or refer to the appropriate laws for sanction enforcement. Lead prohibitive practices to debarment and ineligibility to participate in procurement processes.
Sub-indicator 14(a)(b) Armenian legislation lacks provisions specifically addressing corruption and other prohibited practices in procurement and thus there are no clear definitions regarding the responsibilities, accountability, or penalties for government employees, private firms, or individuals found guilty of fraud, corruption, or other prohibited practices in procurement.	High	Include definitions of prohibited practices, individual responsibilities, and accountabilities in the PL and regulations, and refer to sanctions provided by relevant laws.
Sub-indicator 14(a)(c) The procurement legislation offers limited coverage of COI, mainly focusing on defining affiliated persons for evaluation commission members and secretaries. It does not adequately address the various types of COI that can occur throughout the procurement process and contract implementation, involving multiple actors inside and outside the procuring entity. Additionally, the system lacks effective mechanisms to verify beneficial ownership of participants, with no explicit requirement for disclosure in SS procurements. The Procurement Regulations introduce a broader concept of affiliated persons not reflected in the PL, which lacks a general definition and limits affiliation to a closed list for evaluation commission members, resulting in a fragmented framework misaligned with the Law on Public	High	Amend the procurement legislation to explicitly require disclosure of beneficial owners for companies involved in SS procurement procedures. Align the PL with the broader concept of affiliated persons in the Procurement Regulations and the Law on Public Service to ensure a consistent definition that captures ownership, control, and indirect influence for effective management of COI risks (Article 33.6 of the PL and Clauses 119-121 of the Procurement Regulations).

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Service and potentially leaving certain COI situations insufficiently addressed.		
Sub-indicator 14(b)(a) Article 6 outlines eligibility criteria for procurement participation, excluding individuals who are bankrupt at bid submission; those convicted within the past five years of serious crimes such as terrorism financing, child exploitation, human trafficking, bribery, or economic crimes (unless the conviction is expired or annulled); those with unappealable administrative rulings for anti-competitive behavior or unfair competition within the last three years; and those listed as ineligible bidders under EAEU procurement laws or other relevant lists at the time of bid submission. However, while some prohibited practices are addressed here, the law largely remains silent on many other prohibited practices previously mentioned.	High	Update the legal framework to clearly include prohibited practices in laws, regulations, guidelines, and SBDs, and make their inclusion mandatory in all procurement documents.
Sub-indicator 14(b)(b) Sample contract documents do not include prohibited practices such as corruption, fraud, coercion, collusion, bribes, and money laundering.	High	Include all the mentioned prohibited practices in sample form contract documents and update the PL and regulations to cover these aspects.
Sub-indicator 14(c)(b) Armenian legislation, including the Criminal Code, does not appear to treat corruption or other prohibited practices in public procurement as a distinct offence. Because of this, procurement-related cases cannot be separately identified, recorded, or reported, and it is difficult to show that such cases are detected and followed up in a consistent and systematic way.	High	Amend Armenian legislation to include a specific provision on corruption and other prohibited practices in public procurement. Keep separate reporting and statistics for procurement-related cases, with references to the relevant articles of the Criminal Code or other laws. This would make it easier to identify, report, and track such cases and give a clearer legal basis for prosecuting them.
Sub-indicator 14(c)(c) Although the debarment grounds under Article 6.1 of the PL are broadly acceptable, some may be	High	Amend the debarment framework to make it proportionate, risk-based and predictable. Clarify the relationship between bid security and debarment where a selected bidder refuses to sign

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disproportionate or insufficiently clear. In particular, two-year debarment for failure to submit or pay required security within the prescribed timeframe may be excessive, especially for MSMEs. The relationship between bid security and debarment where a selected bidder refuses to sign the contract also requires clarification to avoid potentially cumulative or disproportionate consequences. Conversely, the five-year limit on exclusion for serious criminal offences may inadequately protect the procurement system from high-risk actors.		the contract, avoid automatic debarment for refusal to sign a contract after award, and provide stronger exclusion measures for serious criminal offences.
<u>Sub-indicator 14(c)(d)</u> Despite Armenia's adoption of anti-corruption laws and reforms, enforcement remains slow and ineffective. Although investigations into former officials and business leaders have occurred, prolonged legal proceedings delay penalties, weakening anti-corruption efforts. There is also a lack of comprehensive statistics on corruption offenses in public procurement, limiting understanding of the problem's scope. Additionally, the list of individuals barred from public procurement does not include those convicted of corruption, highlighting gaps in accountability enforcement.	High	Streamline legal proceedings to facilitate faster resolution of cases, especially those involving corruption, to ensure timely penalties and strengthen anti-corruption efforts and public trust. Improve government data collection and reporting on corruption offenses in public procurement, ensuring specific statistics to better understand the scope and consequences. Revise the list of debarred participants to include individuals excluded due to corruption convictions, strengthening accountability and preventing future procurement involvement.
<u>Sub-indicator 14(d)(a)</u> Armenia has established a strong anti-corruption legal framework, but enforcement remains uneven and heavily dependent on political will. Corruption persists in certain sectors, and high-profile cases often result in little or no legal consequences, undermining public trust. Although anti-corruption institutions have been strengthened, they still lack sufficient resources, expertise, funding, staffing, and training to operate	High	Strengthen law enforcement by establishing clear prosecution guidelines and independent oversight to ensure fair and consistent enforcement. Enhance public awareness campaigns on anti-corruption measures and the role of citizens in reporting misconduct; emphasize protection of whistleblowers to prevent retaliation. Increase resources and expertise for anti-corruption institutions by allocating adequate funding, improving staffing, and providing continuous training, especially

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effectively. As a result, public confidence in anti-corruption efforts remains limited. Survey results indicate that most anti-corruption measures in Armenia's public procurement system are viewed as only moderately effective, with widespread skepticism about enforcement and compliance.		specialized programs for law enforcement and anti-corruption officers. Foster closer cooperation among anti-corruption agencies, civil society, and the private sector to share information and collaborate on investigations; support civil society engagement and advocacy for stronger measures. Engage regularly with the public through forums, discussions, and media outreach to explain work, build confidence, and demonstrate tangible anti-corruption results. Make adherence to a Code of Conduct mandatory and legally enforceable for public officials and private contractors, with clearly defined penalties for non-compliance.
<u>Sub-indicator 14(d)(b)</u> There is no special mechanism in place and used for systematically identifying and mitigating corruption risks specifically in the public procurement cycle.	High	Develop a risk-based monitoring system using data analytics and risk profiling to continuously monitor procurement processes, identify high-risk activities, and intervene as necessary. Establish a dedicated anti-corruption framework for public procurement, including risk assessment tools, vulnerability guidelines, and preventive measures at every procurement stage. Provide training for procurement officers and stakeholders on anti-corruption policies, legal frameworks, and best practices to build awareness and mitigation skills.
<u>Sub-indicator 14(d)(c)</u> Corruption crimes in procurement are not specified, and, thus, it is difficult to identify and report statistics on such crimes within the procurement process. There is a lack of detailed statistics at least in the annual reports on the work of investigators and prosecutors who specialize in the investigation of corruption crimes. Separate statistics are necessary for high-level corruption offenses, the cases that have been detected and sent to the court, cases	High	Amend Armenian legislation to include a specific article on corruption and prohibited practices in public procurement or maintain separate reporting/statistics with references to Criminal Code or relevant acts for accurate crime tracking.

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where sanctions were applied, dismissed proceedings, etc.		
Sub-indicator 14(d)(d) Despite existing measures to detect and prevent corruption in procurement, Armenia faces several challenges. Institutional capacity remains limited due to insufficient resources and inadequate training for officials to effectively enforce anti-corruption practices. Transparency gaps persist, including incomplete procurement data—particularly from paper-based procurements—and the publication of data in non-machine-readable formats, which restrict accessibility and accountability. Furthermore, inconsistent interpretation and enforcement of legal norms related to corruption, such as COI, gift acceptance, and conduct rules, are common. There is also a clear need for a comprehensive methodology and guidelines to improve the detection and investigation of corruption-related crimes.	High	Enhance institutional capacity by increasing resources for procurement and anti-corruption bodies, and implement targeted training programs to improve detection, investigation, and prevention of corruption. Improve transparency and data accessibility in the new e-procurement system by including all procurement data (paper and electronic) and publishing in machine-readable formats to enable better monitoring. Harmonize the legal framework by reviewing and aligning provisions on COI, gift acceptance limits, conduct rules, incompatibility requirements, and other restrictions. Develop clear, standardized guidelines for consistent application and enforcement across all public service entities to improve compliance and integrity. Develop comprehensive methodologies and guidelines covering corruption crime detection and investigation from pre-trial to judicial stages. Provide specialized training for investigators and prosecutors to ensure effective application and thorough investigations. Establish a mechanism to involve experts with economic, financial, and relevant expertise as needed.
Sub-indicator 14(d)(e) There are no special integrity training programs offered to the procurement workforce, and the existing training for procurement specialists does not include a dedicated module on integrity issues.	High	Introduce targeted integrity training for procurement staff, with modules on ethics, COI, anti-corruption, transparency, and accountability; integrate this into existing training curricula.
Sub-indicator 14(e)(d) Suppliers and business associations are less engaged in actively promoting integrity in procurement and supporting broader procurement reform efforts.	Medium	Encourage business associations to actively advocate integrity and ethical procurement through workshops, training, and guidelines; offer capacity-building initiatives and collaborations with

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Their involvement is often limited to addressing specific, immediate issues rather than pushing for comprehensive and long-term improvements. There is a clear need for enhanced capacity-building within the private sector and more robust initiatives from business associations to foster integrity and transparency in public procurement.		international or government bodies for resources and expertise. Establish mechanisms to reward companies demonstrating commitment to ethical procurement practices via public recognition and certification programs. Implement regular surveys or reporting systems to track suppliers with internal compliance mechanisms and assess procurement practices.
<u>Sub-indicator 14(g)(a)</u> The Law on Public Service and the Law on Civil Service set ethical rules that apply to all public officials. However, there does not appear to be a separate, specialized code of conduct dedicated to officials who work in public financial management and procurement, even though these officials face their own particular risks.	High	Either add specific provisions for public financial management and procurement officials to the Law on Public Service and the Law on Civil Service, or create a dedicated code of ethics for officials working in these areas.
<u>Sub-indicator 14(g)(d)</u> The scope of the training programs is limited, and a more comprehensive approach may be necessary to effectively address the broader integrity needs within the public sector.	High	Offer regular training programs to all public and civil servants to ensure sustained awareness and implementation of anti-corruption measures.

4. Consolidated Recommendations

Pillar I – Legal, Regulatory, and Policy Framework

1. Modernize and harmonize legal frameworks
    - Revise the PL and Procurement Regulations to include:
        - Framework agreements.
        - International competitive bidding procedures.
        - Comprehensive rules on exceptions and emergencies.
        - Provisions on SPP.
        - Alignment with WTO GPA and IFI standards.
    - Establish a single legal authority (MoF) for drafting, approving, and amending procurement regulations.
2. Clarify and strengthen procurement standards
    - Designate open competitive bidding as the default method.
    - Clearly define prohibited practices and ensure legal sanctions.

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- Integrate ADR mechanisms for dispute resolution in all legal instruments.
- Explicitly regulate procurement under PPPs and concessions.
- Establish a contract management framework (a dedicated PL provision and a separate chapter in the Procurement Regulations).

3. Promote integrity and confidentiality
   - Prohibit participation of individuals/companies convicted of procurement offenses.
   - Require beneficial ownership disclosures for all procurements.
   - Remove clauses undermining confidentiality and legal certainty (e.g., Clause 32.4).
   - Repeal discretionary exceptions at the request of procuring entities.
4. Ensure access to effective remedies
   - Establish a three-tier appeals mechanism:
     - Procuring entity
     - Independent (institutionally separate from the authorized body and contracting authorities) review body
     - Judicial recourse
   - Amend the Civil Procedure Code to mandate publication of appeals.

Pillar II – Institutional Framework and Management Capacity

1. Reform institutional arrangements
   - Establish specialized procurement departments or units within large entities.
   - Evaluate centralization options (ministerial-level vs. single centralized body).
   - Develop a procurement-specific COI management framework at the institutional level.
   - Align institutional COI provisions with the Law on Public Service.
2. Build professional procurement cadre
   - Establish procurement as a formal civil service profession with clear qualifications, pay scales, and promotion tracks.
   - Remove outsourcing provisions; mandate in-house procurement coordinators.
   - Align civil service classifications with similar professions (e.g., accountants).
3. Strengthen oversight and capacity building
   - Include procurement monitoring in the authorized body's mandate.
   - Introduce a feedback system on capacity-building programs.
   - Use performance indicators (KPIs) to monitor procurement staff and training outcomes.
4. Digitalize and use data strategically
   - Expand e-GP functionality with:
     - Mandatory data fields and attachments.
     - Real-time contract data.
     - Red-flag and notification features.
   - Ensure data is machine-readable, open-access, and fully digitized.
   - Introduce automated tools for supplier segmentation and MSME tracking.

Pillar III – Public Procurement Operations and Market Practices

1. Plan strategically and conduct market research
   - Mandate needs assessments and market analysis for all contracting authorities.
   - Develop procurement strategies before planning and tendering.
2. Enhance standardization and tools

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- Develop and publish SBDs and RFPs for all procurement categories (goods, works, services).
- Use IFI-compliant contracts and conditions as reference.
- Require clearly defined outputs and results in contracts.

3. Improve fairness and competition
   - Remove unjustified requirements (e.g., Qualification Security).
   - Require clear evaluation criteria and arithmetical error correction provisions.
   - Promote use of non-price criteria and performance-based contracts.
   - Define "satisfactory evaluated bid" in law.
4. Support SMEs and market participation
   - Offer dedicated training and finance access (e.g., low-interest loans).
   - Monitor SME participation via KPIs and data systems.
   - Tailor technical specifications to avoid barriers to entry.
5. Foster transparency and stakeholder engagement
   - Establish feedback loops with suppliers and civil society.
   - Educate the public, CSOs, and media on oversight tools.
   - Implement joint monitoring initiatives.

Pillar IV – Accountability, Integrity, and Transparency

1. Reinforce internal and external auditing
   - Create an independent internal audit authority for procurement oversight.
   - Develop procurement-specific IA/SAI manuals.
   - Coordinate internal and external audit planning.
   - Mandate performance audits in addition to compliance reviews.
2. Enable oversight institutions
   - Provide continuous training for SAI, AC bodies, and judiciary.
   - Include CSOs in audit processes and follow-up monitoring.
   - Require enforcement of audit recommendations with defined procedures.
3. Combat corruption proactively
   - Require mandatory disclosure of COI and gifts.
   - Establish a dedicated anti-corruption framework for procurement.
   - Train investigators and prosecutors on procurement-specific risks.
   - Centralize IA funding to ensure independence.
4. Promote ethical behavior and transparency
   - Introduce mandatory Code of Conduct for officials and contractors.
   - Use data analytics for risk profiling and red-flag detection.
   - Make debarment sanctions proportionate and stronger for serious offences.
   - Publicize debarred entities and outcomes of corruption cases.
5. Engage the public and build trust
   - Promote civic oversight through accessible tools and public awareness campaigns.
   - Recognize ethical suppliers through certification schemes.
   - Regularly publish procurement performance reports and corruption statistics.

5. Strategic Planning

Proposed action	Timeline	Responsible institutions

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Legal and Regulatory Reform		
Revise PL and Procurement Regulations to remove conflicting clauses, clarify language, expand centralized procurement, define open competition as default method, update exceptions for single sourcing, include international competitive bidding provisions, harmonize with WTO GPA & IFIs, etc.	Short term	MoF, IFIs (for support)
Reintroduce framework contracting/agreements and consulting methods	Short term	MoF
Supplement the Procurement Regulations with a dedicated contract management chapter and introduce a corresponding provision in the PL	Short to Medium-term	MoF
Assign exclusive legal amendment authority to MoF	Short term	GoA, MoF
Create a national policy on SPP, include sustainability criteria in procurement legislation and documents	Medium to long term	GoA, MoF, Ministry of Environment, IFIs (for support)
Define prohibit/corrupt practices and sanctions	Short-term	MoF, Corruption Prevention Commission, Anti-Corruption Agencies
Revise the debarment framework to ensure proportionate sanctions and stronger measures for serious criminal offences.	Short-term	MoF, GoA
Mandate beneficial ownership disclosure in SS procurement	Short-term	MoF
Incorporate ADR mechanisms into legal and regulatory frameworks.	Medium-term	MoF, GoA
Amend Civil Procedures Code to publish all appeal applications on procurement bulletin.	Short-term	MoF, Ministry of Justice
Institutional Strengthening and Human Capacity		
Develop and institutionalize a professional procurement cadre within civil service.	Medium-term	MoF, Civil Service Office
Mandate the establishment of procurement departments in large procuring entities, define structure, capacity standards, qualifications.	Short to Medium-term	MoF, Civil Service Office
Develop and adopt a procurement-specific institutional-level COI management framework, aligned with the Law on Public Service	Short to Medium-term	MoF, Corruption Prevention Commission, Civil Service Office
Introduce feedback mechanism on training programs to improve relevance.	Short-term	MoF
Incorporate integrity and ethics training into existing curricula for procurement officers.	Short-term	MoF, Civil Service Office
Ensure public access to training and educational materials in multiple languages.	Short-term	MoF
Train oversight institutions and CSOs in procurement monitoring and audits.	Ongoing	MoF, SAI, CSOs
E-Procurement and Data Transparency		

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Mandate publication of all contract amendments, milestones, and payments in the e-GP system.	Short-term	MoF
Automate e-GP system data collection, establish automatic systems for bid monitoring, compliance checks, analytics and red flag alerts. Improve search with filters/AI	Short to Medium-term	MoF, IT Bodies
Digitize and publish core procurement data in machine-readable formats.	Short-term	MoF
Procurement Operations and Tools		
Develop SBDs and RFPs contracts per int'l practices	Medium-term	MoF, IFIs
Mandate needs assessments and market analysis	Short-term	MoF, Line Ministries
Develop sector-specific procurement strategies	Short to Medium-term	MoF, GoA
Implement multi-annual procurement planning (remove Article 15.6 of the PL).	Short to Medium-term	MoF
Develop and implement a results framework for monitoring procurement reforms.	Medium-term	MoF
Introduce supplier classification and MSME participation tracking.	Short to Medium-term	MoF, State Revenue Committee
Provide training for MSMEs	Medium-term	MoF, Business Associations
Monitoring, Oversight and Internal Audit		
Create centralized IA authority	Medium to long term	MoF
Update IA legislation to ensure independence, expertise, and financing. Discourage outsourcing of IA	Short to Medium-term	MoF, NA
Develop internal and external procurement audit manuals. Train auditors in performance audits	Medium-term	MoF, SAI
Anti-Corruption and Integrity		
Establish a dedicated anti-corruption framework for procurement.	Medium-term	MoF, Anti-Corruption Agencies
Introduce specific provisions for PFM and procurement officials in the Law on Public Service and the Law on Civil Service or adopt a specialized code of ethics for these officials	Short to Medium-term	MoF, Corruption Prevention Commission, Civil Service Office
Strengthen whistleblower tools	Medium-term	MoF, CSOs
Promote ethical procurement via business engagement	Medium-term	MoF, Business Associations
Establish an independent appeals body for procurement complaints.	Medium-term	MoF, Judiciary, NA
Outreach and Stakeholder Engagement		
Develop educational and monitoring tools, run forums, consultations, and awareness campaigns	Short to Medium-term	MoF, CSOs, Media
Conduct training and awareness programs for SMEs on procurement processes.	Ongoing	MoF, Business Associations

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Enable public/CSO participation in different stages of procurement	Short-term	MoF, CSOs
Provide guidance and technical assistance for CSOs and media to monitor procurement.	Ongoing	MoF, CSOs, Media Organizations
Collect/respond to citizen and supplier feedback	Short-term	MoF

6. Validation

The assessment was launched on June 15, 2024, with the approval of the Concept Note by the MAPS Secretariat. Fact-finding meetings were conducted from August 19 to August 26, 2024 (Pillar I) and from September 30 to October 11, 2024 (Pillars II, III, and IV). The assessment included a review of 96 sample procurement cases, selected in accordance with the methodology described under Pillar III.

Initial findings and recommendations were shared with the Ministry of Finance on September 18, 2024. A first complete draft of the report was circulated on June 20, 2025. Following a series of consultations with the ASC and further revisions, an updated draft was finalized on January 28, 2026. A validation workshop bringing together a broad range of stakeholders was held on March 11, 2026, as described below.

Preparation of the assessment report involved extensive consultations with a wide range of stakeholders from the government, development partners, private sector, and civil society, for which a number of bilingual (Armenian and English) meetings and workshops were arranged. During the assessment, the ASC had regular meetings with the Assessment Team to discuss the progress and provide assistance where needed.

The assessment report was presented to the higher level in the GoA and subsequently shared with other key stakeholders that were met as part of the assessment and in line with the dissemination plan as approved by the ASC. Prior to the validation workshop, written comments on the draft assessment report were solicited from key stakeholders. Written feedback was received from several institutions, including the Corruption Prevention Commission, Yerevan Municipality, the Anti-Corruption Committee of the Republic of Armenia. The comments addressed, among other issues, the accuracy of institutional mandates as described in the report (e.g., clarification of the Anti-Corruption Committee's investigative jurisdiction), the verification of statistical data cited in the report, recent legislative developments related to conflict of interest in public procurement, the scope and practice of the Commission's activities in the procurement area, and the status of integrity training programs. These written comments will be taken into consideration in the preparation of the final version of this report.

A validation workshop was held on March 11, 2026, in Yerevan, Republic of Armenia, in a hybrid format (in-person and virtual participation). The event brought together approximately 40 participants from around 30 organizations representing a broad spectrum of public procurement stakeholders. The organizations represented during the validation workshop included, among others:

- Ministry of Finance of the Republic of Armenia
- Ministry of Foreign Affairs
- Ministry of Internal Affairs
- Ministry of Economy
- Ministry of Environment

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- Ministry of Health
- Ministry of Justice
- Ministry of Education, Science, Culture and Sports
- Anti-Corruption Committee of the Republic of Armenia
- Armenian Territorial Development Fund
- Asian Development Bank
- Audit Chamber
- Central Bank of Armenia
- Chamber of Advocates
- Civil Service Office of the Office of the Prime Minister of the Republic of Armenia
- Corruption Prevention Commission
- Eurasian Fund for Stabilization and Development
- European Union
- Judicial Department
- Prosecutor General's Office
- Public Services Regulatory Commission
- Small and Medium Enterprise Cooperation Association (NGO)
- State Supervision Service of the Republic of Armenia
- Transparency International (NGO)
- Union of Manufacturers and Businessmen of Armenia (NGO)
- World Bank
- Yerevan Municipality

Welcome remarks were delivered by Mr. Avag Avanesyan, Deputy Minister of Finance of the Republic of Armenia, Ms. Olga Sosnina, Director of the Monitoring, Policies and Standards Department of the EFSD, and Ms. Barbara Ziolkowska, Senior Procurement Specialist of the World Bank. The assessment findings were presented by Mr. Alexander Astvatsatryan, Consultant (WB) and Ms. Armenuhi Burnazyan, Consultant (ADB), who provided a detailed overview of the preliminary assessment results structured along the four MAPS pillars.

The workshop was organized as a single plenary session in which each of the four pillars was presented and discussed in sequence. For each pillar, the assessment team presented the key findings, identified gaps (including substantive gaps and red flags), and outlined the proposed recommendations. Following each presentation, the floor was opened for discussion, generating active engagement from participants.

Key topics that drew particular attention during the discussions included:

- **Public procurement planning and process quality.** Participants noted the importance of conducting needs assessments prior to procurement planning, the need for a longer-term perspective in procurement planning, and the importance of revising and clarifying procurement templates. It was also suggested that tools should be developed to enable businesses to provide meaningful feedback on the procurement process.

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- **Public trust and fair selection.** Low public confidence in the fairness of the supplier selection process was identified as a significant concern. A representative of the Small and Medium Enterprise Cooperation Association raised a number of related issues: the perception that problems in the procurement system often stem from preferential access rather than traditional bribery; frequent budget amendments required to adapt to regulatory changes; the inability of small businesses to participate due to preferences afforded to specific entities; non-transparent contract awarding; and the limited competitiveness of local companies in international markets. It was emphasized that international best practices are insufficiently taken into account in the current system. A counterpoint was raised that the quality of submitted bids is sometimes a constraint - some bids fail to meet qualification requirements or companies lack the capacity to implement projects - and that the procurement authorities are themselves interested in system improvement.

- **Procurement complaints and appeals mechanism.** The 2019 decommissioning of the extrajudicial procurement appeal mechanism - originally discontinued due to lengthy decision-making - and the subsequent reliance on the court system generated substantive discussion. Participants noted that while improvements have been made since the transition and many earlier problems have been resolved, judicial proceedings remain time-consuming. Several alternatives were discussed, including the establishment of an independent administrative review body, the creation of a specialized chamber within the administrative judiciary to hear procurement-related cases, and a three-step complaint mechanism (procuring entity - independent body - court).

- **Enforcement and accountability.** A participant raised the issue that, in cases involving dismissal of senior officials for procurement violations, enforcement under Government Decree 526-N - which requires reporting of all violations - has not consistently resulted in legally binding court decisions. It was noted that insufficient resources, lengthy proceedings, and outcomes that are largely limited to blacklisting recommendations constrain the effectiveness of the enforcement system. Deputy Minister Avanesyan clarified that companies should not face barriers to bidding solely on account of Anti-Corruption Committee scrutiny, as that is the Committee's legitimate role, and noted that no cases had been recorded of companies being penalized for delivering quality services.

- **Statistics and data quality.** Participants raised the question of whether statistical data on administrative sanctions and anti-corruption enforcement - including data on officials sanctioned in connection with procurement - could be more granular and better disaggregated. The need to verify statistical data through interagency consultations prior to finalization of the report was highlighted.

- **Internal audit and independent oversight.** The need to strengthen the institution of internal auditors in the public sector was raised, along with questions about available research on how internal audit functions could be made more effective. Reference was made to the observed efficiency of FIDIC contract arrangements, where engagement of an independent entity has been seen to improve processes.

- **Extending administrative court jurisdiction.** A question was raised as to whether administrative courts could be given jurisdiction over procurement-related cases, which are currently handled exclusively by civil courts.

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- **Capacity building and training.** The need for enhanced training for both procuring entities and private sector participants was acknowledged, along with the importance of systematic consideration of international best practices. It was noted that the Government had issued a decree providing for procurement training by the Ministry of Finance.

In his closing remarks, Deputy Minister Avanesyan expressed appreciation for the constructive feedback received from participants. He emphasized the need for collective efforts to improve the procurement system, noting that strengthening the capacity of the Ministry of Finance alone would not be sufficient. He called for sustained communication and engagement among all stakeholders - through business associations, consultations, and consensus-building - to develop effective regulations. He underlined the importance of a collaborative approach to procurement reform, where stakeholders raise concerns, participate in consultations, and contribute to developing solutions, rather than criticizing laws after they have been adopted.

The validation workshop broadly confirmed the assessment findings and recommendations. Participants' feedback was primarily of a deliberative nature, reflecting an exchange of views and perspectives rather than identifying specific factual errors or disagreements with the findings of the assessment. The comments and feedback received - both in writing and during the workshop - are being reviewed and will be incorporated into the final version of this report, where applicable.

A summary of the key validation and review milestones is provided in the table below:

No.	Description	Date	Status
1	Concept Note reviewed and cleared by the MAPS	July 2024	Completed
2	First mission (collecting of information for Pillar I)	August 2024	Completed
3	Second mission (collecting of information for Pillar II, III, IV)	October 2024	Completed
4	Completion of the draft indicator matrix	May 2025	Completed
5	Completion of the draft assessment report	June 2025	Completed
6	Working out the report with the ASC	September 2025 - January 2026	Completed
7	Updated draft assessment report finalized	January 2026	Completed
8	Written comments received from key stakeholders	February 2026	Completed
9	Validation workshop	March 11, 2026	Completed
10	Incorporation of feedback and finalization of the report	May 14, 2026	Completed
11	Submission to the MAPS Secretariat for ATAG review	May 15, 2026	Completed
12	Publication of the Assessment Report	2026	Pending

The final report is expected to be posted on the procurement website of the MoF as well as on the official website of the MAPS Secretariat.

Annexes/Appendices

Annex 1: MAPS Matrix

Annex 2: MAPS Project Concept Note

Annex 3: Survey Questionnaire for Quantitative Indicators

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MAPS | Methodology for Assessing Procurement Systems

The Republic of Armenia: Indicator Matrix

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Pillar I. Legal, Regulatory, and Policy Framework

Indicator 1. The public procurement legal framework achieves the agreed principles and complies with applicable obligations

Sub-indicator 1(a) Scope of application and coverage of the legal and regulatory framework The legal and regulatory body of norms complies with the following conditions:	
Assessment criterion 1(a)(a): Is adequately recorded and organized hierarchically (laws, decrees, regulations, procedures), and precedence is clearly established.	
Conclusion:	Minor gap
Red flag:	No

Qualitative analysis

The Republic of Armenia (hereafter also referred to as Armenia) has a procurement law called the "Law of the Republic of Armenia on Procurement" (PL) which was adopted on the December 16, 2016.

Armenia has procurement regulations which are entitled the "Government of Armenia (GoA) Decree 526-N of 4th May 2017 on Approving the Procedure for Organization of the Procurement Process and Repealing Decision of the Government of the Republic of Armenia 168-N of February 2011." (hereafter referred to as the Procurement Regulations). There is also GoA Decree 534-N of May 18, 2017, which defines the details for applying e-auction procedure and the list of goods, works, and services that could be acquired through E-Auctions. GoA Decrees 386-N and 390-N cover the aspects of e-procurement procedures and procurement planning, respectively.

There also exist sample bidding documents for procurement of works, goods, and non-consulting services. Standard Requests for Proposal (RFPs) are currently not available.

Armenia is a signatory to the WTO Agreement on Government Procurement.

The hierarchy of legal norms is established as a constitutional principle in Armenia under Article 5 of the Armenian Constitution. Article 40.1.1 of the Armenian Law on Normative Legal Acts states that in the event of legal conflicts, the norm from the higher-ranking (more authoritative) normative legal act shall prevail. These provisions apply universally to all legal acts, including those governing public procurement.

Gap analysis

While there exists PL and Procurement Regulations (in the form of GoA Decree 526-N), and there is a clear hierarchy in place whereby laws prevail over the regulations, there law overrides the regulations/national decrees, there are some concerns that would need to be addressed.

For example, there are inconsistencies between the law and regulation where one contradicts the other. There are also concepts of procurement which are not adequately covered by either the PL or Procurement Regulations; for example, procurement planning, which are rather covered under other decrees. The same applies for public private partnerships (PPPs) which is also covered under another separate law. Procurement complaints are referred to the Civil Code of Armenia. There is no provision on sustainable procurement.

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There are inconsistencies between the Armenian version of the legal framework and the English translation as well.

Recommendations

It is recommended that the GoA undertakes a revision of the procurement legal framework to iron out any inconsistencies between the PL and Procurement Regulations, as well as between the Armenian and translated versions.

Additionally, it is recommended that procurement subjects such as complaints procedures, procurement planning, procurement under PPP are incorporated into the PL in detail, so as to have a legal framework that is all encompassing and not a situation where procurement is scattered across numerous legal instruments which will make the complex process even more complicated.

Finally, having parts of the procurement process covered by other separate laws to the one on procurement can also lead to confusion as to which law ranks higher than the other? Which one takes precedence? It is recommended that all procurement related matters covered in the PL and in case of any contradiction with another (non-procurement) law, that the PL should be overarching.

Assessment criterion 1(a)(b):
It covers goods, works, and services, including consulting services for all procurement using public funds.

Conclusion: No gap

Red flag: No

Qualitative analysis

The PL as well as the Procurement Regulations cover the procurement of goods, works, services and consulting services.

Procurement is actually defined under Article 2 of the PL, subsection 3, as: "*the acquisition, leasing of all types of goods, works and services — upon reimbursement by contracting authority — through conclusion of a contract with the selected bidder, acquisition of goods, works and services at the expense of means allocated to legal persons by contracting authority in the form of donation, acquisition of goods, works and services by barter*."

A contracting authority is defined under Article 2 of the PL as:
"(1) *a. Public administration and local self-government bodies, state or community institutions provided for by the Constitution of the Republic of Armenia and laws of the Republic of Armenia;*
b. Central Bank of the Republic of Armenia;
c. State or community non-commercial organizations;
d. Organizations with more than 50% of state or community shares;
e. Foundations established or associations (unions) formed by the state or community, or state or community non-commercial organization, or organizations with more than 50% of state or community shares;
f. Legal persons having received means in the form of donation or grant from the state or community, or from state or community non-commercial organizations, or organizations with more than 50% of state or community shares — as regards procurement carried out at the expense of means received in the form of donation or grant;

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g. Foundations restructured through reorganization of state or community non-commercial organizations or organizations with more than 50% of state or community shares;
h. Public organizations;

(2) "public organizations" means:
a. persons included in the list approved by the Public Services Regulatory Commission of the Republic of Armenia, who carry out activities in the regulated field of public services, with the exception of persons who have been included in the list referred to in this paragraph due to holding a dominant position in respect of services provided within the framework of operation of the public network in the electronic communication sector;
b. other organizations operating in the field of public services which, based on a special or exclusive right, implement one or more types of relevant activities defined by this Article, where procurement is carried out for the purpose of implementing the given type of relevant activity."

The procurement of goods, works and services is covered throughout the PL and the procurement of consulting services is covered under section/chapter 5 of the law.

The Procurement Regulations also cover the procurement of works, goods, and services, including consulting services.

Gap analysis

No gap.

Recommendations

Suggestion for further improvement: the Article 18 of the PL mention electronic auction, tender, price quotation, and single source (SS) as procurement methods and these are suitable for the procurement of goods, works, and non-consulting services. It is recommended to add procurement of consulting services to make it clear that these are different from the methods used for works, goods, and non-consulting services.

Assessment criterion 1(a)(c):
PPPs, including concessions, are regulated.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

The PL does not cover PPPs or concessions in detail. PL specifically states under Article 3, sub-section 4.4 that: "*This Law shall not apply to the following types of transactions: the transactions of public-private partnership, including those of concession which are regulated by the Law "On public-private partnership*". The Procurement Regulations make no reference to PPPs or Concessions.

PPPs and concessions are currently regulated by the Law on Public Private Partnerships adopted on June 28, 2019.

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Gap analysis

While the subjects of PPPs and concessions are covered by law in Armenia (Public-Private Partnerships Law), it was mentioned during our meetings that the extent or coverage of this latter law is limited and in need of revision/expansion as well.

Recommendations

It is recommended that the subject of PPPs and concessions are subsumed under the updated PL, as is currently being undertaken by the Ministry of Finance (MoF). The PPP law as it currently stands is not encompassing enough for the different types of PPP and the GoA has expressed its intention to update this PPP Law. It is recommended to include it under the updated PL, however, rather than it being an updated standalone law.

Assessment criterion 1(a)(d):
Current laws, regulations and policies are published and easily accessible to the public at no cost.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

The PL and Procurement Regulations, as well as other guidelines and policies, are available on the website of the Procurement Policy Department, under the MoF (https://gnumner.minfin.am/en/). This website also referred to as the procurement bulletin or the official procurement website. Further translated versions of these documents are also available free of charge on www.arlis.am in Russian, although not all documents have been translated to date.

In addition, laws, sub-legislative acts, including those on regulations and policies are published on the unified site of publication of normative legal acts- Armenian Legal Information System (ARLIS - https://www.arlis.am/), which is managed by the Ministry of Justice.

Gap analysis

Article 14 of the PL states that procurement documents must be available in Armenian and Russian and procurement notices or notices on prequalification must also be published in English. Not all documents currently posted on the site are available in said languages as specified under the law.

Recommendations

It is recommended that those documents not currently available in the specified languages are translated and published on the website as directed by the PL.

Sub-indicator 1(b)
Procurement methods
The legal framework meets the following conditions:

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Assessment criterion 1(b)(a):
Procurement methods are established unambiguously at an appropriate hierarchical level, along with the associated conditions under which each method may be used.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

Section 3 of the PL covers "Procurement Procedures and Conditions for Application Thereof".

Article 18 defines the procurement methods as being (i) electronic auction, (ii) tender (open and closed), (iii) price quotations, and (iv) SS procurement and their associated conditions under which they may be used.

Article 19 covers the conditions for using two-staged tenders. Article 20 covers open tender procurements. Article 21 covers the conditions for using the closed tender procedure. Article 22 covers price quotations and Article 23 covers the conditions for SS procurement. Finally, Article 24 deals with pre-qualification conditions for procurement. Articles 40-43 go into the details of applying an electronic auction.

Section 5 of the law, entitled "Peculiarities for Acquisition of Consultancy Services", goes into the details of how to conduct the procurement of consulting services.

Gap analysis

There is no option for general framework contracting under the PL. It is only considered for closed tenders when making procurement for items considered national secrets or for matters of national security (referred to as closed and targeted tenders). However, framework contracts (and centralized procurement) can offer the government a lot of benefits (e.g., economy of scale) and should hence ideally be considered and included in the updated PL.

The PL does not cover the subject of centralized procurement in much detail. Article 17 simply states:

"*Article 17. Centralized procurement*
1. Procurement for needs of contracting authorities or separate groups thereof may be carried out in a centralized manner as prescribed by the GoA.
2. Centralized procurement shall be carried out by a body, or a legal person authorized by the GoA."
The PL ought to be more elaborative on this topic to clearly state who would be the authorizing body/entity to approve centralized procurement. Which body would undertake it and under what conditions? The language currently in the PL is open and vague and could lead to more questions than answers on how to apply it.

Clause 3 of the regulations states: "*In each individual case, by justifying the particularity of the procurement process, the contracting authority may apply to the GoA (submitting the relevant draft decision of the GoA in the manner prescribed) requesting the permission of the latter to carry out the procurement without observing one or more of the conditions prescribed by this Procedure, by applying or not applying any other substituting condition(s).*

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In such case, the GoA, taking into account the particularity of the procurement process, may decide to permit the contracting authority to organize the procurement process without observing one or more of the conditions prescribed by this Procedure, by applying any other substituting condition(s), where necessary.
This point shall not apply to the cases provided for by paragraph (i) of subpoint 1 of point 32 and point 43 of this Procedure, as well as to the cases when the condition(s) is prescribed by law or derives from the requirement of the law.
Moreover, the condition provided for by this point may be applied unless an invitation is published or provided to the bidder, except for the case of organizing the procurement under point 1 of part 1 of Article 23 of the Law."

This statement is too wide and leaves the door open for anyone to submit a request not to follow the rules and regulations and gives the power of the government to decide so freely (a committee where MoF has only one vote and hence has limited control over such exceptions). The clause alone could void most of the provisions of the PL and Procurement Regulations, which is contrary to international best practice and the principles of public procurement.

Clause 21.1(d) of the regulations states: "*…in case of single source procurement, the data of the person (persons) (potential bidder) (name, location, e-mail, if possible) to whom the invitation for the given procurement shall be sent. Where the procurement is carried out on the ground provided for by point 2 of part 1 of Article 23 of the Law, the number of persons being presented (potential bidder) may not be less than three, except for the case of arranging the procurement procedure through the e-procurement system. Moreover, in case of applying point 2 of part 1 of Article 23 of the Law, where the written consent of the head of the contracting authority is available, the invitation shall be provided only to the person referred to in the procurement bid (potential bidder). The power of the head of the contracting authority provided for by this paragraph, as well as the power thereof to approve (make amendments and supplements to) the procurement plan shall be exercised by the head of the body prescribed by part 1 of Article 2 of the Law, and in case of contracting authorities having a status of a legal person — by the head of the executive body.*"

Generally SS procurement means you are getting a quote from one bidder as the name implies. And why in the case of an "emergency" would the law/regulations want to insist on a minimum of three bidders? Usually**,** an emergency is the most urgent case and thereby can justify SS (one bidder - direct contracting).

Article 23.1.1 of the PL states: "*Procurement may be carried out from single source, where:*
(1) it is possible to acquire goods, works or services only from single source, which is preconditioned by the copyright and related rights thereof, existence of the special or exclusive right." Clause 23.4 of the Procurement Regulations build on this and states: "the following procurement may be carried out on the basis of point 1 of part 1 of Article 23 of the Law, on the ground of existence of the special or exclusive right:

1.	supply of natural gas and technical maintenance of gas consumption systems
2.	energy supply
3.	supply of irrigation, drinking water (through water pipelines), technical and industrial water
4.	acquisition — on the basis of the legal regulation or administrative norm granted by the competent body — of the given good, work or service from the person acting as the sole supplier (contractor, executor) of the goods, works or services to be procured
5.	acquisition of goods, works and services necessary for providing military equipment, armament, ammunition and defense technology, services necessary for ensuring governmental and operational communication, as well as

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	immovable property for military needs, containing state secret
6.	designer supervision by those developing urban development documents
7.	lease of immovable property provided that the need may not be met by way of use, on a free-of-charge basis, of areas deemed to be as state or community ownership
8.	hospital care, including unaffordable diagnostic examinations
9.	ambulatory polyclinic medical care
10.	acquisition of goods, works and services for the purpose of receiving delegations and organizing visits abroad, except for the acquisition of air tickets from air transport agents
11.	***(point repealed by No 1422-N of October 10, 2019)***
12.	goods, works and services required for ensuring protocol expenditures, accommodation, food and transport services for officials provided for by part 2 of Article 5 of the Law of the Republic of Armenia "On ensuring the safety of persons subject to special state protection", including special hardware and software support in the field of technical maintenance, communication services, safety devices and equipment, including their service, and repair of vehicles, provision of military equipment, armament, ammunition and defense technology
13.	***(point repealed by No 516-N of May 2, 2019)***
14.	postal service
15.	acquisition of technical maintenance services, including accessories required for services for the subject of procurement from the person having produced the subject of procurement or acting as the sole representative thereof
16.	***(point repealed by No 516-N of May 2, 2019)***
17.	acquisition of goods produced, works performed and services provided by the foundation provided for by Article 8 of the Law of the Republic of Armenia "On Penitentiary Service" for the needs of the Penitentiary Service, provided that the prices of the goods, works and services to be procured are equal to or lower than the market prices thereof
18.	acquisition of services for insurance of vehicles in compliance with the requirements and minimum tariffs set by the "Armenian Motor Insurers' Bureau" Union of Legal Entities
19.	acquisition — electronically — of air tickets offered through a public offer in the electronic system for purchase of air tickets or on the official websites of organizations carrying out air transportation
20.	acquisition of community-owned immovable property
21.	services for granting international rating
22.	goods are acquired from an organization definitively winding up its entrepreneurial activities or bankruptcy liquidators or administrators, based on an agreement with creditors or through such a procedure
23.	ensuring the implementation of forensic medical examinations and genetic expert examinations based on the decisions of law enforcement authorities of the Republic of Armenia; expert examinations of corpses, living persons, materials of biological origin aimed at revealing the causes of deaths
24.	technical support to analytical activities related to the statistical reports of the healthcare sector of the Republic of Armenia
25.	services on drawing up the report on the national health accounts

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26.	services on drawing up the annual report on evaluation of the healthcare sector of the Republic of Armenia
27.	services on drafting of normative documents in the healthcare sector
28.	***(point repealed by No 516-N of May 2, 2019)***
29.	***(point repealed by No 516-N of May 2, 2019)***
30.	services on certification of professional activities in the healthcare sector
31.	services on receipt, customs clearance and distribution of cargoes provided as humanitarian aid in the name of the Ministry of Health of the Republic of Armenia
32.	services on professional training of the employees in the sector of aviation
33.	acquisition of goods, works and services within the framework of organization of cultural and/or artistic and creative events (productions, shows, exhibits, concerts, festivals, movie production, production of television programmes, radio programmes), except for construction works
34.	acquisition of cultural values
35.	services of issuance, reopening and repurchase of bonds
36.	acquisition of services from the state or community institution for the needs of self-government body
37.	banking services
38.	acquisition of goods, works and services from the state or community non-commercial organization where the objective of establishment of the given organization — the basic subject matter of activities provided for by the statute — is the supply of goods, performance of works or provision of services constituting the subject of procurement, to the founder or to the non-commercial organizations established thereby
39.	acquisition from a commercial organization with more than fifty per cent of participation of the state and the community of such goods, works and services which cannot be carried out by other economic entities
40.	Acquisition of services for the purpose of implementing energy-saving measures and introducing renewable energy systems from state-founded funds within the framework of programmes accepted or approved by the decision of the GoA, in return whereof making instalment payments for a period of 5 years or more is envisaged.
41.	Acquisition of special technical means, goods, works, and services containing state secrets for the purpose of ensuring foreign intelligence activities.

Items 6, 8, 9, 10, 18, 19, 21, 24, 25, 26, 30, 31, 33, 34, 37, 38, and 40 of the table do not appear to be justifiably SS or limited procurement types because of intellectual property, national security or monopolistic situations. For example, the purchase of airline tickets (item 10) for delegates need not be a SS procurement. There are many travel agents that would be able to bid for such services. Similarly, insurance on vehicles (item 18) is not a service that ought to be purchased under SS, because again there are several insurance providers who could offer such services.

SS ought not to be a common or standard procurement method but rather under specific circumstances, which need to be clearly defined in the PL and Procurement Regulations.

Recommendations

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It is recommended that when updating the PL and Procurement Regulations framework contracting is introduced as a general practice under the right conditions for its application.

Similarly, centralized procurement should also be expanded upon in the law and its application more clearly governed.

Exceptions to the rules and regulations on public procurement are not an uncommon practice. However, when there are permitted exceptions, their conditions are spelled out clearly and in detail (for example national disasters/emergencies). It is recommended that Clause 3 of the Procurement Regulations is amended and the PL is expanded upon to clearly describe the exceptional cases of national emergencies. At the moment, the legal framework leaves the door too open to exceptions to the rules and from interviews on the ground it would appear that such requests are made often and hence would affect the objectives of the law with regards to an efficient, open, fair, and equitable procurement process.

It is recommended that the requirement for a minimum of three bids/quotes under SS procurement used when under situations of a national emergency is removed from the legal framework (Clause 21.1(d) of the regulations). SS under national emergency situations should enable a procuring entity to move fast in the national interest, so SS is acceptable. However, SS as the name implies, means obtaining a quote/bid from only a single entity.

It is recommended that the table under Clause 23.4 of the Procurement Regulations be updated to reflect only those procurements that are subject to intellectual property at present in Armenia.

Assessment criterion 1(b)(b):
The procurement methods prescribed include competitive and less competitive procurement procedures and provide an appropriate range of options that ensure value for money, fairness, transparency, proportionality**,** and integrity.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

As elaborated on in the indicator immediately above, the legal framework for procurement does include competitive and less competitive procurement procedures. Article 18 defines the procurement methods as being (i) electronic auction, (ii) tender (open and closed), (iii) price quotations, and (iv) SS procurement. Article 19 covers the conditions for using two-staged tenders. Article 20 covers open tender procurements. Article 21 covers the conditions for using the closed tender procedure. Article 22 covers price quotations and Article 23 covers the conditions for SS procurement. Finally, Article 24 deals with pre-qualification conditions for procurement. Articles 40-43 go into the details of using an electronic auction. Section 5 of the PL, entitled “Peculiarities for Acquisition of Consultancy Services”, goes into the details of how to conduct the procurement of consulting services either through a competitive process or through a less competitive process.

Article 3.2 of the PL states the objective and principles that govern procurement, i.e., value for money, fairness, transparency, and integrity. It states: “*The procurement process shall be based on the following principles:*

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(1) organization of the procurement process based on uniform rules of competition, transparency, proportionality, publicity, and non-discrimination;
(2) enlargement of the circle of bidders and promotion of competition among them for the purpose of concluding a contract;
(3) equality of rights for every person to participate in the procurement process, irrespective of the fact of being a foreign natural person, an organization, or a stateless person."

Sub-clause 5 under Article 18 of the PL states: "*The preferable form of procurement shall be the tender, where the subject of procurement is not included in the list provided for by point 14 of part 1 of Article 5 of this Law, and in case of procurement containing state secret — in the list provided for by point 15 of the same part. Procurement may be carried out in other forms, exclusively in cases provided for by this Law.*"

This statement is intended to say that open tender or open competition is the standard or default procurement method under the law, but the language is critically missing the word "open" in the statement. The fact that a tender can be a closed tender or open tender leaves it open to misinterpretation that an open competitive process should be the standard or preferred option.

Gap analysis

The PL does not make it clear that the default practice should be an open competitive process for public procurement. Article 18.5, it is believed, intends to convey this message, but the language needs to be changed to make it unambiguously clear. For now, it says that "tender" is the preferred method, however, as already explained the same law says a tender can be either open or closed or even targeted.

Additionally, while the existing procurement methods may be considered appropriate by some for the different types of procurement and goals in the country today, the question should be raised whether the current text/methods is sufficient when dealing with complex and highly specialized procurement?

Recommendations

It is recommended that the PL is amended (Article 18.5) to make it clear that an open competitive process should be the default practice for public procurement. And that other less competitive types of procurement are also introduced in the law and under which scenarios such methods may be better than the default open competition method and to cater for complex and highly specialized procurements.

Assessment criterion 1(b)(c):
Fractioning of contracts to limit competition is prohibited.

Conclusion: No gap

Red flag: No

Qualitative analysis

Fractioning of contracts to limit competition is prohibited under the PL and covered under Article 25 entitled "Impermissibility of splitting or grouping procurement and of modifying descriptions of subject of procurement", as quoted below:

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Article 25. Impermissibility of splitting or grouping procurement and of modifying descriptions of subject of procurement

1. When using competitive procurement forms, procurements with separate descriptions may be split into lots within the framework of a single procurement process. It shall be prohibited to:

(1) split a single subject of procurement into separate lots in order to avoid using a competitive procurement form;

(2) modify the descriptions of goods, works and services provided for by the contract.

2. Grouping of subjects of procurement having separate descriptions into one lot shall be prohibited, except for cases when the contracting authority substantiates the necessity of such grouping.

Gap analysis

No gap.

Recommendations

No recommendations.

Assessment criterion 1(b)(d):
Appropriate standards for competitive procedures are specified.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

The legal framework for procurement includes competitive procurement procedures. Article 18 defines the procurement methods as being (i) electronic auction, (ii) tender (open and closed), (iii) price quotations, and (iv) SS procurement. Article 19 covers the conditions for using two-staged tenders. Article 20 covers open tender procurements. Article 21 covers the conditions for using the closed tender procedure. Article 22 covers price quotations and Article 23 covers the conditions for SS procurement. Finally, Article 24 deals with pre-qualification conditions for procurement. Articles 40-43 go into the details of using an electronic auction. Section 5 of the PL, entitled “Peculiarities for Acquisition of Consultancy Services”, goes into the details of how to conduct the procurement of consultancy services either through a competitive process or through a less competitive process.

Gap analysis

As explained above the legal framework does have the foundations for a desired open and competitive process, however, the language is not clear and as such leaves a lot of room for misinterpretations. It also allows procuring entities to use non-competitive methods without necessarily breaking the principles of the law, as it says the preferred options is “tender.” And a tender can also be closed or targeted.

Additionally, the framework allows for a lot of exceptions (especially through Clause 3 of the Procurement Regulations), which strongly limits to open competition.

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The standards for competitive procurement are not adequately covered under the legal framework.

While Armenia has a basic legal framework for transparent procurement advertising, the procurement framework lacks specific guidelines on international competition, and language barriers and limited international outreach reduce its effectiveness in attracting international bidders.

Recommendations

It is recommended that clauses that allow for exceptions to the rules, at the request of a procuring entity, are removed from the framework to ensure that the rules and regulations are followed and that exceptional circumstances are clearly defined under the same legal framework. It is further recommended that an open competitive process is clearly defined as the standard or default practice.
It is also advised to include provisions on international competitive bidding, which is currently absent, and align with Armenia's commitments under the WTO Procurement Agreement—particularly with regard to promoting open and international competition. Incorporate these commitments and specify that, in case of any conflict with international treaties or MDB/IFI-financed procurement, the treaty and MDB/IFI provisions shall prevail over national law.

Sub-indicator 1(c)
Advertising rules and time limits
The legal framework meets the following conditions:

Assessment criterion 1(c)(a):
The legal framework requires that procurement opportunities are publicly advertised unless the restriction of procurement opportunities is explicitly justified (refer to indicator 1(b)).

Conclusion: No gap

Red flag: No

Qualitative analysis

Article 27 of the PL, entitled "Notice and invitation of procurement", states:

1. *For the purpose of involving bidders to carry out procurement through an open tender, a notice and invitation of procurement **shall be published** in the bulletin.*
2. *The procurement notice shall contain the following information:*

(1) name and registered office of the contracting authority;
(2) code of the open tender;
(3) brief and clear wording of the contents of the contract and the descriptions of the subject of procurement;
(4) notice on the eligibility of bidders to participate in the open tender;
(5) (point repealed by HO-4-N of January 21, 2022);
(6) the language or languages in which the bids must be submitted;
(7) brief summary of qualification criteria for bidders;
(8) criteria to be used for determining the selected bidder;
(9) form, venue, and time limit for submission of bids;
(10) name and location of the body responsible for the appeal and precise information on the time limits for filing appeals;

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(11) form, venue, date, and time of bid opening;
(12) a note that the provisions of the Agreement on Government Procurement of the World Trade Organization apply to the given procurement process, where the procurement price exceeds the thresholds specified by the Agreement;
(13) other information, if necessary.

3. *A person having submitted a written request to the contracting authority based on the procurement notice shall have the right to receive a hard copy of the invitation on the first working day following submission of the request.*

Articles 28 and 29 go into further details of the invitation to partake in a public procurement process as well as the right and timelines to seek clarifications on the invitation.

Similar to Article 27, Article 40 requires publishing of invitation and notice for E-Auction procedures. Article 22 implies publication of notice and invitation for price quotation procedures.
Clause 71.1(a) of the Procurement Regulations provides for publication of notice and invitation to SS procedure if it is applied for the case of urgent need.

Gap analysis

No gap.

Recommendations

No recommendations.

Assessment criterion 1(c)(b):
Publication of opportunities provides sufficient time, consistent with the method, nature, and complexity of procurement, for potential bidders to obtain documents and respond to the advertisement. The minimum time frames for submission of bids/proposals are defined for each procurement method, and these time frames are extended when international competition is solicited.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

Article 20 of the PL states that:

*"**Article 20. Conditions for applying open tender***
1. In case of an open tender, the time limit envisaged for submission of bids shall be calculated from the day of publishing the notice and the invitation of procurement in the bulletin.
2. Except for the contracting authorities referred to in sub-points "d" and "e" of point 1 of part 1 of Article 2 of this Law, in case of procurement being carried out in a paper format, the time limit for submission of bids shall be at least forty calendar days, whereas in case of procurement being carried out in electronic form — at least thirty calendar days.

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3. In case of procurement being carried out for the needs of the contracting authorities referred to in sub-points "d" and "e" of point 1 of part 1 of Article 2 of this Law, the time limit for submission of bids shall be:
(1) at least fifteen calendar days, where the procurement price does not exceed two-hundred-fold of the procurement base unit;
(2) in case of procurement being carried out in a paper format — at least forty calendar days, whereas in case of procurement being carried out in electronic form — at least thirty calendar days, where the procurement price exceeds two-hundred-fold of the procurement base unit.
4. Where due to emergency or unforeseen situation an urgent need for procurement has arisen and it is impossible to apply the time limit for submission of bids, provided for by part 2 or point 2 of part 3 of this Article, provided that it has been objectively impossible to foresee such need, the time limit envisaged for submission of bids shall be at least ten calendar days."

Article 21 of the PL covering the Conditions for applying a closed tender, states: "*Except for the contracting authorities referred to in sub-points "d" and "e" of point 1 of part 1 of Article 2 of this Law (all except SOEs), the time limit for submission of bids shall be at least 20 calendar days. For the contracting authorities referred to in sub-points "d" and "e" of point 1 of part 1 of Article 2 of this Law (SOEs), the time limit for submission of bids shall be at least: • 15 calendar days, where the procurement price does not exceed 200-fold of the procurement base unit; • 30 calendar days, where the procurement price exceeds 200-fold of the procurement base unit. In case of emergency or unforeseen situation, the time limit shall be at least 10 calendar days. In case of a closed periodic tender, the time limit envisaged for submission of bids shall be at least 5 calendar days, which is calculated from the day of sending the invitation to the prequalified bidders.*

Article 22, covering conditions for applying price quotations (simplified shopping), states that a minimum of 7 calendar days need to be provided to submit a bid (calculated from the day of publishing the notice).

Article 24, covering prequalification procedures, also includes a timeline under sub-section 1(2) of the article, which states that at least 15 calendar days will be provided to submit prequalification information from the date of publication of the notice. In the case of emergencies or SOEs, then this timeline is revised downwards to 5 calendar days.

Article 40, which deals with electronic auctions, provides a timeline of 15 calendar days for interested bidders to submit their bids to take part in the E-Auction. For lower value auctions (less than 80-fold of the procurement base unit = AMD 1,000,000 or US$ 200,000) those days are reduced to 10 calendar days.

Section 5 of the PL deals with the procurement of consultancy services but refers to the same procurement procedures of open or closed tenders and hence the same timelines apply for submission of proposals.

In addition, Clause 71.1(b) of the Procurement Regulations provides that in case of SS procedure applied for urgent need, time limit for submission of bids shall be set not earlier than 2 and not later than 5 working days from the date of sending the invitation. (Clause 21.1(d) states that if the SS procurement is based on urgent need, then the invitation and notice shall be sent to at least 3 bidders, except the cases if it is published in procurement bulletin).

Gap analysis

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The PL defines method-specific minimum time frames for the submission of bids/proposals across all procurement methods, so the requirement to provide sufficient, method-appropriate time is met. However, the law is silent on the aspect of international competition and hence also the timelines for bid/proposal submission with respect to such competitions are not mentioned. The PL does allow for anyone from any country to participate in procurement (Article 7 on "equal participation in procurement), but there are no special arrangements in the legal framework for international competition.

Recommendations

It is recommended that while updating the PL, language is included on the subject of international competition.

Additionally, it is recommended that the MoF engages in discussions with the bidding/consulting communities to obtain feedback on the timelines currently provided for under the existing PL for the different types of procurements; so that useful feedback can be obtained and some of these timelines adjusted if and where needed.

Assessment criterion 1(c)(c):
Publication of open tenders is mandated in at least a newspaper of wide national circulation or on a unique Internet official site where all public procurement opportunities are posted. This should be easily accessible at no cost and should not involve other barriers (e.g., technological barriers).

Conclusion: No gap

Red flag: No

Qualitative analysis

Publication of open tenders is mandatory on the procurement bulletin of the PPD under MoF, as already elaborated upon above under sub-indicator 1(c)(a). Article 27.1 states "*For the purpose of involving bidders to carry out procurement through an open tender, a notice and invitation of procurement shall be published in the bulletin*."

This information is available through the following centralized website, free of charge:
https://gnumner.minfin.am/en/page/procurement_notices/

Clause 35 of the regulations also refers to: "*publish the procurement or prequalification notice also in the mass media, including by electronic means".*

Gap analysis

No gap.

Recommendations

No recommendations.

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Assessment criterion 1(c)(d):
The content published includes enough information to allow potential bidders to determine whether they are able to submit a bid and are interested in submitting one.

Conclusion: No gap

Red flag: No

Qualitative analysis

Articles 27 and 28 of the PL cover the information that must be contained within a procurement notice and invitation**,** respectively. Article 27 is elaborated on under section 1(c)(a) above and Article 28 states:

"Article 28. Contents of invitation
1. The invitation shall contain:

(1) reference to the notice published, in addition to which the invitation is provided;
(2) code of the tender;
(3) instructions for preparation of bids;
(4) qualification criteria, eligibility requirements and the procedure for evaluation thereof;
(4.1) procurement price;
(5) descriptions of the subject of procurement;
(6) the procedure for evaluation of bids and for selection of a selected bidder;
(7) the draft contract;
(8) where procurement is carried out in lots and bidders are allowed to submit bids only for one part of goods, works and services to be procured — the conditions and procedure therefor;
(9) the procedure for calculation of the price proposed by the bid including exchange rate thereof, where the price is quoted in foreign currency;
(10) a note that the proposed price in addition to the value of goods, works and services also includes the costs for transportation, insurance, duties, taxes**,** and other charges and may not be less than the cost price thereof. Calculation of the proposed price shall be presented in the bid;
(11) requirements for the bid security, contract security and qualification security;
(12) conditions including the form, venue, time limit for submission of bids, the language and validity of the bid;
(13) the procedure for receiving clarifications on the procurement process, information on meetings to be held with the bidders, as well as the name and surname of the secretary of the evaluation commission;
(14) form, venue, day**,** and time of bid opening;
(15) references to the provisions of this Law and other legal acts on the given procurement;
(16) conditions for submitting the proposal on conclusion of a contract;
(17) the right of the bidder to appeal against the actions (inaction) related to the procurement process or the adopted decisions and the procedure thereof;
(18) grounds for rejection of the bid;
(19) information on preparation, submission, opening and evaluation of the bid, as well as other necessary information on procurement.

2. The invitation shall also envisage that the bidder:

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(1) submits a statement certified thereby with the bid justifying the eligibility thereof to participate in the procurement and the compliance with qualification criteria provided for by the invitation provided that the bidder undertakes, in cases and as prescribed by this Law, to submit the documents (information) provided for by the invitation justifying the statement;
(2) submits in the bid:
a. a statement certified thereby on the absence, within the scope of the given procurement process, of the unfair competition, abuse of the dominant position and an anti-competitive agreement;
b. in case of a legal person having the duty to submit a declaration concerning the actual beneficiaries based on the Law of the Republic of Armenia "On state registration of legal persons, state record-registration of separated subdivisions, institutions of legal persons, and individual entrepreneurs" — a reference to the website containing information on the actual beneficiaries of the legal person participating in the procurement process, and in case of other legal persons — a declaration concerning the actual beneficiaries of the legal person participating in the procurement process, under the procedure and in the manner prescribed based on part 6 of Article 60.3 of Law of the Republic of Armenia "On state registration of legal persons, state record-registration of separated subdivisions, institutions of legal persons, and individual entrepreneurs".

In addition, Article 29 of the PL allows bidders to seek clarification on the invitation, which further ensures that potential bidders have sufficient information to make an informed decision.

Gap analysis

No gap.

Recommendations

No recommendations.

Sub-indicator 1(d)
Rules on participation
The legal framework meets the following conditions:

Assessment criterion 1(d)(a):
It establishes that participation of interested parties is fair and based on qualification and in accordance with rules on eligibility and exclusions

Conclusion: No gap

Red flag: No

Qualitative analysis

The PL under Article 3 clearly establishes the principle of open and fair competition; promoting equal rights of all persons or entities to participate.

Article 3.2 states: "*The procurement process shall be based on the following principles:*
(1) organization of the procurement process based on uniform rules of competition, transparency, proportionality, publicity, and non-discrimination;
(2) enlargement of the circle of bidders and promotion of competition among them for the purpose of concluding a contract;

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(3) equality of rights for every person to participate in the procurement process, irrespective of the fact of being a foreign natural person, an organization, or a stateless person."

Article 6 of the PL is entitled "Eligibility for participation in procurement and qualification criteria". It states: "*1. Except for the cases of carrying out procurement under the procedure provided for by points 1, 3, 4 and 5 of part 1 of Article 23 of this Law, the following persons shall not be eligible to participate in procurement:*
(1) those who have been declared bankrupt through judicial procedure as of the day of submitting the bid;
(2) (point repealed by HO-4-N of January 21, 2022)
(3) those who have been convicted or a representative of the executive body whereof has been convicted — within five years prior to submission of the bid — for financing of terrorism, child exploitation or a crime involving human trafficking, creation of a criminal association or participation therein, receiving a bribe, giving a bribe or mediation in bribery and crimes against economic activity provided for by law, except for cases when the conviction is expired or eliminated as prescribed by law;
(4) an administrative act in relation thereto prescribing responsibility for anti-competitive agreement, abuse of a dominant position or unfair competition in the field of procurement has become unappealable within three years preceding the day of submitting the bid, whereas in case of being appealed against, it remained unchanged.
(5) those who have been included in the list of bidders ineligible to participate in the procurement process, published according to the legislation of member states of the Eurasian Economic Union on procurement, as of the day of submitting the bid. The term provided for by this point does not apply to the procurement processes to be carried out at the account of funds provided for by the international agreements;
(6) those that have been included in the list of bidders ineligible to participate in the procurement process as of the day of submitting the bid. The bidders shall be included in the indicated list, where:
a. they have violated the obligation provided for by a contract or assumed within the procurement process, which resulted in unilateral rescission of the contract by the contracting authority or termination of further participation of the bidder concerned in the procurement process and the bidder has not paid the amount of the bid security, contract security and (or) qualification security within the time limit prescribed by the invitation and (or) by the contract;
b. they have refused to conclude a contract as a selected bidder or are deprived of the right to conclude a contract;
c. (sub-point repealed by HO-4-N of January 21, 2022)

2. The authorized body shall maintain and publish, including in Russian, the list referred to in point 6 of part 1 of this Article. The authorized body shall include the bidder in the list of bidders ineligible to participate in the procurement process based on a reasoned decision of the head of the contracting authority. The head of the contracting authority shall make the decision mentioned in this part within ten days following the day of declaring the procurement procedure as not having taken place or publishing the notice on the contract having been concluded or unilaterally rescinding the contract. It shall — on the day after making the decision — be provided to the authorized body and the bidder. The authorized body shall include the bidder in the list of bidders ineligible to participate in the procurement process within five days following the fortieth day after the receipt of decision, and in case there is an instituted and not completed judicial case regarding the appeal against the decision by the bidder as of the fortieth day after the receipt of decision – within five days following the day of entry into force of a final judicial act with regard to the judicial case, where the opportunity of enforcing the decision has not been eliminated based on the result of the court examination. A bidder shall be included in the indicated list for a time limit of two years following the day of his or her inclusion.

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3. The bidder must meet the qualification criteria defined by the invitation. For fulfilment of obligations provided for by the contract, the bidder must have the following criteria as required by the invitation:
(1) compliance of professional activities with activities provided for by the contract;
(2) professional experience;
(3) technical resources;
(4) financial resources;
(5) labor resources.

4. No criteria related to eligibility and qualification of the bidder for participation in the procurement may be prescribed, where such criteria:
(1) are not provided for by this Article;
(2) are discriminatory and restrict competition — unduly complicate or simplify possible participation in the procurement process;
(3) are inadequate, i.e., do not directly derive from the necessity to fulfil the obligations provided for by the contract.

5. The bidders may, within the scope of ensuring compliance of their data with the qualification criteria provided for by the invitation, rely on the financial and technical resources of other persons, where necessary, based on legal relation prescribed by the corresponding contract.

6. The criteria, procedure for evaluating the eligibility and qualification of the bidder for the participation in the procurement and the requirements set for the documents (information) required for this purpose shall be defined by the invitation."

Article 7 of the PL is entitled "Equal participation in procurement". It states:
"*1. Any person, irrespective of the fact of being a foreign natural person, an organization, or a stateless person, shall have equal right to participate in the procurement process.*

2. Participation of any person (persons) — resident of any country — in the procurement process may be restricted only by the Decision of the GoA, where it is necessary to ensure the national security and defense of the Republic of Armenia.

3. Where part 2 of this Article does not apply, the procurement or prequalification notice shall indicate that every person may submit bids, irrespective of the fact of being a foreign natural person, an organization, or a stateless person; moreover, the notice shall not be subject to modification. Where part 2 of this Article applies, an indication about such a restriction shall be made in the procurement or prequalification notice.

4. Concurrent participation of organizations founded by affiliated persons and/or the same person (persons) or organizations with more than 50% of shares owned by the same person (persons), in the same procurement process, prescribed by this Law and other legal acts adopted on the basis thereof shall be prohibited, except for:
(1) organizations founded by the state or communities;
(2) cases of participation defined by part 6 of Article 30 of this Law.

5. Legal persons with shareholding of the contracting authority shall participate in the procurement with equal right with other bidders, and the shareholding of the contracting authority in those organizations may not lead to defining and applying any privilege or any other favorable conditions for such persons."

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Gap analysis

There is no gap identified. The PL clearly establishes the right to participate in procurement of all persons/entities, as long as they have not been deemed ineligible. Ineligibility criteria are also covered under the act to cover acts of corruption, terrorism, child labor, etc. There are no restrictions to open competition to promote domestic preference in the law and foreign firms are not required to register domestically to be able to participate in procurement.

Recommendations

No recommendations.

Assessment criterion 1(d)(b):
It ensures that there are no barriers to participation in the public procurement market.

Conclusion: No gap

Red flag: No

Qualitative analysis

Article 6.4 states: "*No criteria related to eligibility and qualification of the bidder for participation in the procurement may be prescribed, where such criteria:*
(1) are not provided for by this Article;
(2) are discriminatory and restrict competition — unduly complicate or simplify possible participation in the procurement process;
(3) are inadequate, i.e., do not directly derive from the necessity to fulfil the obligations provided for by the contract."

Article 7 further elaborates on equal participation in procurement. There are no clauses for domestic preference in the law. Article 7.2 states that only restrictions may be applied by the decision of the GoA, where it is necessary to ensure the national security and defense of the RA.

Gap analysis

No gap.

Recommendations

No recommendations.

Assessment criterion 1(d)(c):
It details the eligibility requirements and provides for exclusions for criminal or corrupt activities, and for administrative debarment under the law, subject to due process or prohibition of commercial relations.

Conclusion: Substantive gap

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Red flag: No

Qualitative analysis

Article 6 of the PL deals with eligibility criteria as well as debarment aspects of public procurement for prohibited actions. Article**s** 6.1 and 6.2 state:

"*1. Except for the cases of carrying out procurement under the procedure provided for by points 1, 3, 4 and 5 of part 1 of Article 23 of this Law, the following persons shall not be eligible to participate in procurement:*
(1) those who have been declared bankrupt through judicial procedure as of the day of submitting the bid;
(2) (point repealed by HO-4-N of January 21, 2022)
(3) those who have been convicted or a representative of the executive body whereof has been convicted — within five years prior to submission of the bid — for financing of terrorism, child exploitation or a crime involving human trafficking, creation of a criminal association or participation therein, receiving a bribe, giving a bribe or mediation in bribery and crimes against economic activity provided for by law, except for cases when the conviction is expired or eliminated as prescribed by law;
(4) an administrative act in relation thereto prescribing responsibility for anti-competitive agreement, abuse of a dominant position or unfair competition in the field of procurement has become unappealable within three years preceding the day of submitting the bid, whereas in case of being appealed against, it remained unchanged.
(5) those who have been included in the list of bidders ineligible to participate in the procurement process, published according to the legislation of member states of the Eurasian Economic Union on procurement, as of the day of submitting the bid. The term provided for by this point does not apply to the procurement processes to be carried out at the account of funds provided for by the international agreements;
(6) those that have been included in the list of bidders ineligible to participate in the procurement process as of the day of submitting the bid. The bidders shall be included in the indicated list, where:
a. they have violated the obligation provided for by a contract or assumed within the procurement process, which resulted in unilateral rescission of the contract by the contracting authority or termination of further participation of the bidder concerned in the procurement process and the bidder has not paid the amount of the bid security, contract security and (or) qualification security within the time limit prescribed by the invitation and (or) by the contract;
b. they have refused to conclude a contract as a selected bidder or are deprived of the right to conclude a contract;
c. (sub-point repealed by HO-4-N of January 21, 2022)

2. The authorized body shall maintain and publish, including in Russian, the list referred to in point 6 of part 1 of this Article. The authorized body shall include the bidder in the list of bidders ineligible to participate in the procurement process based on a reasoned decision of the head of the contracting authority. The head of the contracting authority shall make the decision mentioned in this part within ten days following the day of declaring the procurement procedure as not having taken place or publishing the notice on the contract having been concluded or unilaterally rescinding the contract. It shall — on the day after making the decision — be provided to the authorized body and the bidder. The authorized body shall include the bidder in the list of bidders ineligible to participate in the procurement process within five days following the fortieth day after the receipt of decision, and in case there is an instituted and not completed judicial case regarding the appeal against the decision by the bidder as of the fortieth day after the receipt of decision – within five days following the day of entry into force of a final judicial act with regard to the judicial case, where the opportunity of enforcing the decision has not been

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eliminated based on the result of the court examination. A bidder shall be included in the indicated list for a time limit of two years following the day of his or her inclusion."

Gap analysis

Article 6, clause 1(3) states: "*Except for the cases of carrying out procurement under the procedure provided for by points 1, 3, 4 and 5 of part 1 of Article 23 of this Law, the following persons shall not be eligible to participate in procurement*: *those who have been convicted or a representative of the executive body whereof has been convicted — within five years prior to submission of the bid — for financing of terrorism, child exploitation or a crime involving human trafficking, creation of a criminal association or participation therein, receiving a bribe, giving a bribe or mediation in bribery and crimes against economic activity provided for by law, except for cases when the conviction is expired or eliminated as prescribed by law.*"

This statement implies that as long as it has been longer than 5 years, those persons convicted of terrorism or child abuse**,** or human trafficking can participate in public tenders in Armenia. This is contrary to the principles of the national law and not in accordance with international best practice when it comes to matters of terrorism, human trafficking**,** and child abuse/exploitation. This represents a substantive gap.

Recommendations

It is recommended that persons convicted of such crimes as described above should be banned indefinitely.

Assessment criterion 1(d)(d):
It establishes rules for the participation of state-owned enterprises that promote fair competition.

Conclusion: No gap

Red flag: No

Qualitative analysis

Article 7.5 of the PL states: "*Legal persons with shareholding of the contracting authority shall participate in the procurement with equal right with other bidders, and the shareholding of the contracting authority in those organizations may not lead to defining and applying any privilege or any other favorable conditions for such persons.*"

This statement clarifies that any State-Owned Enterprises (SOEs), as defined in the definitions section (Article 2 of the PL), may not receive any preferential treatment when participating in a procurement process where it competes again entities from the private sector.

Gap analysis

No gap.

Recommendations

No recommendations.

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Assessment criterion 1(d)(e):
It details the procedures that can be used to determine a bidder's eligibility and ability to perform a specific contract.

Conclusion: No gap

Red flag: No

Qualitative analysis

Articles 6.3, 6.4, and 6.6 state:

"*3. The bidder must meet the qualification criteria defined by the invitation. For fulfilment of obligations provided for by the contract, the bidder must have the following criteria as required by the invitation:*
(1) compliance of professional activities with activities provided for by the contract;
(2) professional experience;
(3) technical resources;
(4) financial resources;
(5) labor resources.

4. No criteria related to eligibility and qualification of the bidder for participation in the procurement may be prescribed, where such criteria:
(1) are not provided for by this Article;
(2) are discriminatory and restrict competition — unduly complicate or simplify possible participation in the procurement process;
(3) are inadequate, i.e., do not directly derive from the necessity to fulfil the obligations provided for by the contract.

6. The criteria, procedure for evaluating the eligibility and qualification of the bidder for the participation in the procurement and the requirements set for the documents (information) required for this purpose shall be defined by the invitation."

Gap analysis

These articles establish the criteria upon which a bidder's eligibility is determined.

Recommendations

No recommendations.

Sub-indicator 1(e)
Procurement documentation and specifications
The legal framework meets the following conditions:

Assessment criterion 1(e)(a):

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It establishes the minimum content of the procurement documents and requires that content is relevant and sufficient for suppliers to respond to the requirement.

Conclusion: No gap

Red flag: No

Qualitative analysis

Article 13 of the PL covers “Descriptions of subject of procurement”. It states:

“*1. The descriptions of the subject of procurement must fully and clearly describe the characteristics of goods, works or services to be acquired and terms for their acquisition and payment, ruling out any different interpretation. The descriptions of the subject of procurement which also contain the contract price shall be included in the contract.*

2. The descriptions of the subject of procurement:
(1) must ensure equal conditions of competition for potential bidders;
(2) must not result in the creation of unjustified obstacles for competition in the procurement process;
(3) must be objectively justified and proportionate to the need for which the procurement is carried out;
(4) shall include the full and relevant description of specifications and technical data of the subject of procurement, and the bill of quantities, timetable for works and other non-price conditions — in case of works.

3. Depending on the peculiarity of the subject of procurement, the characteristics thereof shall, to the extent possible, include the clear description of the conditions for quality, standard, safety, conventional signs, terminology, packaging, unloading, dimension, designs for goods, works or services to be acquired, and other characteristics related to the subject of procurement based on international standards, and the standard technical documents and standards effective in the Republic of Armenia, while in case of absence thereof — on the temporary technical conditions.

4. The characteristics of the subject of procurement may also be defined as performance-related or functional descriptions which must be submitted with sufficient accuracy, allowing bidders and the contracting authority to have a precise understanding of the subject of the contract.

5. The characteristics of the subject of procurement shall not contain a requirement for or a reference to any trademark, a firm name, a license, a sketch or a model, country of origin or a specific source or a manufacturer, except for cases when it is impossible to describe the subject of procurement without them. In case of using references, the descriptions of characteristics must contain the words "or equivalent".

Articles 27 and 28 further cover the information that needs to be contained in the notice and invitation to bid as already elaborated on above in this report.

Gap analysis

No gap with regards to minimum relevant information required in procurement documents under the PL and regulations.

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Recommendations

Feedback from meetings with various stakeholders indicated that expertise in drafting and evaluating detailed technical specifications remains limited. As a suggestion for further improvement, it is advisable for the GoA/MoF to consider organizing targeted training for government staff in this area.

Assessment criterion 1(e)(b):
It requires the use of neutral specifications, citing international norms when possible, and provides for the use of functional specifications where appropriate.

Conclusion: No gap

Red flag: No

Qualitative analysis

Article 13.5 of the PL deals with neutral specifications. It states: "*The characteristics of the subject of procurement shall not contain a requirement for or a reference to any trademark, a firm name, a license, a sketch or a model, country of origin or a specific source or a manufacturer, except for cases when it is impossible to describe the subject of procurement without them. In case of using references, the descriptions of characteristics must contain the words "or equivalent*".

Article 13.3 refers to international norms for specifications. It states: "*Depending on the peculiarity of the subject of procurement, the characteristics thereof shall, to the extent possible, include the clear description of the conditions for quality, standard, safety, conventional signs, terminology, packaging, unloading, dimension, designs for goods, works or services to be acquired, and other characteristics related to the subject of procurement based on international standards, and the standard technical documents and standards effective in the Republic of Armenia, while in case of absence thereof — on the temporary technical conditions*."

Gap analysis

No gap.

Recommendations

No recommendations.

Assessment criterion 1(e)(c):
It requires recognition of standards that are equivalent when neutral specifications are not available.

Conclusion: No gap

Red flag: No

Qualitative analysis

Article 13.5 of the PL clearly states that "*In case of using references, the descriptions of characteristics **must contain the words "or equivalent***".

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Gap analysis

No gap.

Recommendations

No recommendation.

Assessment criterion 1(e)(d):
Potential bidders are allowed to request a clarification of the procurement document, and the procuring entity is required to respond in a timely fashion and communicate the clarification to all potential bidders (in writing).

Conclusion: Minor gap

Red flag: No

Qualitative analysis

The PL allows interested bidders seek clarifications; the responsibility of the procuring entity to respond in writing within a specified timeline, as well as to share the answers with all other bidders.

Article 29, entitled "Clarification of and modifications to invitation" states that:

"*1. The bidder shall have the right to request in a written form a clarification of the invitation at least five calendar days prior to expiry of the deadline for submission of bids. The clarification shall be provided to the enquirer in writing within two calendar days following the day of receipt of such an enquiry.*
2. The notice on the contents of the enquiry and clarifications shall be published in the bulletin on the day of providing the clarification to the enquirer without disclosing the data on the enquirer, while in case of a closed tender the clarification on the contents of the enquiry and clarifications shall be provided to bidders having received an invitation.
3. A clarification shall not be provided, where the enquiry has been made in violation of the time limit stipulated by this Article, as well as where the enquiry falls beyond the contents of the invitation. Moreover, the bidder shall be notified in writing about the grounds for not providing the clarification within two calendar days following the day of receipt of the enquiry.
4. Modifications may be made to the invitation at least five calendar days prior to expiry of the deadline for submission of bids. In case of an open tender, a notice on making a modification and the conditions for provision thereof shall be published in the bulletin within three calendar days following the day of making a modification, and in case of a closed tender the modifications shall be provided to bidders having received an invitation.
5. In case of making modifications to the invitation for the open tender, the deadline for submission of bids shall be calculated from the day of publishing the notice on the modifications in the bulletin, and in case of a closed tender — from the day of providing the modifications made to the invitation to the bidders having received an invitation.
6. A protocol on the activities performed according to this Article and their results shall be drawn up, which is attached to the protocol of the procurement procedure."

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Article 24**,** which deals with prequalification also includes remarkably similar language to Article 29 above to allow for the seeking of clarifications and the responsibilities to respond and share those responses to all relevant stakeholders. The difference is that in case of prequalification, it is stated that "Modifications may be made to the prequalification notice at least two working days prior to expiry of the deadline for submission of prequalification bids."

Article 26 covering the evaluation committee also covers aspects of clarifications. Similarly, as already elaborated on above, Article 28 of the PL dealing with the "contents of invitation" makes mention of the procedure for seeking clarifications under sub-section 13 of Article 28 stating: "*The invitation shall contain: (13) the procedure for receiving clarifications on the procurement process, information on meetings to be held with the bidders, as well as the name and surname of the secretary of the evaluation commission*;"

Gap analysis

There appear to be contradictory statements within Article 29 of the PL. In sub-clause 1 it says that a clarification may be sought 5 days prior to the deadline and the clarification sent in writing within 2 calendar days. But sub-clause 4 says that modifications cannot be made in less than 5 days before the deadline. So, what happens if a clarification causes a need for an amendment to the invitation? And this is sent 5 days before the deadline, and the authority has 2 days to respond, then how can they make any modifications without contradicting the language of sub-clause 4?

Additionally, Clause 32, sub-clause 22 of the regulations states that: "*a clarification regarding the invitation shall not be provided to the bidder where the inquiry concerns the compliance of technical specifications of goods, works or services proposed by him or her with the technical specifications provided for by the invitation*."

Recommendations

It is recommended that the discrepancy within Article 29 of the PL (between the timeline for seeking and answering clarifications (sub-clauses 1 and 3) and the timeline for making modifications to the invitation (sub-clause 4)) be resolved so that the two timelines no longer contradict each other.

Additionally, it is recommended Clause 32.22 is either clarified or removed entirely from the regulations because clarifications should be possible to be sought on any aspect of the procurement documentation/process; especially on technical specifications, which we found out is one area that needs significant capacity strengthening within government. If the intention of this clause was to state that bidder may not ask if their technical specifications are "responsive" as a verification before the deadline for submission, then this ought to be clarified, because at this moment in time the language can be interpreted as bidders not being allowed to seek a clarification on technical specifications.

Sub-indicator 1(f)
Evaluation and award criteria
The legal framework mandates that:

Assessment criterion 1(f)(a):
The legal framework mandates that the evaluation criteria are objective, relevant to the subject matter of the contract, and precisely specified in advance in the procurement documents, so that the award decision is made solely on the basis of the criteria stipulated in the documents.

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Conclusion: Minor gap

Red flag: No

Qualitative analysis

Article 6 of the PL covers aspects of eligibility and qualification criteria. It states:

"6.3 The bidder must meet the qualification criteria defined by the invitation. For fulfilment of obligations provided for by the contract, the bidder must have the following criteria as required by the invitation:
(1) compliance of professional activities with activities provided for by the contract;
(2) professional experience;
(3) technical resources;
(4) financial resources;
(5) labor resources.

6.4 No criteria related to eligibility and qualification of the bidder for participation in the procurement may be prescribed, where such criteria:
(1) are not provided for by this Article;
(2) are discriminatory and restrict competition — unduly complicate or simplify possible participation in the procurement process;
(3) are inadequate, i.e., do not directly derive from the necessity to fulfil the obligations provided for by the contract.

6.6 The criteria, procedure for evaluating the eligibility and qualification of the bidder for the participation in the procurement and the requirements set for the documents (information) required for this purpose shall be defined by the invitation."

Article 13 of the PL covers the description of the subject of procurement. It states:

"*1. The descriptions of the subject of procurement must fully and clearly describe the characteristics of goods, works or services to be acquired and terms for their acquisition and payment, ruling out any different interpretation. The descriptions of the subject of procurement which also contain the contract price shall be included in the contract.*

2. The descriptions of the subject of procurement:
(1) must ensure equal conditions of competition for potential bidders;
(2) must not result in the creation of unjustified obstacles for competition in the procurement process;
(3) must be objectively justified and proportionate to the need for which the given procurement is carried out;
(4) shall include the full and relevant description of specifications and technical data of the subject of procurement, and the bill of quantities, timetable for works and other non-price conditions — in case of works.

3. Depending on the peculiarity of the subject of procurement, the characteristics thereof shall, to the extent possible, include the clear description of the conditions for quality, standard, safety, conventional signs, terminology, packaging, unloading, dimension, designs for goods, works or services to be acquired, and other characteristics related to the subject of procurement based on international standards, and the standard technical

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documents and standards effective in the Republic of Armenia, while in case of absence thereof — on the temporary technical conditions.

4. The characteristics of the subject of procurement may also be defined as performance-related or functional descriptions which must be submitted with sufficient accuracy, allowing bidders and the contracting authority to have a precise understanding of the subject of the contract.

5. The characteristics of the subject of procurement shall not contain a requirement for or a reference to any trademark, a firm name, a license, a sketch or a model, country of origin or a specific source or a manufacturer, except for cases when it is impossible to describe the subject of procurement without them. In case of using references, the descriptions of characteristics must contain the words "or equivalent".

Article 28 of the PL cover**s** the contents of the tender/invitation document. It clarifies:
"1. The invitation shall contain:
(1) reference to the notice published, in addition to which the invitation is provided;
(2) code of the tender;
(3) instructions for preparation of bids;
(4) qualification criteria, eligibility requirements and the procedure for evaluation thereof;
(4.1) procurement price;
(5) descriptions of the subject of procurement;
(6) the procedure for evaluation of bids and for selection of a selected bidder;
(7) the draft contract;
(8) where procurement is carried out in lots and bidders are allowed to submit bids only for one part of goods, works and services to be procured — the conditions and procedure therefor;
(9) the procedure for calculation of the price proposed by the bid including exchange rate thereof, where the price is quoted in foreign currency;
*(10) a note that the proposed price in addition to the value of goods, works and services also includes the costs for transportation, insurance, duties, taxes**,** and other charges and may not be less than the cost price thereof. Calculation of the proposed price shall be presented in the bid;*
(11) requirements for the bid security, contract security and qualification security;
(12) conditions including the form, venue, time limit for submission of bids, the language and validity of the bid;
(13) the procedure for receiving clarifications on the procurement process, information on meetings to be held with the bidders, as well as the name and surname of the secretary of the evaluation commission;
*(14) form, venue, day**,** and time of bid opening;*
(15) references to the provisions of this Law and other legal acts on the given procurement;
(16) conditions for submitting the proposal on conclusion of a contract;
(17) the right of the bidder to appeal against the actions (inaction) related to the procurement process or the adopted decisions and the procedure thereof;
(18) grounds for rejection of the bid;
(19) information on preparation, submission, opening and evaluation of the bid, as well as other necessary information on procurement."

Article 33 covers bid opening and Article 34 cover**s** the evaluation of bids. Article 34 states:

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"1. Bids shall be evaluated under the procedure defined by the invitation. The bids complying with the conditions provided for by the invitation shall be evaluated as satisfactory; otherwise, the bids shall be evaluated as unsatisfactory and rejected.
2. The selected bidder shall be determined:
(1) from among the bidders having submitted bids evaluated as satisfactory by the principle of giving preference to the bidder having submitted the lowest price proposal; or
(2) by the method of selecting the bidder, the total sum of coefficients given to the price proposal and the non-price criteria thereof is the highest. In case of using this method while evaluating the bids in cases and as prescribed in the invitation, other non-price criteria, in addition to the proposed price, shall be taken into account. The non-price criteria must be interrelated with the subject matter of the contract, and the relative weights thereof shall be presented in the invitation.
3. Where the bidder must pay value added tax for the transaction concerned to the State Budget, the amount due for that tax type shall be earmarked in the price proposal in a separate line. Moreover, evaluation and comparison of the price proposals of bidders shall be performed without calculating the amount of tax referred to in this part.
4. In case of inconsistency between the amounts in letters and in figures, the amount in letters shall be taken as a basis. Where the prices are proposed in two or more currencies, they shall be compared with the dram of the Republic of Armenia at the exchange rate fixed in the invitation.
5. (part repealed by HO-4-N of January 21, 2022)
6. A bid shall be evaluated as satisfactory, where the data submitted according to part 5 of this Article meet the requirements defined in the invitation. In this case, the bidder shall be declared a selected bidder.
7. According to part 6 of this Article, where as a result of evaluation the bid is evaluated as unsatisfactory, the commission shall require the successively ranked bidder to submit documents.
8. Based on the results of the evaluation of bids, minutes of the bid evaluation session shall be drawn up, which is attached to the protocol of the procurement procedure. The minutes shall be signed by the commission members present at the session.
9. The minutes of the session shall be published in the bulletin on the first working day following the end of the bid evaluation session. In case of carrying out procurement containing state secret, the minutes provided for by this part shall, on the first working day following the end of the bid opening session, be sent to all the bidders having submitted bids."

Gap analysis

Whereas the legal framework adequately covers the requirements of this sub-criterion, there is a minor gap detected when it comes to Article 34 of the PL; in particular in relation to sub-articles 34.5, 34.6, and 34.7.

Article 34.5 has actually been repealed by HH-4-N of January 21, 2022. However, 34.6 makes a cross reference to sub-clause 34.5, which does no**t** exist anymore, so on its own sub-clause 34.6 now also does not make full sense. Equally 34.7 refers/relates to 34.6, so in turn 34.7 also does not make full sense on its own.

Recommendations

It is recommended that the language of sub-clauses 34.6 and 34.7 are adjusted to bring forward the proper intent unambiguously without referring to a sub-clause that has already been repealed.

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Assessment criterion 1(f)(b):
The legal framework allows the use of price and non-price attributes and/or the consideration of life cycle cost as appropriate to ensure objective and value-for-money decisions.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

Article 34.2 covers the aspect of price and non-price evaluation criteria. It states:

"*The selected bidder shall be determined:*
(1) from among the bidders having submitted bids evaluated as satisfactory by the principle of giving preference to the bidder having submitted the lowest price proposal; or
(2) by the method of selecting the bidder, the total sum of coefficients given to the price proposal and the non-price criteria thereof is the highest. In case of using this method while evaluating the bids in cases and as prescribed in the invitation, other non-price criteria, in addition to the proposed price, shall be taken into account. The non-price criteria must be interrelated with the subject matter of the contract, and the relative weights thereof shall be presented in the invitation."

Gap analysis

The legal framework does not cover the aspect of life cycle costing, nor any further aspect of sustainable procurement.

Recommendations

It is recommended that the legal framework is revised to address sustainable procurement, including life cycle costing and other environmental and social aspects that should be taken into consideration when undertaking public procurement.

Assessment criterion 1(f)(c):
The legal framework mandates that quality is a major consideration in evaluating proposals for consulting services, and clear procedures and methodologies for assessment of technical capacity are defined.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

Chapter 5 of the PL covers procurement of consultancy services. Article 44 covers the procedures for determining selected consultant. It states:
"*1. The selected consultant shall be determined by the method provided for in the invitation for selection of a proposal from among the submitted bids:*
(1) which is evaluated as the highest as regards non-price conditions provided for by the invitation; or

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(2) which is evaluated as complying with the minimum non-price conditions provided for by the invitation and having proposed the lowest price; or
(3) which is evaluated as the highest as regards non-price conditions provided for by the invitation within the fixed maximum price limits.

2. The selected consultant may also be determined through a method of selecting a consultant the total sum of coefficients awarded, under the procedure defined by the invitation, for the proposed price and work experience thereof, staff, proposed procedure for provision of the service or other non-price condition (conditions) defined by the invitation is the highest.

3. The procedure for selecting a consultant, including conditions for using a consultant selection method provided for by this Article, shall be defined by the invitation."

Gap analysis

While Article 44 does cover aspects related to the selection criteria for consultancy services and it can be implied that "quality and non-price criteria" is a consideration in evaluating proposals when considering non-price factors. However, the PL does not explicitly mandate for quality to be the major consideration.

The PL does not specify clear procedures and methodologies for the assessment of technical capacities of the consultants.

Recommendations

It is recommended that the chapter on consultancy services is expanded upon in the PL to provide different ways of procuring consulting services (not only through tender or SS). The MoF could refer to the IFI procedures on procuring consulting services regarding the range of procurement methods available depending on needs and the importance of price and non-price factors. These methods take into consideration the aspects of quality and technical capacities.

Assessment criterion 1(f)(d):
The legal framework mandates that the way evaluation criteria are combined**,** and their relative weight determined should be clearly defined in the procurement documents.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

Article 34.2 of the PL, covering "evaluation of bids" states: "*The selected bidder shall be determined:*
(1) from among the bidders having submitted bids evaluated as satisfactory by the principle of giving preference to the bidder having submitted the lowest price proposal; or
(2) by the method of selecting the bidder, the total sum of coefficients given to the price proposal and the non-price criteria thereof is the highest. In case of using this method while evaluating the bids in cases and as prescribed in the invitation, other non-price criteria, in addition to the proposed price, shall be taken into account.

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The non-price criteria must be interrelated with the subject matter of the contract, and the relative weights thereof shall be presented in the invitation."

Gap analysis

While Article 34.2 of the PL does cover the aspect of relative weight and the need to have it clearly defined and included in the procurement documentation (also referred to as invitation under the PL), Article 28 of the PL which covers the "content" of the invitation/procurement document does NOT include any language on the aspect of combined evaluation criteria and how they are weighted.

Recommendations

It is recommended that Article 28 of the PL is updated to clearly include this reference to price and non-price evaluation criteria and the need to clearly identify the weighting of the various criteria.

Assessment criterion 1(f)(e):
The legal framework mandates that during the period of the evaluation, information on the examination, clarification and evaluation of bids/proposals is not disclosed to participants or to others not officially involved in the evaluation process.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

Article 8.4 of PL states that: "*electronic devices designed for receipt of bids electronically must guarantee the integrity and confidentiality of the received data, ensuring at least the following conditions:*

- *the exact time and date for receipt of bids may be precisely determined;*
- *prior to the time limits defined for transmission of data, no one may have access to the transmitted data;*
- *unauthorized access may be clearly detected where the prohibition on access to the transmitted data has been violated;*
- *the time limits for opening the data received may be defined or modified only by authorized persons;*
- *access to the received data in different phases of the procurement procedure is possible only by a simultaneous action of at least two authorized persons (systems) and only after the time limit defined according to this point;*
- *the data received and opened according to the requirements of this part must remain accessible only to persons authorized to get acquainted with them."*

Article 33.5 relates to the aspect of confidentiality during the procurement process. It states:

"Bidders and the representatives thereof may be present at the sessions of the evaluation commission. Bidders or the representatives thereof may request copies of the minutes of the sessions of the evaluation commission, which are provided within one calendar day. ***The contracting authority shall be obliged to ensure the confidentiality of information marked by bidders as confidential and shall be held liable****, as prescribed by the law of the Republic of Armenia, for the damage caused to bidders as a result of disclosing such information, except for the information subject to mandatory disclosure provided for by law."*

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Gap analysis

While Article 33.5 does cover the aspect of confidentiality of the bids, Clause 32.4 of the Procurement Regulations seems to be contradicting Article 33.5 of the PL.

Clause 32.4 of the regulations states:
"*If requested, the secretary of the (evaluation) commission shall provide forthwith the copies of the bid of any bidder to another bidder having made such a request. Where it is impossible to fulfil the request, the person having made the request shall immediately be provided with the documents included in the bid which he or she shall examine on site and shall have the right to photograph them and return to the secretary during the session without interfering with the normal course of activities of the commission*;"

This statement implies that any bidder can request and obtain the bids of any other bidder after requesting it from the secretary of the evaluation commission. Not only that**,** but they also have the right to take pictures of another's bid in the language in Clause 32.4.

Recommendations

It is recommended that Clause 32.4 is removed from the regulations as it is in contradiction to an article in the PL that confirms the obligation for keeping confidential another person/entity's bid during the process. Confidentiality in the process is key, especially before an award of contract, as this may otherwise deter bidders from submitting bids that may contain sensitive information.

Sub-indicator 1(g)
Submission, receipt, and opening of tenders
The legal framework provides for the following provisions:

Assessment criterion 1(g)(a):
Opening of tenders in a defined and regulated proceeding, immediately following the closing date for bid submission.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

Article 33.1 of the law defines that the "*Bids shall be opened at the bid opening session — on the day, at the time and venue specified in the invitation. The day and time of opening the bids must coincide with the deadline for submission thereof. In case of a closed tender, the bids may be, upon the written consent of all bidders having received an invitation, opened before the day of expiry of the time limit specified in the invitation.*"

Article 33.2 defines that at the bid opening the following shall be read out: *"(i) name of each bidder having submitted a bid; (ii) information on compliance of drawing up and submission of envelopes containing the bids with the requirements of the invitation; (iii) information on availability of documents required in the invitation in each opened envelope; (iv) information on compliance of the documents submitted by the each bidder to the*

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validity requirements defined in the invitation; (v) the price proposed by each bidder (in words and figures); and (vi) information on withdrawal of or modifications to the bids."

Clause 41 of the regulations says the following: "*Where as a result of the evaluation conducted at the session of bid opening and evaluation, inconsistencies with regard to the requirements of the invitation are detected in the bid of the bidder, including the cases where the documents included in the bid and approved by the bidder that is a resident of the Republic of Armenia or a part thereof are not confirmed by electronic signature, the commission shall suspend the session for one working day, and the secretary of the commission shall electronically notify the bidder thereof on the same day, suggesting him or her to eliminate the inconsistency prior to the end of the suspension period. The detailed description of the inconsistencies detected shall be given in the notification sent to the bidder.* "

Gap analysis

Bids with the missing signature of the bidder should not be considered as a responsive and should not be accepted for further evaluation. Similarly, the suspension of the bid opening ceremony is not an accepted practice and puts transparency at risk as well as equality among bidders. Bidders can seek clarifications prior to the submission deadline, so their bids are expected to be compliant/responsive to the tender documents.

Recommendations

It is recommended that Clause 41 of the regulations is removed entirely from the text. It is further recommended that the absence of an official signature should also be a grounds for a proposal being found non-responsive.

Assessment criterion 1(g)(b):
Records of proceedings for bid openings are retained and available for review.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

Requirement to prepare a record on bid opening and to provide an access to it (as well as to other procurement documents) are stipulated in several articles of the PL, for example:

Article 8.1 states: "*Record and storage of procurement-related information shall be ensured by drawing up relevant documents (including electronic documents).*"

Article 9.3 defines that: "*Where the procurement price does not exceed the procurement base unit, the contracting authority shall ensure the availability and storage of relevant documents (or electronic documents) on the actions carried out for procurement purposes and on the grounds thereof*."

Article 9.4 says: "*The contracting authority shall be obliged to provide the copy of the protocol of the procurement procedure or a document constituting part thereof to any person within five working days after the receipt of such a request, except for procurement containing state secret*."

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Article 33.3 requires that "*After opening of the bids, a Minutes is drawn up that should be attached to the Bid Evaluation Report. The evaluation committee members shall sign the Minutes present at the bid opening...*"

Article 33.5 stipulates: "*Bidders and the representatives thereof may be present at the sessions of the evaluation commission. Bidders or the representatives thereof may request copies of the Minutes of the sessions of the evaluation commission, which are provided within one calendar day……*"

Article 34.9 states: "*The minutes of the session shall be published in the bulletin on the first working day following the end of the bid evaluation session. In case of carrying out procurement containing state secret, the minutes provided for by this part shall, on the first working day following the end of the bid opening session, be sent to all the bidders having submitted bids.*"

Gap analysis

While the PL clearly covers the need for record keeping, it is silent on "how long" the procurement related information should be retained in paper and electronic form for the purpose of future audits. However, according to GoA Decree 397-N of April 4, 2019 on Defining the List of documents to be archived with the retention times thereof, Section 4 (Accounting), the retention period for such kind of documents is 5 years.

Requirements under Article 34.9 are considered risky because the minutes of an evaluation meeting may contain sensitive information and hence should not be published in the public sphere under such circumstances. There is already a notice with intention to award a contract that contains the necessary information to disclose publicly and a standstill period of 10 days for another bidder to object or seek clarifications.

Recommendations

It is recommended that the law includes clear language on the number of years that records must be kept/archived.

Clause 34.9 ought to be repealed from the PL or at least clarify that no sensitive/confidential information may be disclosed in the minutes.

Assessment criterion 1(g)(c):
Security and confidentiality of bids is maintained prior to bid opening and until after the award of contracts.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

Article 8.4 of the PL states that: "*electronic devices designed for receipt of bids electronically must guarantee the integrity and confidentiality of the received data, ensuring at least the following conditions:*

- *the exact time and date for receipt of bids may be precisely determined;*
- *prior to the time limits defined for transmission of data, no one may have access to the transmitted data;*
- *unauthorized access may be clearly detected where the prohibition on access to the transmitted data has been violated;*

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- *the time limits for opening the data received may be defined or modified only by authorized persons;*
- *access to the received data in different phases of the procurement procedure is possible only by a simultaneous action of at least two authorized persons (systems) and only after the time limit defined according to this point;*
- *the data received and opened according to the requirements of this part must remain accessible only to persons authorized to get acquainted with them."*

Article 26.3 of the PL says that *"... the members and the secretary of the evaluation committee shall be obliged to keep confidentiality of the information in bids throughout the entire course of activities of the committee..."*

Clause 32.4 of the **Procurement Regulations** state: "*... if so requested, the secretary of the committee shall provide forthwith the copies of the bid of any bidder to another bidder having made such a request. Where it is impossible to fulfil the request, the person having made the request shall immediately be provided with the documents included in the bid which he or she shall examine on site and shall have the right to photograph them and return to the secretary during the session without interfering with the normal course of activities of the commission...".*

Article 33.5 states: "*Bidders and the representatives thereof may be present at the sessions of the evaluation commission. Bidders or the representatives thereof may request copies of the minutes of the sessions of the evaluation commission, which are provided within one calendar day. The contracting authority shall be obliged to ensure the confidentiality of information marked by bidders as confidential and shall be held liable, as prescribed by the law of the Republic of Armenia, for the damage caused to bidders as a result of disclosing such information, except for the information subject to mandatory disclosure provided for by law.*"

Gap analysis

Clause 32.4 of the Procurement Regulations, as quoted above, goes in direct contradiction with the articles of the law which call for protection of confidential information.

Recommendations

It is recommended that Clause 32.4 of the Procurement Regulations is repealed entirely.

It is recommended that the language in Article 33.5 of the PL is amended to clearly specify that bidders may take part in the "bid opening" session of the evaluation commission to avoid any misinterpretation that they may also sit in on the actual evaluation sessions. If e-GP is used, the requirement of publicity should be that record of the opening is swiftly shared with all bidders.

Assessment criterion 1(g)(d):
The disclosure of specific sensitive information is prohibited, as regulated in the legal framework.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

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Article 26.3 of the PL says that *"... the members and the secretary of the evaluation committee shall be obliged to keep confidentiality of the information in bids throughout the entire course of activities of the committee..."*

Article 33.5 of the PL states: "*Bidders and the representatives thereof may be present at the sessions of the evaluation commission. Bidders or the representatives thereof may request copies of the minutes of the sessions of the evaluation commission, which are provided within one calendar day. The contracting authority shall be obliged to ensure the confidentiality of information marked by bidders as confidential and shall be held liable, as prescribed by the law of the Republic of Armenia, for the damage caused to bidders as a result of disclosing such information, except for the information subject to mandatory disclosure provided for by law.*"

Clause 26.6 of the Procurement Regulations state: "*...Its members and the secretary shall be obliged to ensure the confidentiality of information marked by bidders as confidential and shall be held liable, as prescribed by the law of the Republic of Armenia, for the damage caused to the bidders as a result of disclosing such information, except for the information subject to mandatory disclosure provided for by law...*"

Clause 32.4 of the Procurement Regulations state: "*... if so requested, the secretary of the committee shall provide forthwith the copies of the bid of any bidder to another bidder having made such a request. Where it is impossible to fulfil the request, the person having made the request shall immediately be provided with the documents included in the bid which he or she shall examine on site and shall have the right to photograph them and return to the secretary during the session without interfering with the normal course of activities of the commission...".*

Gap analysis

As stated in the previous sub-indicator, Clause 32.4 of the Procurement Regulations goes in direct contradiction to Articles 26.3 and 33.5 of the PL. It also goes against Clause 26.6 of the same regulations.

Recommendations

It is recommended that Clause 32.4 is removed entirely from the Procurement Regulations.

Assessment criterion 1(g)(e):
The modality of submitting tenders and receipt by the government is well defined, to avoid unnecessary rejection of tenders.

Conclusion: No gap

Red flag: No

Qualitative analysis

Submission of bids (both hard copies and electronic) are described in the six sub-paragraphs of Article 30 of the PL.

Article 30.4 requires that: *"...The secretary shall register the bids in the bid register in the order of receipt, by indicating on the envelope the registration number, date, and time. A statement of information shall be issued at the request of the bidder...."*

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Article 30.5 says that "*The bids failing to comply with the requirements of the Article above shall be rejected by the evaluation committee at the bid opening session and returned unchanged to the person having submitted the bid.*"

Article 31.2 "*allows the bidders to modify or withdraw their bid before the deadline for submission of bids*."

Submission of bids under two-stage bidding are specified under Clauses 82-84 of the regulations.

Gap analysis

No gap.

Recommendations

No recommendations.

Sub-indicator 1(h)
Right to challenge and appeal
The legal framework provides for the following:

Assessment criterion 1(h)(a):
Participants in procurement proceedings have the right to challenge decisions or actions taken by the procuring entity.

Conclusion: No gap

Red flag: No

Qualitative analysis

Article 28.1 of the PL describing content of the Invitation in the sub-paragraph 17 indicates that the invitation shall contain "*the right of the bidder to appeal against the actions (inaction) related to the procurement process or the adopted decisions and the procedure thereof…"*

Article 27. 2.10 requires indicating in the procurement advertisement the: *"... name and location of the body responsible for the appeal and precise information on the time limits for filing appeals...."*

Article 46.1 provides to the interested person(s) right to appeal: *"... Every interested person shall have the right to appeal against the actions (inaction) and decisions of the contracting authority, the evaluation commission, as prescribed by the Civil Procedure Code of the Republic of Armenia...." In addition, every person has the right to appeal the characteristics of the subject matter of procurement in the prescribed manner under the RA Civil Procedure Code before the deadline for submission of bids, the requirements of the prequalification notice or invitation.*

Article 46.1 of the law, referred to above, is further elaborated in the amended Civil Procedure Code Article 234.5. "Procurement disputes examined under special adversary proceedings and time limit for the settlement thereof" where it is said:

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1. The court shall, as prescribed by this Chapter, examine**,** and settle disputes — prescribed by part 1 of Article 46 of the PL — related to appealing against acts (omissions) and decisions of the contracting authority and the evaluation commission.
2. Procurement disputes shall be examined and settled within thirty days after taking the statement of claim into proceedings. Upon a reasoned decision of the court, the time limit provided for by this part may be extended once, for up to ten calendar days.

Gap analysis

The right to challenge has been clearly established under the PL as well as detailed further under the Civil Code of Armenia.

Recommendations

Suggestion for further improvement: as the right to challenge is clearly established, the following are offered as suggestions rather than corrective actions. The PL could be expanded to cover all aspects of the appeals mechanism rather than cross-referencing the Civil Code, so that it serves as the overarching instrument for public procurement. It would also be helpful to define the term "interested persons" under Article 46.1 to clarify who qualifies as an interested person.

Assessment criterion 1(h)(b):
Provisions make it possible to respond to a challenge with administrative review by another body, independent of the procuring entity that has the authority to suspend the award decision and grant remedies, and also establish the right for judicial review.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

Procurement appeals procedures were changed by adopting a Law "On Making Supplements and an Amendment to the Civil Procedure Code of The Republic of Armenia,**"** on January 21, 2022, where particularly it is indicated that:

Article 1 of the Code - *"...3.1 Cases concerning disputes related to the procurement envisaged by Chapter 27.2 of this Code shall be examined in the Court of General Jurisdiction of First Instance of the City of Yerevan...".*

Article 5 of the Code - supplements with new Chapter 27.2 that includes several new articles and particularly Article 234.11. titled "Suspension of procurement process" where in the sub-para 1 it is said: "*Appealing against acts (omissions) and decisions of the contracting authority and the evaluation commission (except for decisions provided for by part 2 of Article 6 of the PL) shall automatically suspend the procurement process for a period comprising the day of publishing the decision provided for by part 5 of Article 234.6 of this Code and until the day of entry into force of the final judicial act rendered by the court of first instance based on results of examination of the dispute*." In addition, according to Part 2 of Article 234.11, in cases where, due to the interests of public or defense and national security, it is necessary to continue the procurement process, the court, based on the written petition of the heads of the bodies, can issue a decision to lift the suspension of the procurement process.

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Gap analysis

The current appeals mechanism does not include an independent administrative review by an independent review panel. The complaint from the bidder has to go directly to the courts of Armenia. This is not an efficient system since courts usually take a long time and are costly affairs.

As per international common practice the first step of a complaint should be addressed to the procuring entity itself as the complaints may be related to a simple administrative error that can be quickly rectified by the procuring entity itself. The second step, if the aggrieved bidder is not satisfied with the response of the procuring entity, is that the bidder may go to an independent review panel, which has the power to make a ruling and to pause the procurement process. Finally, if the aggrieved bidder is not satisfied with the final ruling of the independent review mechanism, then they should reserve the right as a last resort to appeal to the courts system as well.

Recommendations

It is recommended that the legal framework is updated to include the first two steps of the appeals mechanism rather than offering only a direct appeal to the judicial system of Armenia.

Step 1: appeal to the procuring entity itself.
Step 2: appeal to an independent review board/mechanism.
Step 3: appeal as a final right under the constitution to the courts system.

Assessment criterion 1(h)(c):
Rules establish the matters that are subject to review.

Conclusion: No gap

Red flag: No

Qualitative analysis

The amended Civil Procedures Code in its Article 234.5 entitled "Procurement disputes examined under special adversary proceedings and time limit for the settlement thereof" states: "*1. The court shall, as prescribed by this Chapter, examine, and settle disputes — prescribed by part 1 of Article 46 of the PL — related to appealing against acts (omissions) and decisions of the contracting authority and the evaluation commission.*"

Article 46.1 of the PL on the "Right to appeal" indicates: *"Every interested person shall have the right to appeal against the actions (inaction) and decisions of the contracting authority, the evaluation commission, as prescribed by the Civil Procedure Code of the Republic of Armenia. Every person shall have the right to appeal — by the deadline for submission of bids and as prescribed by the Civil Procedure Code of the Republic of Armenia — against the descriptions of the subject of procurement, the requirements for the prequalification notice or those of the invitation"*

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Taken together, the PL and the Civil Procedure Code make clear that an appeal may be raised against any action or decision of the contracting authority and the evaluation commission.

Gap analysis

No gap.

Recommendations

Suggestion for further improvement: when the PL is next revised, the language on procurement appeals could be incorporated into the PL itself rather than left in the Civil Procedure Code, so that the PL serves as the overarching instrument regulating public procurement.

Assessment criterion 1(h)(d):
Rules establish time frames for the submission of challenges and appeals and for issuance of decisions by the institution in charge of the review and the independent appeals body.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

Article 46.4 of the PL defines that: *"the time limit 10 days (standstill period prescribed in Article 10 of this PL) shall be a term for the statute of limitations for appealing against the actions/inaction and decisions of the contracting authority/evaluation committee, except for the disputes related to the appeals against the decisions and unilateral rescission of the contract, in case whereof the term for the statute of limitations shall be thirty calendar days. "*

The amended Civil Procedure Code in its Article 234.5 "*Procurement disputes examined under special adversary proceedings and time limit for the settlement thereof" says: 2. Procurement disputes shall be examined and settled within thirty days after taking the statement of claim into proceedings. Upon a reasoned decision of the court, the time limit provided for by this part may be extended once, for up to ten calendar days*."

Gap analysis

There is no independent review mechanism as previously mentioned and hence the review of appeals goes straight to the courts. The legal framework does include the timeframes for submission of complaints and timelines within which the courts have to respond.

Recommendations

It is recommended that the appeals mechanism is adjusted to include an independent review mechanism before using the courts as a final resort and that when this is implemented the timelines are reviewed for each of the steps within the complaints procedure covered in the sub-indicator 1(h)(c) above.

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Assessment criterion 1(h)(e):
Applications for appeal and decisions are published in easily accessible places and within specified time frames, in line with legislation protecting sensitive information.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

Amended Civil Procedure Code in its new Article 234.12 stipulates that: "*The authorized body shall immediately publish the concluding part of the court judgment or another final judicial act in the bulletin envisaged by point 14 of part 1 of Article 2 of the PL".*

Gap analysis

Whereas the Civil Procedures Code does state that the ruling or final decision needs to be published on the bulletin as foreseen under the PL, the code does not mention the necessity to also publish an application for an appeal which is also a critical factor on the transparency and trust in the system. Any appeal needs to be made public immediately and thereafter (when the time to respond has elapsed) the final decision of an independent review mechanism needs to be published on the bulletin.

In practice, however, Applications for appeal and decisions are published on the official page of the judicial information system **www.datalex.am**. The applications for appeals are also being published on the procurement bulletin, but only when court is accepting them. Our monitoring showed that some applications are thus being dismissed because the court is returning them for change (even several times, which is also an issue) and many bidders are not reappealing.

Recommendations

It is recommended that the language in the Civil Procedures Code is adjusted to also make it mandatory to post any application for an appeal on the bulleting.

Assessment criterion 1(h)(f):
Decisions by the independent appeals body can be subject to higher-level review (judicial review).

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

There is no independent appeals body in place. Appeals need to be sent directly to the courts.

Gap analysis

There is no independent appeals body in place. Appeals need to be sent directly to the courts.

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Recommendations

It is recommended that an independent appeals body is created and put in place and covered under the PL.

Sub-indicator 1(i)
Contract management
The legal framework provides for the following:

Assessment criterion 1(i)(a):
Functions for undertaking contract management are defined and responsibilities are clearly assigned.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

PL does not have provisions regulating contract management.

The Procurement Regulations in its Clause 33 describing the content of the contracts has references such as *"…penalties and fines shall be prescribed by the contract for non-performance or improper performance of the obligations assumed by the person having concluded the contract (the contractor); or "…the contract may not be modified as a result of failure by the Parties to partially fulfil the obligations…"*

The Procurement Regulations in the Clause 11 of Annex 1 among the activities to be performed by the Responsible Subdivision of the contracting authority specifies: …. *(2) monitoring of the performance by the contract party (contractor, supplier, etc.) of the obligations under the contract and, based on the results, provision to the manager of the contracting authority recommendations on application of the liability provisions in the contract; as well as (3) acceptance of the results of the contract implementation*."

Section 17 of the decree - Acceptance of results of implementation of contract (Clauses 108-112) states: *"Preliminary control over implementation of a contract shall be carried out by the responsible subdivision. The results of implementation of a contract or a part thereof shall be accepted by signing the delivery and acceptance protocol— the form whereof shall be prescribed by the RA MoF — between the head of the responsible subdivision and the person having concluded the procurement contract."*

Gap analysis

Lack of clearly defined rules and procedures on contract management and the division of the responsibilities between the contract parties may lead to the delays in the contract implementation as well as undesired disputes.

Recommendations

To ensure complete and timely implementation of the contracts, supplement the Procurement Regulations with a separate "Contract management" chapter where the following functions and responsibilities for managing contracts should be defined:

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- monitoring the timely delivery of goods, works and services, including consulting services ("products");
- inspection, quality control, supervision of civil works and final acceptance of products;
- monitoring of contract performance clauses designed to ensure social or environmental standards, e.g., compliance with International Labor Organization core conventions, application of specific environmental management measures for construction works, etc.;
- review, issuance and publication of contract amendments;
- examination of invoices and timely processing of payments, including administration of guarantees;
- handling of disputes/termination of contracts. The legal framework should determine the conditions for contract amendments and extensions, to ensure economy and avoid the arbitrary limitation of competition.

The PL should also be revised to contain a provision pertaining to contract management with the regulations going into greater details.

Assessment criterion 1(i)(b):
Conditions for contract amendments are defined, ensure economy, and do not arbitrarily limit competition.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

References to the contract amendments/modifications exist in both the PL and regulations.

Article 36 of the PL on "Conclusion of contract", in its sub-para (4) says: "*Prior to expiry of the time limit provided for by part 3 of this Article, upon the consent of the parties, modifications may be made in the draft contract; however, such modifications may not lead to modification of descriptions of the subject of procurement, to an increase in the amount of the advance payment or the price proposed by the selected bidder*".

Article 45 of the PL on "Negotiations" state: "*(1) The provisions of a draft procurement contract may be negotiated with the selected consultant, but they may not result in modification of the descriptions of the subject of procurement. and (2) The negotiations with the consultant selected under the procedure provided for by point 1 of part 1 of Article 44 of this Law and evaluated as the highest under non-price conditions may result in reduction of the proposed price or modification of payment conditions."*

The Regulations defines that the contract price can be firm, when construction completion, supply of goods and services takes less than year (Clause 51), or factor based (i.e., adjustable) when the duration of the above takes more than one year or in the cases set up by the GoA Decree 526-N (Clause 53).

Clause 56 of the regulations prohibits making amendments/modifications in the contract caused by the "artificial changes". Artificial changes defined in the Clause 56 are as follows:
"*(1) as long as the contract price remains unchanged, the reduction of volumes of the goods, works and services provided for by the contract or as long as the contract price is reduced — the disproportionate reduction of the volumes of the goods, works and services provided for by the contract which causes an increase of the acquisition price of the unit of the subject of procurement;*

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(2) increase of the volumes of the works or services provided for by the contract which exceeds the ten percent of the total price of the contract, except for the procurements mentioned in the list approved by subpoint 4 of point 23 of this Procedure. Volumes of the works or services provided for by the contract may increase only within the period for the performance of works or provision of services prescribed by the contract;
(3) the substitution of the goods, works or services provided for by the contract by goods, works or services having other specifications which in monetary expression exceed the fifteen percent of the contract price. In case of construction works, the calculation of the percentage provided for by this subpoint shall not include the improvements of the actually completed works without changes in design documents against the volumes provided for by the initial estimate. Substitution within fifteen percent of the contract price may be carried out where there is an expert opinion issued by the responsible subdivision stating that the substitution will result in the effective implementation of the contract;
(4) a single extension of the period prescribed by the contract for the supply of goods, performance of works or provision of services including those envisaged on a stage-by-stage basis, for a period of more than thirty calendar days but for no longer than the period prescribed by the contract, except for procurements prescribed by the procurement of scientific research and experimental design works for the purpose of meeting the military needs — containing state secret. Moreover, the time limit provided for by this subpoint may be extended until the expiry of the time limit initially prescribed by the contract at the suggestion of a party to the contract, provided that the demand of the contracting party for the use of the subject of procurement still exists, and the proposal has been made no later than at least 7 calendar days before the expiry of the time limit initially established by the contract;
(5) the increase of the contract price where the technical specifications of the goods, works or services or the design assignments provided for by the contract remain unchanged;
(6) the provision by the contract for an advance payment where the invitation did not provide for the possibility of allocation of an advance payment, except for the procurements included in the list approved by subpoint 4 of point 23 of this Procedure."

Clause 57 of the regulations stipulates that: "*The GoA determines each contract amendment case caused by the factors not dependent of the contract parties.*"

Gap analysis

In Clause 57 of the regulations**,** we see: *"The GoA determines each contract amendment case caused by the factors not dependent of the contract parties*". And then in Clause 57.1: "*In each particular case, during the course of goods supply, works performance or rendering services envisaged in the contract, the contracting authority having justified the peculiarities of the contract implementation and/or management may apply to the GoA (by submitting in the established manner draft of the Government decision), and request permission from the latter to establish conditions in the contract to this order that differ from the conditions provided for in paragraph 56, or not to apply the established conditions. In this case, the GoA, taking into account the specific features of the execution and/or management of the contract, by its decision may permit establishing conditions in the contract that differ from the conditions provided for in paragraph 56 of this order or not to apply the said conditions. This paragraph does not apply to cases where the condition is determined by law or follows from the requirement of law."*

Provisions in the regulations presented above create uncertainties for contractors, suppliers (thus reducing the attractiveness to enter into the procurement process) as these require decision/approval for contract amendment of a body which is not contract party (i.e.**,** GoA).

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Recommendations

The current procedure requires approval by the Government (i.e. the Cabinet of Ministers) of any amendments to a contract, regardless of it price (Clause 57 of the GoA Decree 526-N).
To set up a threshold and indicate that prior approval by the Government to the amendments/modifications is required only when the contract price exceeds the above threshold.

The legal framework (SBDs and sample contract documents) should also determine the conditions for contract amendments and extensions, to ensure economy and avoid the arbitrary limitation of competition.

It is recommended that the documentation include examples of "force majeure" cases.

Assessment criterion 1(i)(c):
There are efficient and fair processes to resolve disputes promptly during the performance of the contract.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

Whereas the right to litigate in the courts is there as a right, the PL does not include any articles covering "alternative dispute resolutions**"** (ADR). Similarly, there are no clauses in the regulations either on the topic.

The wording used in the "Invitation" section of the SBD for Goods, Works and Services clearly stipulates that "Disputes related to this procedure are subject to examination in the courts of the Republic of Armenia».

The GoA is, however, a signatory to the WTO Procurement Agreement and this mentions under "*Article XX — Consultations and Dispute Settlement:*
1. Each Party shall accord sympathetic consideration to and shall afford adequate opportunity for consultation regarding any representation made by another Party with respect to any matter affecting the operation of this Agreement.

2. Where any Party considers that any benefit accruing to it, directly or indirectly, under this Agreement is being nullified or impaired, or that the attainment of any objective of this Agreement is being impeded as the result of:
a. the failure of another Party or Parties to carry out its obligations under this Agreement; or
b. the application by another Party or Parties of any measure, whether or not it conflicts with the provisions of this Agreement, it may, with a view to reaching a mutually satisfactory solution to the matter, have recourse to the provisions of the Understanding on Rules and Procedures Governing the Settlement of Disputes (hereinafter referred to as "the Dispute Settlement Understanding").

3. The Dispute Settlement Understanding shall apply to consultations and the settlement of disputes under this Agreement, with the exception that, notwithstanding paragraph 3 of Article 22 of the Dispute Settlement Understanding, any dispute arising under any Agreement listed in Appendix 1 to the Dispute Settlement Understanding other than this Agreement shall not result in the suspension of concessions or other obligations under this Agreement, and any dispute arising under this Agreement shall not result in the suspension of

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concessions or other obligations under any other Agreement listed in Appendix 1 of the Dispute Settlement Understanding."

Gap analysis

The PL and Procurement Regulations are silent on ADR mechanism. The SBDs refer to review by the courts and not by ADR mechanisms. A review of sample contracts revealed that sometimes they include provisions for dispute resolution. One clause indicates that disputes arising from the contract should be addressed through negotiations. If no agreement is reached, the disputes are then resolved in RA courts.

In general, dispute resolution procedures are defined in Civil Code of Armenia and Civil Procedure Code. Public procurement disputes can also submitted to national legislation and internationally, however the latter is rarely used in practice.

Recommendations

It is recommended that all documents in procurement from the PL down to the SBDs allow ADR under contract management. The GoA may seek reference from FIDIC for such ADR mechanism and how they can be applied and for which thresholds.

Assessment criterion 1(i)(d):
The final outcome of a dispute resolution process is enforceable.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

As mentioned above the PL and Procurement Regulations are silent on the aspect of ADR; the SBDs refer immediately to the courts system for disputes.

Gap analysis

Lack of a provision on ADR and the requirement apply to the court for each and every dispute has a significant impact on contract implementation time.

Recommendations

It is recommended that PL and Procurement Regulations do make mention of ADR mechanisms under contract management and that the decisions be properly enforceable.

Sub-indicator 1(j)
Electronic Procurement (e-Procurement)
The legal framework provides for the following:

Assessment criterion 1(j)(a):

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The legal framework allows or mandates e-Procurement solutions covering the public procurement cycle, whether entirely or partially.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

E-Auction is one out of four procurement methods specified in the PL under Article 18. It should be used if the procurement item is included in the list to be approved by the GoA as per sub-articles 1.14 of Article 5 of the PL. Article 5 (paras. 1.2 and 1.3) defines also that the GoA shall approve procedure for carrying out procurement by electronic means.

In addition, Article 8 of PL defines that within the framework of functions defined by this PL, the communication may be carried out electronically; moreover:

- the notice and the invitation may be provided electronically;
- the bids shall be submitted electronically in cases and in the manner prescribed by the invitation.

GoA Decree 386-N of April 6, 2017 "On approval of the rules for conducting electronic procurement... " defines the rules for conducting e-Procurement and indicates that with the exception when the following procurement methods are used i.e. two-stage bidding, request for quotation and SS procurement as per Article 23 of the PL, the use of the e- procurement platform is mandatory for the following contracting authorities: (i) public administration and local self-government bodies, state or community institutions provided for by the Constitution of the Republic of Armenia and laws of the Republic of Armenia; (ii) organizations with more than 50% of state or community shares; (iii) foundations established or associations (unions) formed by the state or community, or state or community non-commercial organization, or organizations with more than 50% of state or community shares; and (iv) foundations restructured through reorganization of state or community non-commercial organizations or organizations with more than 50% of state or community shares.

Gap analysis

GoA Decree 386-N "on the approval of the rules for conducting electronic procurement..." indicates that procurements involving two-stage bidding, request for quotations and SS procurement do not need to pass through the e-GP system, which is considered a shortcoming as there would a lot of information missing from the database. The justification for not passing those procurements through the e-GP system is also not understood.

Recommendations

It is recommended that all procurements ought to pass through the e-GP system.

Assessment criterion 1(j)(b):
The legal framework ensures the use of tools and standards that provide unrestricted and full access to the system, taking into consideration privacy, security of data and authentication.

Conclusion: No gap

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Red flag: No

Qualitative analysis

Article 8 of the PL, under its sub-articles 3 and 4 stipulate that:

"3. The means to be used for electronic communication must be non-discriminatory, generally available for any potential bidder and interoperable with the means of information and communication technologies in general use.
4. The following rules shall apply in a mandatory manner to the means for submission and receipt of bids electronically:
(1) information on the specifications (including the coding) necessary for submission of bids electronically shall be available for interested bidders;
(2) the electronic devices designed for receipt of bids electronically must guarantee the integrity and confidentiality of the received data, ensuring at least the following conditions:
a. the exact time and date for receipt of bids may be precisely determined;
b. prior to the time limits defined for transmission of data, no one may have access to the transmitted data;
c. unauthorized access may be clearly detected where the prohibition on access to the transmitted data has been violated;
d. the time limits for opening the data received may be defined or modified only by authorized persons;
e. access to the received data in different phases of the procurement procedure is possible only by a simultaneous action of at least two authorized persons (systems) and only after the time limit defined according to this point;
f. the data received and opened according to the requirements of this part must remain accessible only to persons authorized to get acquainted with them."

Gap analysis

The PL provides for unrestricted and full access to the system, taking into consideration privacy, security of data and authentication.

Recommendations

No recommendations.

Assessment criterion 1(j)(c):
The legal framework requires that interested parties be informed which parts of the processes will be managed electronically.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

Articles 40-42 of the PL describe in detail the E-Auction procedures.

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Article 40. Conditions for holding electronic auction

"1. The deadline for submission of bids to participate in the electronic auction shall be set at least 15 calendar days following the day of publishing the notice and the invitation in the bulletin. Where the procurement price does not exceed the eighty-fold of the procurement base unit, the time limit provided for by this part for submission of bids shall be set for at least ten calendar days.

2. The electronic auction shall be based solely on prices.

3. In case of using electronic auction, the invitation shall also include the following conditions:
(1) the limitations for the proposals to be submitted, which stem from the description of the subject of procurement;
(2) the information to be provided to bidders during the electronic auction and the conditions for providing the information thereto;
(3) the information of essential significance concerning the process of the electronic auction;
(4) the terms for submission of bids by bidders;
(5) the information concerning the electronic equipment being used, conditions for establishing communication and the technical descriptions.

4. No later than two calendar days prior to the expiry of the deadline for submission of bids, modifications may be made to the invitation, which shall be published in the bulletin on the same day. In such case, the deadline for submission of bids shall be calculated from the day of publishing information on such modifications in the bulletin.

5. The bidder shall have the right to request clarification of the invitation at least five calendar days prior to the expiry of the deadline for submission of bids. The clarification shall be provided to the enquirer within two calendar days following the date of receipt of such an enquiry.

6. The notice on the contents of the enquiry and clarifications shall be published in the bulletin on the day the clarification has been provided to the enquirer without indicating the data on the enquirer."

Article 41. Procedure for holding electronic auction

1. The contracting authority shall, based on the criteria specified in the invitation, carry out full evaluation of bids after finalization of the results of the electronic auction.
2. A proposal for submitting new (revised) prices by electronic means shall be sent to all bidders having submitted bids. The proposal shall also include information on the date and time of opening the electronic auction and data necessary for establishing an individual communication pathway with the electronic equipment being used.
3. The electronic auction may take place in a number of successive phases.
4. The electronic auction shall start no earlier than two calendar days after the day following the date on which the request thereon has been sent.
5. In each phase of the electronic auction, the contracting authority shall immediately (online) provide the bidders with minimum sufficient information which enables them to ascertain, at any time, their relative ranking.
6. During the phases of the electronic auction, the contracting authority shall not disclose the identity of bidders having submitted prices.

Article 42. Completion of electronic auction

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1. The electronic auction shall be completed (closed), where one of the following conditions or a combination thereof exists:
(1) at a particular moment indicated in the invitation;
(2) the number of auction phases indicated in the invitation to participate in the auction has been exhausted;
(3) no more new prices have been submitted. In such a case, the contracting authority shall indicate in the invitation to participate in the auction the permissible period of time between receiving the last proposal and closing the electronic auction.
2. The contracting authority shall, as prescribed by this Law, conclude the contract with the selected bidder, based on the results of the electronic auction."

In addition, Article 8 of PL defines that within the framework of functions defined by this law, the communication may be carried out electronically; moreover:

- the notice and the invitation may be provided electronically;
- the bids shall be submitted electronically in cases and in the manner prescribed by the invitation.

GoA Decree 386-N of April 6, 2017 "On approval of the rules for conducting electronic procurement... " defines the rules for conducting e-Procurement and indicates that with the exception when the following procurement methods are used i.e. two-stage bidding, request for quotation and SS procurement as per Article 23 of the PL, the use of the e- procurement platform is mandatory for the following contracting authorities: (i) public administration and local self-government bodies, state or community institutions provided for by the Constitution of the Republic of Armenia and laws of the Republic of Armenia; (ii) organizations with more than 50% of state or community shares; (iii) foundations established or associations (unions) formed by the state or community, or state or community non-commercial organization, or organizations with more than 50% of state or community shares; and (iv) foundations restructured through reorganization of state or community non-commercial organizations or organizations with more than 50% of state or community shares.

Gap analysis

Electronic procurement is established in the framework, but the legal text does not clearly delineate which stages of the procurement cycle are conducted electronically.

PL Article 8 permits notices and invitations to be issued, and bids to be submitted, electronically, and Articles 40–42 set out the E-Auction in detail. Decree 386-N provides that e-procurement includes conducting the procurement procedure and providing notices electronically (Clause 8) and makes the platform mandatory for the listed contracting authorities. The framework does not, however, enumerate stage by stage which parts of the process are electronic (e.g., submission of bids, evaluation, award). Because the framework already establishes the electronic conduct of the core procurement stages and the deficiency is one of completeness and clarity of scope — correctable through a clarifying amendment — this is a minor gap.

Recommendations

It is recommended that the PL and the Procurement Regulations clearly specify which stages of the procurement process are conducted electronically — including, as the e-GP system is developed, evaluation, award, contract management and payments — so that the electronic scope of the process is unambiguous.

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It is further recommended that in instead of using the terminology "E-Auction", it is referred to as a "reverse E-Auction".

Sub-indicator 1(k)
Norms for safekeeping of records, documents, and electronic data
The legal framework provides for the following:

Assessment criterion 1(k)(a):
A comprehensive list is established of the procurement records and documents related to transactions including contract management. This should be kept at the operational level. It should outline what is available for public inspection including conditions for access.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

The provisions on procurement related documents/information presented in Article 8 of the PL stipulate that: "*1. Stocktaking and safekeeping of the procurement related information to be ensured by creating relevant (including electronic) documents*."

Article 9 entitled "Records and reports on the procurement procedure", states:

"*1. Where the procurement price exceeds the procurement base unit, the contracting authority shall draw up, within three working days following the day of concluding the contract or declaring the procurement procedure as not having taken place, protocol of the procurement procedure. Based on the form of the procurement, the retain shall contain:*
(1) the name and location of the contracting authority;
(2) the need for procurement and the justification for procurement method;
(3) the invitation and the amendment made therein;
(4) the enquiries received on the procurement and clarifications provided;
(5) the data on the bidders submitted bids: name, registered office or place of residence, contacts;
(6) the offered bid prices;
(7) the bid evaluation procedure and the results of the evaluation;
(8) in case of rejecting the bid — the justification for the rejection;
(9) the contract, and where no contract is concluded as a result of the procurement process — the justification thereof;
(10) in case of detecting unlawful actions within the framework of the procurement process — a brief description of such actions and measures undertaken in that respect;
(11) the appeals filed, and the decisions made;
(12) other necessary information….

…. 3. Where the procurement price does not exceed the procurement base unit, the contracting authority shall ensure the availability and storage of relevant documents (or electronic documents) on the actions carried out for procurement purposes and on the grounds thereof…"

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Gap analysis

GoA Decree 397-N of April 4 2019 "On Defining the list of documents to be archived with the retention times thereof" (referred to in the Assessment criterion 1(g)(b) above) in the table presented in the Annex sets up retention period for different types of documents used in the various areas and institutions (i.e. State administration bodies; Banking sector, International affairs; Education, Science; Culture, Judiciary, Urban Development etc.). In the Section 4 (Accounting), and Section 16 (Urban Development) 5 years retention period is defined for Contracts, Agreements (item #176); Documents for participation in tenders for the performance of works, rendering of services and acquisition of the right to lease real estate (item #181) and Cost estimates, contracts, hand-over certificates and other documents for renovation projects. (#704) and permanent retention for the cost estimates of the civil works to be financed out of the State or Community budget (item #701).
Neither the PL nor the Procurement Regulations have any other provisions/requirements defining the list of the procurement documents/records to be kept and retention period thereof and made available for the public inspection(s). The language also stops at the procurement process and does not mention the need to include in the records aspects of contract management, dispute resolution, adjustment of contracts, payments, etc.

Recommendations

Supplement procurement legal framework with a provision defining system for safekeeping of records and documents that should cover the entire procurement process, including contract management, and, at a minimum, include either physical and/or electronic:

- public notices of procurement opportunities
- a complete set of bidding/selection documents, including clarifications and any amendments
- bid/proposal opening records
- evaluation reports, including clarifications sought and provided during the evaluation process
- award decisions, including all elements on which the decision was based
- award notices (if applicable)
- formal challenges (requests for review and appeals) by bidders and outcomes
- final signed contract documents and amendments
- contract variations, modifications**,** and changes
- certificates and reports of inspection, quality control and acceptance
- payments
- disbursement data (as required by the country's financial management system)
- any correspondence, meeting notes and minutes, including contract negotiations (if applicable).

There should be a document retention policy that is compatible with the statute of limitations in the country for investigating and prosecuting cases of fraud and corruption and with the audit cycles. There should also be established security protocols to protect records, either physical or electronic.

Assessment criterion 1(k)(b):
There is a document retention policy that is both compatible with the statute of limitations in the country for investigating and prosecuting cases of fraud and corruption and compatible with the audit cycles.

Conclusion: Minor gap

Red flag: No

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Qualitative analysis

The national retention policy of documents is presented in the Law "On Archival Work" (Adopted on June 8, 2004). Article 20 of this law defines that: "*State bodies of the Republic of Armenia, state institutions and organizations, notaries, and the notary chamber shall develop and approve the lists of the documents drawn up during the course of their activities indicating the retention period, that shall be agreed with their authorized body.*"

GoA Decree 397-N defines that the retention period for such documents is 5 years.
Article 75 of the RA Criminal Code establishes that the statute of limitations for investigating and prosecuting fraud and corruption cases depends on the severity of the offense. For major corruption crimes, the limitation periods range from 5 to 15 years. However, offenses related to public procurement are generally classified as medium-gravity crimes, with a limitation period typically set at 5 years.

Gap analysis

As already declared under indicator 1(g)(b) above, the PL and regulations are silent on the aspect of how long records must be kept.

Recommendations

It is recommended that the legal framework for procurement includes language on the retention of documents in hard and electronic form; specifically, how many years they must be kept for.

Assessment criterion 1(k)(c):
There are established security protocols to protect records (physical and/or electronic).

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

Sub-para 4 of the PL Article 8 specifies the rules mandatory to the means used for electronic submission and receipt of the bids. Particularly it is indicated that:
(*2) the electronic devices designed for receipt of bids electronically must guarantee the integrity and confidentiality of the received data, ensuring at least the following conditions:*

e. access to the received data in different phases of the procurement procedure is possible only by a simultaneous action of at least two authorized persons (systems) and only after the time limit defined according to this point the data received and opened according to the requirements of this part must remain accessible only to persons authorized to get acquainted with them.

The legal framework does not contain any security protocols for the safeguarding of procurement records (hard and soft copies). The law is also not complete with regards to the retention policy of such records.

In the Clause 2 of the Appendix to the GoA Decree 386-N of April 6, 2017 "On approval of the rules for conducting electronic procurement …"it is said that: "*e-Procurement system contains electronic equipment, tools and*

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software that enable remote control, telecommunications, and electronic data exchange. All equipment is installed at the place specified by the Minister of Finance of Armenia".

Gap analysis

As described under previous indicators above, the legal framework does not contain any security protocols for the safeguarding of procurement records (hard and soft copies). The law is also not complete with regards to the retention policy of such records.

Recommendations

It is recommended that the legal framework is updated to incorporate such security protocols for the safeguarding of procurement records.

Sub-indicator 1(l)
Public procurement principles in specialized legislation
The legal and regulatory body of norms complies with the following conditions:

Assessment criterion 1(l)(a):
Public procurement principles and/or the legal framework apply in any specialized legislation that governs procurement by entities operating in specific sectors, as appropriate.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

The list of the entities that should be treated as a "contracting authority," and as such are subject to the PL, is presented in Article 2 of the PL (sub-clause 1.2). It includes "public organizations" (i.e., entities in the utilities sector, such as water, energy, transport, postal services, etc.) and Central Bank of Armenia.

Sub-para. 1. (2) (a) and (b) of the above article particularly says:
(a). entities included in the list approved by the Public Services Regulatory Commission of the Republic of Armenia, who carry out activities in the regulated field of public services, with the exception of persons who have been included in the list referred to in this paragraph due to holding a dominant position in respect of services provided within the framework of operation of the public network in the electronic communication sector;
b. other organizations operating in the field of public services which, based on a special or exclusive right, implement one or more types of relevant activities defined by this Article, where procurement is carried out for the purpose of implementing the given type of relevant activity;

Article 52 of the PL on "Peculiarities of carrying out procurements by the public organizations" in its sub-para. 1 indicates that:
"*1. In case of procurement carried out by public organizations within the territory of the Republic of Armenia: (1) the procurement-related relations shall be regulated by the procurement procedures approved by the given organizations ….;*"

Similar privileges are provided to the Central Bank of Armenia and the Central Electoral Commission of Armenia.

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Article 54, describing peculiarities of carrying out procurements by the Central Bank stipulates:
"1. In case of procurements carried out by the Central Bank of the Republic of Armenia:
(1) the provisions of this Law shall not have effect in cases of carrying out procurement within the framework of operational expenditures of the Central Bank of the Republic of Armenia;
(2) the powers and functions vested by this Law in the GoA and in the authorized body shall be exercised by the Board of the Central Bank of the Republic of Armenia;
(3) according to this Law, the procedure for disclosing information subject to disclosure shall be defined by the Board of the Central Bank of the Republic of Armenia;
(4) this Law shall not apply to procurement carried out by organizations founded by the Central Bank of the Republic of Armenia or organizations with the participation of the Central Bank of the Republic of Armenia."

Article 55 Peculiarities of carrying out procurement for the purpose of organizing electoral processes states:
1. In case of procurement carried out at the account of funds allocated for organizing and holding elections and referenda:
(1) the provisions of this Law shall not have effect in case of procurement carried out for organization of the electoral processes by the Central Electoral Commission of the Republic of Armenia, including organization of professional training courses (tests) for the purpose of organizing the elections concerned after calling elections (referenda);
(2) the powers and functions vested by this Law in the GoA and in the authorized body shall be exercised by the Central Electoral Commission of the Republic of Armenia;
(3) according to this Law, the procedure for disclosing information subject to disclosure shall be defined by the Central Electoral Commission of the Republic of Armenia."

Gap analysis

Discussion with the Public Services Regulatory Commission (PSRC) revealed that PSRC is only monitoring procurement carried out by the public organizations, but it does not review/approve procurement rules and procedures followed by them.

Reviewing Procurement Manuals of two out of six public organizations named in the list approved by the PSRC (i.e., Electric Networks of Armenia (ENA) and International Power Corporation/Sevan Hrazdan cascade (IPC)), it is noted that threshold for SS procurement in the manuals of above entities (para 44.2.15 for ENA and para. 43.2 for IPC) is set as AMD 50.0 million. It is 50 times more than AMD 1.0 million defined as a threshold for other contracting authorities in the PL Article 23.1.4 "Conditions for single source procurement".

The PL does not apply to these utility companies. They can have their own procurement rules and regulations, but they should not go contrary to the objectives of the national PL. However, as expressed in the paragraphs above, the PSRC does not have the possibility to review all of their procurement rules and regulations at this stage.

Recommendations

Supplement the law with a provision mandating review and approval by the Authorized Body the procurement rules and procedures to be followed by the public organizations and Central Bank of Armenia and for the PSRC to have an adequate budget to conduct post-audits on these organizations to ensure that their rules have been followed and are not in contradiction with those of the national PL.

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Assessment criterion 1(l)(b):
Public procurement principles and/or laws apply to the selection and contracting of public private partnerships (PPP), including concessions as appropriate.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

Article 3 of the PL, entitled "Objective, principles and scope of the Law", in its sub-para 4.(4) stipulates:
"*This Law **shall not apply** to the following types of transactions:*
(4) the transactions of public-private partnership, including those of concession which are regulated by the Law "On public-private partnership."

Gap analysis

The legal framework for procurement does not apply to the selection and contracting of PPPs at this point in time. As mentioned above PPPS and Concessions are covered under the Act for Public Private Partnerships of 2019.

Recommendations

It is recommended that the updated PL and Procurement Regulations include procurement aspects of PPPs and concessions.

Assessment criterion 1(l)(c):
Responsibilities for developing policies and supporting the implementation of PPPs, including concessions, are clearly assigned.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis
According to the Article 6 of the Law on PPP (adopted in 2019) policy developing body: 1) develops PPP policy; 2) performs functions on promoting and disseminating PPP projects and attracting private partners; 3) performs development of regulatory legal acts governing PPP procedures; 4) exercises other powers determined by this Law. Clause 11.12 of the Ministry of Economy's Charter (approved by the Prime Minister's Decree 658-L of June 1, 2019) defines as one of the functions of the Ministry of Economy development of the public -private cooperation policies.

Gap analysis

The implementation of the PPPs, including concessions is out of the scope of the PL.

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Pillar I. Legal, Regulatory, and Policy Framework

Recommendations

It is recommended that the updated PL and Procurement Regulations include the procurement aspects of PPPs and concessions and that those are covered entirely under the procurement legal framework. And that this includes responsibilities for developing policies and supporting the implementation of PPPs.

Indicator 2. Implementing regulations and tools support the legal framework

Sub-indicator 2(a)
Implementing regulations to define processes and procedures

Assessment criterion 2(a)(a):
There are regulations that supplement and detail the provisions of the procurement law, and do not contradict the law.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

Article 5 of the PL, entitled "Legal acts adopted by the GoA" defines the list of procurement procedures and documents that should adopted by the Government. The list of the regulations includes:

(1) the procedure for carrying out procurement outside the territory of the Republic of Armenia;
(2) the procedure for carrying out procurement by electronic means;
(3) the procedure for holding an electronic auction;
(4) the procedure for procurement planning, approval of descriptions of a subject of procurement, preliminary control over procurement, implementation, management of contracts and financing thereof. Moreover, the procedure shall also envisage regulations concerning the process of ensuring the possibility for exercising public control and application thereof within the scope of implementation and management of the contract;
(5) (point repealed by HO-285-N of June 30, 2021)
(6) the procedure for application of procurement procedures provided for by this Law and peculiarities thereof;
(7) the procedure for formation and functioning of the evaluation commission;
(8) the main terms of the invitation and the contract;
(9) the procurement plan implemented at the expense of the funds of the State Budget;
(10) the procedure for granting qualification to the procurement coordinators and conducting continuous professional trainings for them;
(11) the form of the procurement plan, the procedure for completion, approval, and publication thereof;
(12) the concept of affiliated persons and the cases of limitation for participation of such persons in the procurement procedures as provided for by this Law;
(13) procedure for conducting random evaluation of descriptions of subjects of procurement and qualification criteria for bidders approved by the contracting authorities in terms of observing the requirements for ensuring competition and non-discrimination provided for by this Law;
(14) the list of goods, works and services to be procured through the electronic auction;
(15) the list of goods, works and services to be procured through the closed periodic tenders;
(17) the requirements to the form and amount of the bid, contract and qualification securities established in the Invitation to Bid depending upon the procurement method;

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(18) the forms of procurement set for bidders by invitation.

Some of the procedures and documents presented above are described in detail in the Procurement Regulations. For some others, the Government adopted a separate Decree (e.g., 390-N of April 13, 2017 "On Approval of the Procurement Plan Form, Its Fill Out, Approval and Publication Procedure;" 386-N of April 6, 2017 "On Approval of the Rules for Conducting Electronic Procurement... "; 534-N of May 18, 2017 "On Approval of the Electronic Auction ..." etc.)

The adopted Government Decrees are posted at the www.procurement.am web site.

Gap analysis

Clause 32.4 of the regulations state: "*…if requested, the secretary of the commission shall provide forthwith the copies of the bid of any bidder to another bidder having made such a request. Where it is impossible to fulfil the request, the person having made the request shall immediately be provided with the documents included in the bid which he or she shall examine on site and shall have the right to photograph them and return to the secretary during the session without interfering with the normal course of activities of the commission."* This statement is too wide; it should state what types of information can be shared. You cannot share another person's bid with the competition during the procurement process; and this goes against the clauses on confidentiality in the PL (Articles 8.4.2, 26.3, and 33.5).

PL Article 8.4.2 states: "the *electronic devices designed for receipt of bids electronically must guarantee the integrity and confidentiality of the received data, ensuring at least the following conditions:*
a. the exact time and date for receipt of bids may be precisely determined;
b. prior to the time limits defined for transmission of data, no one may have access to the transmitted data;
c. unauthorized access may be clearly detected where the prohibition on access to the transmitted data has been violated;
d. the time limits for opening the data received may be defined or modified only by authorized persons;
e. access to the received data in different phases of the procurement procedure is possible only by a simultaneous action of at least two authorized persons (systems) and only after the time limit defined according to this point;
f. the data received and opened according to the requirements of this part must remain accessible only to persons authorized to get acquainted with them."

PL Article 26.3 states: *"The members and the secretary of the commission shall be obliged to, throughout the entire course of activities of the commission, keep the confidentiality of information submitted in bids."*

PL Article 33.5 states: *"Bidders and the representatives thereof may be present at the sessions of the evaluation commission. Bidders or the representatives thereof may request copies of the minutes of the sessions of the evaluation commission, which are provided within one calendar day. The contracting authority shall be obliged to ensure the confidentiality of information marked by bidders as confidential and shall be held liable, as prescribed by the law of the Republic of Armenia, for the damage caused to bidders as a result of disclosing such information, except for the information subject to mandatory disclosure provided for by law."*

There are inconsistencies in the treatment of affiliated persons. The PL does not provide a general definition and, under Article 33.6, limits affiliation to a narrow, closed set of relationships applicable mainly to evaluation

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commission members and the secretary. In contrast, the Procurement Regulations, particularly Clauses 119–121, introduce a broader concept for bidders, encompassing ownership, control, and economic links, including restrictions on participation of affiliated persons of blacklisted entities. This divergence creates a fragmented framework that is not aligned with the broader notion of affiliation and influence (also mentioned under the Law on Public Service).

Recommendations

It is recommended that those areas of the regulations identified above as contradicting the PL be updated to ensure that there are no contradictions between the PL and the regulations.

Assessment criterion 2(a)(b):
The regulations are clear, comprehensive, and consolidated as a set of regulations readily available in a single accessible place.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

The regulations, manuals, and guidelines are available in one single place, namely the procurement bulleting under the MoF: https://gnumner.minfin.am/en/

Gap analysis

The regulations are not consolidated as various aspects of the procurement process are covered by different decrees. For example, GoA Decree 390-N of April 13, 2017 “On Approval of the Procurement Plan Form, Its Fill Out, Approval and Publication Procedure;” GoA Decree 386-N of April 6, 2017 “On Approval of the Rules for Conducting Electronic Procurement “; GoA Decree 534-N of May 18, 2017 “On Approval of the Electronic Auction”; Minister of Finance Order 231-N of May 20, 2017 “On Approval of a Sample Form of Notification of Amendments and Additions to the Procurement Plan”, and Procurement “On Approving the Procedure for Organization of the Procurement Process and Repealing Decision of the GoA 168-N of February 10, 2011”.

Recommendations

It is recommended that all aspects of procurement are consolidated into one set of regulations so as to make accessibility more practicable for an already complicated procurement process.

Assessment criterion 2(a)(c):
Responsibility for maintenance of the regulations is clearly established, and the regulations are updated regularly

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

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Article 16 of the PL, entitled "Regulation and co-ordination of procurement process", delegates to the authorized body (PPD, under the MoF) regulation and co-ordination of the procurement process. Article 16.2 particularly indicates:

"2. For the purpose of regulating and coordinating the procurement process, the authorized body shall:
(1) co-ordinate the elaboration of draft legal acts on procurement and shall adopt or submit them to the GoA for approval;
(2) provide methodical assistance to the contracting authorities in arranging the procurement activities;
(3) ensure the qualification certification of procurement coordinator and the existence of a system for continuous professional training thereof;
(4) arrange publication of the bulletin;
(5) co-ordinate procurement-related co-operation between international organizations, foreign states, as well as state and local self-government bodies of the Republic of Armenia;
(6) register procurement transactions entailing obligations for the state;
(7) publish:
a. the annual public procurement report;
b. the list of qualified procurement specialists (persons);
(8) approve the standard forms of documents used during the procurement process, including those of the invitation and the contract;
(9) approve the standard forms of documents to be submitted to the authorized body according to this Law, including those of the reports, and the deadlines for submission thereof;
(10) approve the form of the register and the procedure for the keeping thereof;
(11) maintain and co-ordinate the e-procurement system;
(12) ensure the availability of a procurement support service (hotline) for the purpose of responding to alerts and quickly responding to questions on procurement."

Gap analysis

The updating of the Procurement Regulations, while described in the law as being the responsibility of the MoF, as the Authorized Body, actually takes place differently in practice. Any person in government may request an update or change to the regulations and this is approved by the GoA, which is actually a committee under the prime minister's office where the MoF has one seat and one vote. In practice this means that the MoF does not hold the power to make and approve changes to the regulations, but rather this committee. And we see that in the past few years there have been a multitude of changes to the regulations:

Procurement regulations were issued in 2017 and up to 2024 has been modified/amended 24 times. In 2024 it was amended 6 times. Each and every amendment was adopted by the Government Decisions (see list below).

1. GoA Decision, 08.02.2018, 104-N
2. GoA Decision, 15.06.2018, 674-N
3. GoA Decision, 11.04.2019, 409-N
4. GoA Decision, 02.05.2019, 516-N
5. GoA Decision, 22.08.2019, 1096-N
6. GoA Decision, 10.10.2019, 1422-N
7. GoA Decision, 21.05.2020, 778-N
8. GoA Decision, 30.07.2020, 1275-N
9. GoA Decision, 25.03.2021, 414-N

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10. GoA Decision, 24.06.2021, 1059-N
11. GoA Decision, 02.09.2021, 1421-N
12. GoA Decision, 27.01.2022, 130-N
13. GoA Decision, 17.03.2022, 319-N
14. GoA Decision, 19.05.2022, 727-N
15. GoA Decision, 13.10.2022, 1593-N
16. GoA Decision, 08.12.2022, 1885-N
17. GoA Decision, 04.05.2023, 684-N
18. GoA Decision, 09.11.2023, 1918-N
19. GoA Decision, 08.02.2024, 186-N
20. GoA Decision, 23.02.2024, 236-N
21. GoA Decision, 21.03.2024, 398-N
22. GoA Decision, 28.03.2024, 427-N
23. GoA Decision, 23.05.2024, 732-N
24. GoA Decision, 08.08.2024, 1252-N

Recommendations

It is recommended that the legal framework for procurement is updated to make the mandate for changes to the regulations, as well as approving them and passing them, to solely the MoF to overcome the frequent changes to the regulations.

Sub-indicator 2(b)
Model procurement documents for goods, works and services

Assessment criterion 2(b)(a):
There are model procurement documents provided for use for a wide range of goods, works and services, including consulting services procured by public entities.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

The assessment team was provided with model templates/sample procurement forms for electronic procurement of Goods; Civil Works and Services. Such templates for both electronic and paper-based procurements of Goods, Works**,** and Services, closed and closed targeted procurements, E-Auction procurements as well as templates for Procurement Notices, Invitation for Bids are posted and available at the www.procurement.am website. English and Russian translations are also available for some of the above documents. The earliest version of the documents is dated 2017-09-25 and the latest one is 2024-02-26.

Gap analysis

When reviewing the model documents for electronic procurement of Services (provided by MoF) it is noted that the same contract form is proposed to be used for the procurement of cars, appliances**,** and equipment repair services; construction technical supervision services; as well as services for technical expertise of the detail design.

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Comparing model documents for Goods, Works**,** and Services, it was noted that all three documents are more than 90% identical. The difference is that the word "Works" in one document is replaced with the word "Goods" and in other with the "Services." Procurement methods proposed in the model documents for Services are same as for Goods and Works and include open tender; request for price quotations; emergency SS.

There does not appear to exist a RFPs document for consultancy services.

Recommendations

It is recommended that the SBDs for Works, Goods, and Non-Consultancy Services are amended in line with each specific type of procurement and in line with internationally accepted standards. The GoA can use those of the IFIs as samples, which are standardized internationally. It is also recommended that standard RFP documents are created for the procurement of consultancy services.

Assessment criterion 2(b)(b):
At a minimum, there is a standard and mandatory set of clauses or templates that reflect the legal framework. These clauses can be used in documents prepared for competitive tendering/bidding.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

SBDs includes numerous references to the legal framework (both the PL and Procurement Regulations).
The main parts of the SBD (the same for Goods; Works and Services) are presented below.

"Part I Procurement Notice (open bidding – Invitation)
1. Description of the Procurement item
2. Bidder's right to participate, qualification requirements, and their evaluation
3. Clarification of the invitation and the procedure for making changes in the invitation
4. Bid submission procedure
5. Price proposal
6. The validity period of the bid, procedure for its amendment and withdrawal.
7. Bid security
8. Bids opening and evaluation.
9. Signing of Contract
10. Qualification and contract securities.
11. Annulment of procurement.
12. Bidder's right to appeal and its procedure

Part II – Bid preparation Guide - General provisions
1. *Bid Form (open bidding)*
2. *Beneficial Ownership Declarations*
3. *Price proposal*
4. *Bank Guarantee forms (for Qualification Security; Contract and; Advance payment Securities).*
5. *Payment Claim*

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Contract Form

1. *Contract subject*
2. *Rights and Obligations of the Parties'*
3. *Acceptance procedure*
4. *Contract Price*
5. *Responsibility of the Parties*
6. *Force Major*
7. *Other terms*
8. *Signature section (contract parties: addresses and bank account details)*
9. *Technical Specification – delivery schedule.*
10. *Payment schedule*
11. *Hand over-take over certificate form."*

Gap analysis

In SBDs for all types of procurement (Goods/Works/Services) it is defined that the contract is awarded primarily on the basis of the lowest price among bids assessed as satisfactory, while the SBDs do not appear to provide for a substantive assessment of past experience, current commitments, implementation capacity or similar qualification factors. Works: (i) bidders for Works contracts are not required to submit priced Bill of Quantities (BoQ), the payment mechanism is based on a ratio between the selected bidder's price and the estimated price of works; (ii) the standard approach to arithmetic correction based on a priced BoQ is therefore not applied in the conventional manner; (iii) payment provision (defined as a percentage of the bid/contract price vs the estimated price) are questionable; (iv) bidder's current contract commitments and implementation capacity do not appear to be assessed; (v) bid can be rejected if the bid price exceeds the estimated price; (vi) the bid validity period is open-ended, as the bid remains valid until contract conclusion, withdrawal, rejection, or cancellation of the procedure (according to the Article 31 of the PL, the bid should remain valid until signing the contract), although bid security has a separately defined validity period ; (vii) price adjustment under factor-based contracts appears to be allowed only in cases established by the GoA, rather than through a fully self-contained contractual price adjustment formula, etc.

The SDB for Goods, Works and Services appear to follow substantially similar templates and evaluation logic, with limited tailoring to the specific risks and requirements of each procurement category. This may lead to inefficiencies, particularly for Works and more complex Services, where international good practice would normally require more detailed qualification criteria, assessment of experience and capacity, treatment of current commitments, priced schedules or BoQs where appropriate, and category-specific contract management provisions.

Recommendations

As recommended above, the government should create separate SBDs for Works, Goods, and Non-Consultancy Services; as well as standard RFP documents.

Assessment criterion 2(b)(c):
The documents are kept up to date, with responsibility for preparation and updating clearly assigned.

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Conclusion: Minor gap
Red flag: No
Qualitative analysis Procurement related documents are posted at the MoF website **https://gnumner.minfin.am/en/** The "Authorized body" has the mandate to update these as elaborated on under indicator 2(a)(c) above.
Gap analysis When reviewing the central procurement website, which contains these documents, we notice that not all documents have been updated as required under the law.
Recommendations It is recommended that documents are updated and posted on a regular basis.
Sub-indicator 2(c) **Standard contract conditions used**
Assessment criterion 2(c)(a): There are standard contract conditions for the most common types of contracts, and their use is mandatory.
Conclusion: Minor gap
Red flag: No
Qualitative analysis A contract form is attached to the model documents for Goods/Works and Services as "recommended" to be used for public procurements and these include standard conditions.
Gap analysis However, the use of the model documents containing contract conditions is not **mandatory**.
Recommendations Supplement the model documents with a provision mandating the use of the standard contract conditions without any changes/modification. Standard models can be consulted from the IFIs.
Assessment criterion 2(c)(b): The content of the standard contract conditions is generally consistent with internationally accepted practice.
Conclusion: Substantive gap
Red flag: No

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Qualitative analysis

Conditions of the contract forms attached to the SBD for Goods, Works, Services do not match those generally used under IFI (WB/ADB/EFSD) financed projects as well as the FIDIC recommended forms.

Gap analysis

Below are a few examples of the numerous gaps that exist between the national SBDs (clauses) and those of the IFI (WB/ADB/EFSD) financed projects as well as the FIDIC recommended forms:

1. As per the Para. 5.1.1 "The advance payment is deducted from the payments made on the basis of the acceptance certificates. No payments to be made to the Contractor until the advance payment is fully repaid.**"** It is not clear how the advance will be returned if no payment(s) will be effected until the advance is fully repaid.

2. Also Para. 5.1.1 "…advance payment is effected if the Contractor has secured in full that the activities envisaged for the construction commencement stage have been completed the requirements defined by urban planning regulatory and technical and approved design and estimate documents, including the proper organization of construction. construction site standards, equipment, technical safety, sanitary and environmental (including adaptation to climate change) measures, in relation to which there is a written assurance from the organization that carries out technical supervision over the performance of these construction works and has …." – the purpose of the advance is to provide financial support to the contractor to prepare construction site, deliver/install construction machinery, to ensure infrastructures (connect with water/power supply network) and commence the construction (including the above activities). There is no need for advance payment if the contractor is able to cover the above expenditures by its own resources.

The provisions presented above (see wording copied from para. 5.1.1.) are not consistent with the internationally best standards used particularly in the FIDIC contract form where the repayment of an advance in the in the Clause 14.2 Advance Payment is recommends as follows: "…(a) deductions shall commence in the next interim Payment Certificate following that in which the total of all certified interim payments (excluding the advance payment and deductions and repayments of retention) exceeds 30 percent (30%) of the Accepted Contract Amount less Provisional Sums" ; and " (b) deductions shall be made at the amortization rate stated in the Contract Data of the amount of each Interim Payment Certificate (excluding the advance payment and deductions for its repayments as well as deductions for retention money) in the currencies and proportions of the advance payment until such time as the advance payment has been repaid; provided that the advance payment shall be completely repaid prior to the time when 90 percent (90%) of the Accepted Contract Amount less Provisional Sums has been certified for payment.

3. In opposite to the IFIs recommended forms for civil works contracts where BoQ with the unit rates proposed by the contractor is an integral part of a contract and the amount to be paid is calculated as the unit rates multiplied by actual volume of the works performed, in the sample forms recommended for civil works procurement the Contractor's BoQ is not a part of the contract as the bidders are not required to submit priced BoQ. BoQ attached to the contract is the one prepared by the Employer with the unit prices that are inserted by the Employer. The amount payable is calculated using the Employer's unit prices multiplied by the actual volumes of the works performed within the invoiced time period. The amount received as the result of the above calculations is multiplied by a coefficient equal to BP/EC where the BP is the contract price and EC – is the estimated price.

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4. Civil Works contract form Clause 8.6.2 indicates: “If the contract is implemented by signing a subcontract ... (2) in the case of a change of subcontractor during the execution of the contract, the Contractor shall notify the Employer in writing, providing a copy of the subcontract and the data of the party to it, within five working days from the date of the change” - it is recommended to replace the word “notify” with words “… prior agree with…” to exclude participation in the implementation of the contract activities a blacklisted firm, as it is used in the IFI recommended procurement documents.

5. Civil Works contract form Clause 8.15 requires: “The implementation of the works prescribed by the contract is carried once financial resources for it are made available and corresponding agreement between the parties is signed.” – it is recommended not sign a contract until and unless the financial resources are made available.

6. Civil Works Contract Clause 6.2 stipulates that: “…In case of delay(s) in implementation of the works stipulated by this contract, the Contractor shall be charged a penalty for each overdue working day in the amount of 0.05 (zero point five) percent of the price of the work to be performed but not performed” – as it is used in the standard documents used for IFI financed procurements it is recommended to set upper limit for the penalty (say 5-10) % of the contract price after which the Employer will have a right to terminate the contract.

Recommendations

It is recommended that the standard conditions of contract are adjusted and that those of the IFIs can be used as an example which are standardized internationally. This would also support procurement under International Competitive Bidding and adhere to obligations under the WTO Agreement on Procurement.

Assessment criterion 2(c)(c):
Standard contract conditions are an integral part of the procurement documents and made available to participants in procurement proceedings.

Conclusion: No gap

Red flag: No

Qualitative analysis

Contract form (including standard contract conditions) are an integral part of the SBD, as supported by Clause 33 of the Procurement Regulations that defines several conditions which should be enshrined by the draft contract and should be an integral part of the procurement documents. These are posted on an open access website **https://gnumner.minfin.am/en/** and are available for all interested parties.

Gap analysis

No gap.

Recommendations

No further recommendations regarding their availability, but as recommended above they ought to be updated to reflect international standards.

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Sub-indicator 2(d) User's guide or manual for procuring entities
Assessment criterion 2(d)(a): There is (a) comprehensive procurement manual(s) detailing all procedures for the correct implementation of procurement regulations and laws.
Conclusion: Minor gap
Red flag: No
Qualitative analysis The following manuals are uploaded and available at the **www.procurement.am** website: e-procurement Guidelines; Guidelines on E-Auction Procurement; Guidelines on E-Auction Procurement (for Economic Operators); User manual for e-Procurement planning, contract management and reporting modules; Guide on e-Procurement for PIUs, foundations, CJSCs Implementing the World Bank funded projects; and ARMEPS e-Procurement system (User Guide for Economic Operators).
Gap analysis Documentary review and interviews with the representatives of the contracting authorities, economic operators (construction companies, goods suppliers), and oversight bodies, revealed a need to have Manuals for Selection of Consultants; Contract management, Evaluation of bids/proposals.
Recommendations It is recommended that guidelines/manuals are created to cover the subjects of contract management, evaluation of bids, and the selection of consultants.
Assessment criterion 2(d)(b): **Responsibility for maintenance of the manual is clearly established, and the manual is updated regularly.**
Conclusion: No gap
Red flag: No
Qualitative analysis Article 16 of the PL, entitled "Regulation and co-ordination of procurement process", delegates responsibility for the maintenance of guidelines/manuals to the PPD, under the MoF (authorized body). Article 16 states: "*Regulation and co-ordination of procurement process* *1. The regulation and co-ordination of the procurement process shall be performed by the authorized body. The authorized body may not be involved in the procurement processes, be a party to the contract, except for procurement to be carried out for its own needs.* *2. For the purpose of regulating and coordinating the procurement process, the authorized body shall:* *(1) co-ordinate the elaboration of draft legal acts on procurement and shall adopt or submit them to the GoA for approval;* *(2) provide methodical assistance to the contracting authorities in arranging the procurement activities;*

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(3) ensure the qualification certification of procurement coordinators and the existence of a system for continuous professional training thereof;
(4) arrange publication of the bulletin;
(5) co-ordinate procurement-related co-operation between international organizations, foreign states, as well as state and local self-government bodies of the Republic of Armenia;
(6) register procurement transactions entailing obligations for the state;
(7) publish:
a. the annual public procurement report;
b. the list of qualified procurement specialists (persons);
(8) approve the standard forms of documents used during the procurement process, including those of the invitation and the contract;
(9) approve the standard forms of documents to be submitted to the authorized body according to this Law, including those of the reports, and the deadlines for submission thereof;
(10) approve the form of the register and the procedure for the keeping thereof;
(11) maintain and co-ordinate the e-procurement system;
(12) ensure the availability of a procurement support service (hotline) for the purpose of responding to alerts and quickly responding to questions on procurement.
3. The head of the contracting authority shall appoint a procurement coordinator who shall be:
(1) responsible for the organization and co-ordination of the procurement process of the contracting authority;
(2) give an opinion on documents approved by the contracting authority within the framework of procurement;
(3) exercise powers of the secretary of the evaluation commission;
(4) draw up the protocol of the given procurement procedure and the procurement contract and submit them to the head of the contracting authority for approval.
4. A procurement coordinator may be:
(1) a relevant subdivision of the contracting authority;
(2) an official or officials;
(3) an invited person — consultant or consultants.
5. Employees of the subdivision coordinating procurement, officials and invited persons must be included in the list of qualified procurement coordinators, published by the authorized body. The persons referred to in the list shall be included in the list after being evaluated as satisfactory based on the results of the procedure for procurement coordinators qualification, organized by the authorized body."

Gap analysis

No gap.

Recommendations

No recommendations.

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Pillar I. Legal, Regulatory, and Policy Framework

Indicator 3. The legal and policy frameworks support the sustainable development of the country and the implementation of international obligations

Sub-indicator 3(a) Sustainable Public Procurement (SPP)
Assessment criterion 3(a)(a): The country has a policy/strategy in place to implement SPP in support of broader national policy objectives
Conclusion: Substantive gap
Red flag: No
Qualitative analysis The PL and Procurement Regulations do not make any reference to sustainable procurement. There is also no national policy on SPP.
Gap analysis There is no mention of the environmental and social aspects with which public procurement can, and should be, linked as a contributing factor towards achieving the social and environmental objectives of the government. The MoF, however, as part of its procurement reform strategy, entitled “Decree 977-L of the Prime Minister of the Republic of Armenia on Approving the Concept of the Procurement System Development and the Action Plan Deriving there from”, under section 4, mentions that it intends to take into consideration “green” procurement in the future. The language is, nevertheless, limited in this regard even within the aforementioned strategy.
Recommendations It is recommended that the legal framework is updated to include a section (language) on sustainable procurement and its importance in public procurement. It is recommended a national policy on SPP is created. GoA may consult the IFIs for sample sections on sustainable procurement.
Assessment criterion 3(a)(b): The SPP implementation plan is based on an in-depth assessment; systems and tools are in place to operationalize, facilitate and monitor the application of SPP.
Conclusion: Substantive gap
Red flag: No
Qualitative analysis There is no national SPP policy, hence there is also no implementation plan.
Gap analysis There is no SPP policy and hence no implementation plan.

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Recommendations

It is recommended that when a SPP policy is created/designed that it is based on an in-depth assessment; systems and tools are in place to operationalize, facilitate and monitor the application of SPP. It is recommended that further support is sought from the IFIs to undertake such an endeavor.

Assessment criterion 3(a)(c):
The legal and regulatory frameworks allow for sustainability (i.e., economic, environmental, and social criteria) to be incorporated at all stages of the procurement cycle.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

The PL and Procurement Regulations do not currently cater for sustainable aspects to be introduced in the public procurement process (i.e., environmental, and social criteria).

Gap analysis

The PL and Procurement Regulations do not currently cater for sustainability aspects to be introduced in the public procurement process (i.e., economic, environmental, and social criteria).

Recommendations

It is recommended that the legal framework for procurement allows for the introduction of sustainability criteria in the procurement process.

Assessment criterion 3(a)(d):
The legal provisions require a well-balanced application of sustainability criteria to ensure value for money.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

While the objectives of the PL do call for value for money under Article 3, they do not cater for any sustainability criteria in the procurement process.

Article 3 states: "*Objective, principles, and scope of the Law*
1. The objective of this Law is to ensure value for money in the procurement process, namely:
(1) acquisition of goods, works and services meeting the needs required for exercising the powers vested in the contracting authority, with an adequate compensation;
(2) cost-effective, efficient, and benefit-based conduct of procurement and procurement process.
2. The procurement process shall be based on the following principles:

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(1) organization of the procurement process based on uniform rules of competition, transparency, proportionality, publicity, and non-discrimination;
(2) enlargement of the circle of bidders and promotion of competition among them for the purpose of concluding a contract;
(3) equality of rights for every person to participate in the procurement process, irrespective of the fact of being a foreign natural person, an organization, or a stateless person.
3. Within the meaning of this Law, procurement shall be considered to be carried out outside the territory of the Republic of Armenia, where the contract is concluded and goods, works or services under the contract are acquired and used outside the territory of the Republic of Armenia.
4. This Law shall not apply to the following types of transactions:
(1) employment contracts;
(2) acquisition of services rendered by certain persons provided for by the decisions of officials carrying out criminal, administrative or judicial proceedings in cases provided for by law;
(3) transactions related to trust management of securities.
(4) the transactions of public-private partnership, including those of concession which are regulated by the Law "On public-private partnership."
(5) Transactions on the provision of audit services for the purpose of conducting mandatory audit of annual reports of the political parties provided for by the Constitution Law of the Republic of Armenia "On political parties" and the Law of the Republic of Armenia "On Commission for Prevention of Corruption."

Gap analysis

While the objectives of the PL do call for value for money Article 3, they do not cater for any sustainability criteria in the procurement process.

Recommendations

It is recommended that an SPP policy is adopted and incorporated under the procurement legal framework; and that such provisions are well balanced.

Sub-indicator 3(b)
Obligations deriving from international agreements
Public procurement-related obligations deriving from binding international agreements are:

Assessment criterion 3(b)(a):
Clearly established

Conclusion: No gap

Red flag: No

Qualitative analysis

The GoA is a signatory to the WTO Agreement on Procurement. Article 24.2.8 on prequalification refers to the WTO agreement as follows: *"…a note that the provisions of the Agreement on Government Procurement of the World Trade Organization apply to the given procurement process, where the procurement price exceeds the thresholds specified by the Agreement and the procurement process is organized through the procedure of a two-stage tender."* Article 27.2.12 on Notices and Invitations for procurement repeats the same language regarding WTO threshold.

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The PL under Article 5, entitled "*other legal acts adopted by the GoA", subsection 5.1.19 states: "… for the purpose of ensuring achievement of the objectives and fulfilment of the requirements of this law, the GoA shall approve the peculiarities of procurement processes being organized at the account of funds provided for by the international agreements.*"

Article 6 of the law which deals with eligibility criteria, also states under Article 6.1.5 that "*…the following persons shall not be eligible to participate in procurement: (5) those who have been included in the list of bidders ineligible to participate in the procurement process, published according to the legislation of member states of the Eurasian Economic Union on procurement, as of the day of submitting the bid. The term provided for by this point does not apply to the procurement processes to be carried out at the account of funds provided for by the international agreements.*"

Gap analysis

The list of the Central Government Entities presented in the GPA ANNEX 1 needs to be updated as some of the existing ministries are not currently included therein (e.g.**,** Ministry of Agriculture; Ministry of Energy and Natural Resources; Ministry of Sport and Youth; Ministry of Transport and Communication; Ministry of Urban Development etc.)

Recommendations

It is recommended that the new PL adopts a clause that specifies that in the event of any contradiction between this national PL and any international treaty that the GoA is a signatory to, as well as procurement financed by the MDBs/IFIs, that those clauses of the treaties and procurements financed by the MDBs/IFIs shall prevail or supersede those national clauses.

Assessment criterion 3(b)(b):
Consistently adopted in laws and regulations and reflected in procurement policies.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

Whereas the PL does refer at various parts throughout the document to the WTO Agreement on procurement and those procurements financed through international agreements, the regulations are by and large silent on these subjects.

Gap analysis

It is reflected in the PL, but not so much in the Procurement Regulations.

Recommendations

It is recommended the new PL restores a clause that specifies that in the event of any contradiction between this national PL and any international treaty that the GoA is a signatory to, as well as procurement financed by the

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MDBs/IFIs, that those clauses of the treaties and procurements financed by the MDBs/IFIs shall prevail or supersede those national clauses. It is recommended that such language is also repeated in the appropriate sections of the regulations.

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Pillar II. Institutional Framework and Management Capacity

Indicator 4. The public procurement system is mainstreamed and well integrated into the public financial management system

Sub-indicator 4(a) **Procurement planning and the budget cycle** The legal and regulatory framework, financial procedures and systems provide for the following:
Assessment criterion 4(a)(a): Annual or multi-annual procurement plans are prepared, to facilitate the budget planning and formulation process and to contribute to multi-year planning.
Conclusion: Minor gap
Red flag: No
Qualitative analysis PL Article 5 stipulates that: *"…the GoA shall approve: … (9) the Procurement Plan implemented at the expense of the State Budget funds; and (11) the form of the Procurement Plan, the procedures for its completion, approval and publication thereof …"*. PL Article 15 sets that: (1) *"The Procurement Plan being implemented at the expense of the State Budget funds shall be approved based on the administrative and functional classification of budget expenditures"; and (3) "The contracting authorities shall publish the Procurement Plan including the modifications thereto in the bulletin within two working days following the day of approval thereof, except for the procurement plan containing a state secret".* Procurement Regulations Clause 16 requires that *"To kick of the procurement process, the procurement subject must be included in the Procurement Plan." as well as "… The procurement plan will be supplemented to incorporate the items not included in the initial plan, if during the given year the financial resources will be earmarked for acquisition of those."* GoA Decree 390-N of April 13, 2017. "On Approval of The Procurement Plan Form, Its Fill Out, Approval and Publication Procedure" defines that: Clause 4 *"Procurement Plan is approved by the head of the contracting authority by February 1 of the given year, except for the cases provided for in clauses 5 and 6 of this order*" and then in the Clause 5 it is said that: *"The plan of the procurements to be covered by the means of the State Budget of the Republic of Armenia is approved by the decision of the GoA "On approving the measures ensuring the implementation of the State Budget of the Republic of Armenia" for each year, with a separate annex."* Legal framework does not provide for multi-annual procurement planning.
Gap analysis While Procurement Regulations in its Clause 53.1 makes a reference to a contract with an implementation period exceeding 1 year, the PL is silent on whether the Procurement Plan may have a contract with implementation period more than one year. Clause 15.6 of the PL was also established to allow procurement to start before budgets are apportioned, because the budget is limited to one year and not a multiyear rolling budget, which gives problems for longer lasting complex procurement processes.

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Hence, while procurement planning is covered by the legal framework, it is only an annual exercise and not a multi-annual plan. The budget is also only an annual budget and not a multi-year rolling budget, which brings challenges to the procurement process as already elaborated on under Pillar 1 above.

Recommendations

Supplement the legal framework with a provision enabling to plan procurements with implementation periods more than one year and recommend adopting multi-year fiscal frameworks with multiyear rolling budgets rather than single year budgets. Additionally, multi-year procurement planning ought to be encouraged or made mandatory through the procurement legal framework

Assessment criterion 4(a)(b):
Budget funds are committed or appropriated in a timely manner and cover the full amount of the contract (or at least the amount necessary to cover the portion of the contract performed within the budget period).

Conclusion: No gap

Red flag: No

Qualitative analysis

According to the "Armenia: Public Expenditure and Financial Accountability (PEFA) Report (May 2024)" para. 22.1. "*There is no centralized practice of monitoring the due date of invoice payment. The due date of invoice payment is monitored by each budget organization which is a party to a contract or liable for payment by the legislation*."

The Budget Execution Report for fiscal year 2022 states that "*there is full and timely fulfilment of the obligations assumed by the state bodies in the framework of the state budget expenditure programmes*". The Treasury Reporting Department provided a statement that no expenditure arrears were reported in the period of assessment. There are no expenditure arrears incurred and reported in fiscal year 2020-2022."

PL Article 15. In its (5) and (7) stipulates:
"*5. If the procurement price exceeds the financial allocation earmarked for procurement in the given time period then, in the event of a signed contract, the financial resources, required to implement activities foreseen in the contract, are allocated within the time period consecutive to the given period or to suspend the above activities (if the suspension requires financial resources)" and*
"7. The contracting authority undertakes financial obligations under the contract in the event the financial resources required for the implementation of the procurement are provided and within the framework of these allocations".

GoA Decree 390-N in its Clause 5 stipulates that: "*The procurement plan to be covered by the means of the State Budget of the Republic of Armenia is approved each year as a separate annex to the GoA decision "On approving the measures ensuring the implementation of the State Budget of the Republic of Armenia*".

Gap analysis

No gap.

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Recommendations

No recommendations.

Assessment criterion 4(a)(c):
A feedback mechanism reporting on budget execution is in place, in particular regarding the completion of major contracts.

Conclusion: No gap

Red flag: No

Qualitative analysis

PEFA Report (May 2024) para 11.1 (page 51) indicates *"The implementing ministries for major investment projects undertake the progress monitoring of investment projects. Performance indicators for the implementation of major investments are included in the Budget proposal. These indicators include information on progress made (e.g., km of road completed), whether implementation is on schedule, and the costs incurred. These indicators are provided to the Ministry of Finance, which includes them in the government's annual Budget execution report."*

On page 44 of the above PEFA report in the Table 19 "Fiscal Information accessible by the public" in the column "Evidence used/Comments" for "Element/ Requirements" # 3 "In-year budget execution reports" it is indicated that "*These are published within a month of the end of the period to which they relate*" and for #4 "Annual budget execution report" the comment is "*This is published less than 5 months after year- end*."

Gap analysis

No gap.

Recommendations

No recommendations.

Sub-indicator 4(b)
Financial procedures and the procurement cycle
The legal and regulatory framework, financial procedures and systems should ensure that:

Assessment criterion 4(b)(a):
No solicitation of tenders/proposals takes place without certification of the availability of funds.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

PL Article 15. In its (5) and (7) stipulates:

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"7. The contracting authority undertakes financial obligations under the contract in the event the financial resources required for the implementation of the procurement are provided and within the framework of these allocations" and
"5. If the procurement price exceeds the financial allocation earmarked for procurement in the given time period then, in the event of a signed contract, the financial resources, required to implement activities foreseen in the contract, are allocated within the time period consecutive to the given period or to suspend the above activities (if the suspension requires financial resources)."

Nevertheless, under Article 15.6 it says: "*Before earmarking financial resources, a contract may be concluded as prescribed by this Law, provided that procurement may be carried out within the framework of the mentioned contract in case necessary financial resources are earmarked. The contract concluded according to this part shall be rescinded, where no financial resources for execution of the contract are earmarked during the period of six months following the day of concluding a contract." The circumstances when the above provision could be applied are the following: (i) the contracting authority is unable to define in advance the estimate cost; and (ii) when the application of a competitive procurement method is not possible because the time period from the moment the financial resources are earmarked and the commencement date for supply of goods/works/services is short)."*

Gap analysis

Provision of the PL Article 15.6 allows the procurement process to start without having financial resource allocated under the budget. And in the event budget is not able to be retroactively obtained within a time limit of 6 months, then the procurement process is cancelled. This is very discouraging to bidders/economic operators as they have taken time and money to prepare a bid and obtain bid securities etc. against a contract that may not have budget approved. This is widely applied (Article 15.6) in Armenia throughout all ministries and the reason being the limiting factor of single year budgets and no multi-annual rolling budget.

Recommendations

It is recommended that a multi-annual procurement planning, and budget framework is implemented in Armenia to allow for rolling budgets and to cater for procurement processes that can take longer than one year. This would allow for Article 15.6 of the PL to be removed entirely.

Assessment criterion 4(b)(b):
The national regulations/procedures for processing of invoices and authorization of payments are followed, publicly available and clear to potential bidders.*

Conclusion: Minor gap

Red flag: No

Qualitative analysis

The process for accepting contract performance results and procurement financing is outlined in Procurement Regulations (Clauses 108 to 116). According to Clause 113 in order to make payment for procurement made for the needs of the state or municipalities, as well as for those procuring entities with the status of a legal entity, whose accounts are in the treasury system, within three working days after the signing of the delivery-acceptance protocol, the procuring entity enters the payment order and a copy of the protocol into the treasury system of

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the authorized body (MoF). Payment for the procurement made for the needs of procuring entities who do not have accounts in the treasury system is carried out within the period specified by the payment schedule of the contract (transaction), within five working days.
If the contract includes an advance payment, then the payment order and a copy of the document certifying the availability of advance payment security must be entered into the treasury system for allocating the advance payment. The redemption of the advance payment is carried out by making deductions (withholdings) from payments made based on the protocols. Until the full redemption of the advance payment, no further payments will be made to the contracting party.
The authorized body/MoF, based on the documents presented according to this procedure, must make the payment, provided that the protocol has been entered into the treasury system, within the deadlines set by the contract payment schedule, within 5 working days (Clauses 114, 115).
Sample contracts provide specific provisions on delivery-acceptance terms and payment mechanisms. Under these provisions, the procuring entity is required to make online payments to the contractor's or supplier's account based on a delivery-acceptance protocol, in accordance with the payment schedule.

Quantitative analysis

*// Minimum indicator // * Quantitative indicator to substantiate assessment of sub-indicator 4(b) Assessment criterion (b):*
- invoices for procurement of goods, works and services paid on time (in % of total number of invoices).
Source: PFM systems.

According to official information provided by the MoF, during 2022 and 2023 all invoices for procurement of goods, works and services were paid on time (100%).

Gap analysis

The ARMEPS Procurement Planning and Contract Management (PPCM) system currently provides information on invoices, but this data is not easily accessible for automated processing (not in a machine-readable format). Additionally, updates to this information are irregular, and there is a lack of clarity regarding payment timelines for invoices.

Recommendations

It is recommended to adopt technologies (e.g. Optical Character Recognition) to convert invoice data into machine-readable formats. Furthermore, automating processes and enabling integration between the new e-procurement system and other platforms will ensure smooth data transfer and regular updates. This will simplify invoice processing and tracking, minimizing the need for manual intervention.

Indicator 5. The country has an institution in charge of the normative/regulatory function

Sub-indicator 5(a) **Status and legal basis of the normative/regulatory institution function** The legal and regulatory framework, financial procedures and systems provide for the following:
Assessment criterion 5(a)(a):

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The legal and regulatory framework specifies the normative/regulatory function and assigns appropriate authorities' formal powers to enable the institution to function effectively, or the normative/regulatory functions are clearly assigned to various units within the government.
Conclusion: Minor gap
Red flag: No
Qualitative analysis PL Article 16. "Regulation and co-ordination of procurement process" defines that: "*1. The regulation and co-ordination of the procurement process shall be performed by the authorized body. The authorized body may not be involved in the procurement processes, be a party to the contract, except for procurement to be carried out for its own needs*."
Gap analysis It was noted that while the authorized body has the mandate to regulate the procurement process in Armenia, it however, is powerless to stop changes from being implemented to the procurement regulations. Changes can be requested to be made to these regulations by any party by sending such a modification request to committee under the Prime Minister's Office, where the authorized body only has one seat and one vote. It would therefore not be able to stop a change to the regulations if its vote is outweighed by the votes of other members on the committee. This, therefore, compromises its mandate to some extent of regulating the full procurement process in Armenia.
Recommendations It is recommended that when the PL is updated that the mandate for issuing and amending the regulations should rest exclusively with the authorized body and/or the Minister of Finance.
Sub-indicator 5(b) **Responsibilities of the normative/regulatory function** The following functions are clearly assigned to one or several agencies without creating gaps or overlaps in responsibility:
Assessment criterion 5(b)(a): providing advice to procuring entities
Conclusion: No gap
Red flag: No
Qualitative analysis PL Article 16. "Regulation and co-ordination of procurement process" in its (2) defines: "*2. For the purpose of regulating and coordinating the procurement process, the authorized body shall:* *(2) provide methodical assistance to the contracting authorities in arranging the procurement activities;* *(12) ensure the availability of a procurement support service (hotline) for the purpose of responding to alerts and quickly responding to questions on procurement*."

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Gap analysis

No gap.

Recommendations

No recommendations.

Assessment criterion 5(b)(b):
drafting procurement policies

Conclusion: No gap

Red flag: No

Qualitative analysis

PL Article 16. "Regulation and co-ordination of procurement process" in its (2) defines:
"*2. For the purpose of regulating and coordinating the procurement process, the* ***authorized body shall****:*
(1) *co-ordinate the elaboration of draft legal acts on procurement and shall adopt or submit them to the GoA for approval*."

Gap analysis

No gap.

Recommendations

No recommendations.

Assessment criterion 5(b)(c):
proposing changes/drafting amendments to the legal and regulatory framework

Conclusion: Minor gap

Red flag: No

Qualitative analysis

PL Article 16. "Regulation and co-ordination of procurement process" in its (2) defines:
"*2. For the purpose of regulating and coordinating the procurement process, the authorized body shall:*
(1) co-ordinate the elaboration of draft legal acts on procurement and adopt or submit them to the GoA for approval;
(8) approve the standard forms of documents used during the procurement process, including those of the invitation and the contract;
(9) approve the standard forms of documents to be submitted to the authorized body according to this Law, including those of the reports, and the deadlines for submission thereof."

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Gap analysis

As mentioned under indicator 5(a)(a) above, the authorized body is not in full control of changes being implemented to the regulations due to the current set up of any party being able to request a change to be made to aforementioned document and it being voted on by a committee under the Prime Minister's Office, where the authorized body has only one vote.

Recommendations

It is recommended that when the PL is updated the mandate for issuing and amending the regulations should rest exclusively with the authorized body and/or the Minister of Finance.

Assessment criterion 5(b)(d):
monitoring public procurement

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

PL Article 16. "Regulation and co-ordination of procurement process" in its (2) defines:
"2. For the purpose of regulating and coordinating the procurement process, the authorized body shall:
(4) arrange publication of the bulletin;
(6) register procurement transactions entailing obligations for the state;
(7) publish:
a. the annual public procurement report;
b. the list of qualified procurement specialists (persons);
(11) maintain and co-ordinate the e-procurement system;

The PPCM module of the National e-Procurement system (https://armeps.am/ppcm/public/reports?lang=en) allows to monitor data on procurements conducted by the contracting authorities such as: number of bids, number of successful procurements; commitments based on the procurement methods; estimated procurement price; contract price; etc.

Gap analysis

While the possibility to monitor exists at the authorized body, neither the PL, nor the regulations, have a provision that clearly mandates the authorized body to conduct procurement monitoring as part of its functions.

Recommendations

It is recommended that when updating the legal framework, specific language on the monitoring of procurement should be included as part of the functions of the authorized body.

Assessment criterion 5(b)(e):
providing procurement information

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Conclusion: No gap

Red flag: No

Qualitative analysis

PL Article 16. "Regulation and co-ordination of procurement process" in its (2) defines:
"*2. For the purpose of regulating and coordinating the procurement process, the authorized body shall:*
(4) arrange publication of the bulletin;
(5) co-ordinate procurement-related co-operation between international organizations, foreign states, as well as state and local self-government bodies of the Republic of Armenia;
(6) register procurement transactions entailing obligations for the state;
(7) publish:
a. the annual public procurement report;
b. the list of qualified procurement specialists (persons);
(11) maintain and co-ordinate the e-procurement system;
(12) ensure the availability of a procurement support service (hotline) for the purpose of responding to alerts and quickly responding to questions on procurement."

In addition to the above the authorized body operates the hot line on procurement matters for contracting authorities and economic operators (bidders).

The PPCM module of the National e-Procurement system (https://armeps.am/ppcm/public/reports?lang=en) also contains detailed information on all procurement opportunities and those that are ongoing and have been completed.

Gap analysis

No gap.

Recommendations

No recommendations.

Assessment criterion 5(b)(f):
managing statistical databases

Conclusion: Minor gap

Red flag: No

Qualitative analysis

PL Article 16. "Regulation and co-ordination of procurement process" defines:
"*2. For the purpose of regulating and coordinating the procurement process, the authorized body shall:*
(4) arrange publication of the bulletin;
(6) register procurement transactions entailing obligations for the state;

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(7) publish:
a. the annual public procurement report;
b. the list of qualified procurement specialists (persons);
(11) maintain and co-ordinate the e-procurement system."

Gap analysis

While the current e-procurement system at the authorized body contains a lot of procurement information and the authorized body also published annual procurement reports, it was noticed that these reports by and large showcase procurement statistics, but do not include in depth analyses of such statistics which could then be used to formulate future procurement policies.

Recommendations

It is recommended that the authorized body analyzes the statistics it has under the e-GP system and includes such findings in its annual reports. The new e-GP system that the MoF is currently looking to procure would capture all procurement data from procurement planning to completion of projects/contract and can generate useful statistics in this regard as well. It is recommended that when procuring such a new system, the requirements include the possibility to generate meaningful reports.

Assessment criterion 5(b)(g):
preparing reports on procurement to other parts of government

Conclusion: Minor gap

Red flag: No

Qualitative analysis

PL Article 16. "Regulation and co-ordination of procurement process" defines:
"*2. For the purpose of regulating and coordinating the procurement process, the authorized body shall:*
(4) arrange publication of the bulletin;
(6) register procurement transactions entailing obligations for the state;
(7) publish:
a. the annual public procurement report;
b. the list of qualified procurement specialists (persons);
(11) maintain and co-ordinate the e-procurement system."

Gap analysis

As stated in the indicator immediately above, the authorized body does produce annual procurement reports which it publishes on its procurement website (in Armenian). However, these reports lack in depth analyses of the procurement statistics it quotes.

Recommendations

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It is recommended that the authorized body analyzes the statistics it has under the e-GP system and includes such findings in its annual reports. The new e-GP system that the MoF is currently looking to procure would capture all procurement data from procurement planning to completion of projects/contract and can generate useful statistics in this regard as well. It is recommended that when procuring such a new system, the requirements include the possibility to generate meaningful reports.

Assessment criterion 5(b)(h):
developing and supporting implementation of initiatives for improvements of the public procurement system

Conclusion: Minor gap

Red flag: No

Qualitative analysis

The MoF has drafted a concept note "On Approving the Concept of The Procurement System Development and The Action Plan Deriving from it." It was issued in a form of a the Prime-Minister's Decree N 977-L of August 28, 2022. Describing the procurement system problems, the document proposes directions of the procurement system development that includes capacity building; bringing the role of the MoF into conformity with the current requirements; developing a new electronic procurement system; standardization and green procurements. The Decree is attached with the action plan with the description of the proposed actions and expected outcome. The ongoing MAPS assessment is one of the activities presented in the above action plan. The plan:

Objective	Actions	Expected outcome	Co-implementer	Date
Capacity development	Assess needs and conduct training programs for continuous capacity - building for development of terms of reference	Responsible units have sufficient knowledge for developing terms of reference	Public administration bodies	Continuous
	Assess needs and conduct training programs for continuous development of contract management capacities	Responsible units have sufficient knowledge of contract management. Ratio of value for money for public services, goods and works increased as a result of developing contract management capacity	Public administration bodies	
	Assess needs and conduct training programs to build capacity for procurement planning	Difference in design- cost estimate and/or cost estimate price and the price resulting from the tender reduced	Public administration bodies	
	The competent authority to train procurement specialists	Number of clarifications and advice sought from the Ministry of Finance by procurement specialists decreased		Continuous
	Train judges	Informed decision-making within the timelines set out under the appeals process	Judicial department	Continuous

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Train businessmen	Training of organizations participating in procurement, including by posting materials and/or video clips on online platforms	Public bodies; Enterprise Armenia	Continuous
Train managerial staff	Heads and deputies of public administration and local self-government bodies familiarized with the authorities and duties of units performing procurement process organization functions, possibilities for receiving online information presented and quality of management of risks occurring during the process improved	Public administration bodies	Continuous

According to the MoF's report on the implementation of the above activities in 2023:

- Training courses related to procurement of construction projects were organized for 250 participants from 127 procuring entities.
- Needs assessment was conducted to identify the requirements for procurement planning, technical specification preparation, and contract management, based on which, training sessions were organized for 614 employees from public administration bodies and Yerevan Municipality.
- Training courses for relevant specialists of medical organizations were organized for 185 participants.
- Mandatory training for 389 qualified procurement professionals was organized using new models and approaches in training, in particular taking into account frequently raised Q&A, case studies and discussion of recommendations.
- Within the framework of the agreement with the experts of the EU SIGMA program, training courses were organized for 20 judges.
- Distance training courses were held for 50 private construction organizations regarding the new conditions for the organization of the procurement processes of construction projects related to schools and educational complexes.

Gap analysis

Some aspects of the action plan represented above still need to be implemented and continued to be rolled out on a continuous basis (no statistics for 2024 were available). Additionally, it does not take into consideration the training of civil society and the media, who can be important players in the procurement reform agenda or even cause problems if they don't have a good understanding of the system and yet try and put out statements in the media that may misinform the public and have adverse effects on the procurement reform agenda. External auditors, internal auditors, financial controllers, and other relevant stakeholders must all be trained in aspects described above as well as technical specifications, etc.

Recommendations

It is recommended that the activities for capacity development are implemented continuously (including refresher trainings) and that the training includes some sessions for the sensitization of civil society and the media as well and that a longer-term capacity strategy is developed for the professionalization of the procurement function together with expanded competence training in partnership with the Civil Service Office.

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Assessment criterion 5(b)(i):
providing tools and documents, including integrity training programmes, to support training and capacity development of the staff responsible for implementing procurement

Conclusion: Minor gap

Red flag: No

Qualitative analysis

PL Article 16. "Regulation and co-ordination of procurement process" defines:
"*2. For the purpose of regulating and coordinating the procurement process, the authorized body shall:*
(2) provide methodical assistance to the contracting authorities in arranging the procurement activities;
(3) ensure the qualification certification of procurement coordinators and the existence of a system for continuous professional training thereof;
(12) ensure the availability of a procurement support service (hotline) for the purpose of responding to alerts and quickly responding to questions on procurement."

Decree 977-L referred to in the Assessment criterion 5 (b)(h) above in the capacity building section of the Action Plan proposes to conduct trainings for procurement specialists, judges (Judicial department); managerial staff (Public administration bodies) and the businesspeople.

Gap analysis

The legal framework establishes the role for capacity building for the authorized body and it undertakes such training and certification of the procurement coordinators with mandatory refresher courses. It has also envisaged further training under its reform initiatives elaborated on under indicator 5(b)(h) above.

We were not able to find any information on integrity training being part of the courses currently provided.

Recommendations

It is recommended that integrity training is formed a part of all training offered on procurement.

Assessment criterion 5(b)(j):
supporting the professionalization of the procurement function (e.g., development of role descriptions, competency profiles and accreditation and certification schemes for the profession)

Conclusion: No gap

Red flag: No

Qualitative analysis

PL Article 16. "Regulation and coordination of procurement process" defines:
"*2. For the purpose of regulating and coordinating the procurement process, the authorized body shall:*
(3) ensure the qualification certification of procurement coordinator and the existence of a system for continuous professional training thereof."

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Gap analysis

In terms of the legal framework catering for the mandate to professionalize the function, there is no gap.

Recommendations

As we will see under indicator 8 below, however, the actual rolling out of the professionalization of the function still leaves some room for improvement.

Assessment criterion 5(b)(k):
designing and managing centralized online platforms and other e-Procurement systems, as appropriate

Conclusion: No gap

Red flag: No

Qualitative analysis

PL Article 16. "Regulation and co-ordination of procurement process" defines:
"*2. For the purpose of regulating and coordinating the procurement process, the authorized body shall:*
(2) provide methodical assistance to the contracting authorities in arranging the procurement activities;
(11) maintain and co-ordinate the e-Procurement system."

The authorized body has a centralized online electronic procurement system as already elaborated on above and in further detail under indicator 7 below. Additionally, the MoF is currently undertaking an initiative to procure a new and improved e-GP system which will be all encompassing from procurement planning all the way to project/contract completion and payment of invoices.

Gap analysis

No gap.

Recommendations

No recommendations.

Sub-indicator 5(c)
Organisation, funding, staffing, and level of independence and authority

Assessment criterion 5(c)(a):
The normative/regulatory function (or the institutions entrusted with responsibilities for the regulatory function if there is not a single institution) and the head of the institution have a high-level and authoritative standing in government.

Conclusion: No gap

Red flag: No

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Qualitative analysis

Clause 10.6 of the MoF Charter (approved by the Prime Minister's Decree 743-L of June 11, 2018) among the other tasks of the Ministry defines: "(6) development of the procurement policy".

PPD is named in the Clause 32 of the above Decree as one of the main structural units of the Ministry. It operates directly under the Minister of Finance and holds a high and authoritative position in government with sufficient independence to regulate public procurement.

Clause 4 of the PPD's Charter (approved by Order 526-L of the Minister of Finance on October 18, 2018) defines the main task of the PPD as implementation of the regulation and co-ordination functions delegated to the authorized body under the procurement legislation.
The main functions of the PPD include:

1. drafting and submission for approval of the procurement related legal acts;
2. provision of the methodological support to the contracting authorities in organizing procurements;
3. to ensure existence of the system for procurement coordinator's qualification granting and continuous vocational training thereof;
4. to ensure publication of the bulletin prescribed by the PL;
5. coordinate cooperation in the procurement area between international organizations, foreign states, and state/local self-government bodies of the Republic of Armenia
6. register procurement transactions entailing obligations for the state;
7. publication of the annual public procurement report;
8 preparation and publication of the qualified procurement specialists (persons) list;
9. preparation and submission for approval the procurement documents (including invitation and contract) standard forms;
10. preparation and submission for approval of the documents (including the report forms and submission deadlines) to be presented to the authorized body;
11. organization of the maintenance and coordination activities of the e-Procurement system;
12. to ensure existence procurement support service (hotline) with an aim to register procurement related alerts and fast responding the questions;
13. performance of other activities prescribed in the Charter of the Ministry;
14. PPD ensures implementation of other assignments of the Minister and MoF Secretary General.

Gap analysis

No gap.

Recommendations

No recommendations.

Assessment criterion 5(c)(b):
Financing is secured by the legal/regulatory framework, to ensure the function's independence and proper staffing.

Conclusion: No gap

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Red flag: No

Qualitative analysis

Article 16.1 of the PL stipulates that: "The regulation and co-ordination of the procurement process shall be performed by the authorized body." The authorized body is defined in the PL Article 2.13 as "…a state body of the executive power of the Republic of Armenia, which develops and implements the policy of the GoA in the field of public financial management…".

The Charter of the MoF approved by the Prime Minister's Decree 743-L of June 11, 2018, in its Clause 11.5 describing the functions of the Ministry indicates: "Performs the power to regulate and coordinate the procurement process, assigned to the Ministry by the legislation regulating the procurement in Armenia".
Within the administrative structure of the MoF the above activities are handed over to the PPD. The main tasks of the PPD are presented in the 5(c)(a) above.

Financing of the PPD is in the same way as it is for the MoF other departments/divisions.

Gap analysis

No gap.

Recommendations

No recommendations.

Assessment criterion 5(c)(c):
The institution's internal organization, authority and staffing are sufficient and consistent with its responsibilities.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

The structure of the PPD includes: (I) Procurement Process Coordination Unit and (ii) Procurement Process Regulation Unit (Clause 12 of the PPD Charter). The PPD staff includes 15 specialists.
Head of the PPD is accountable directly to the Minister of the Finance (Clause 7 of the PPD Charter)
Coordination of the PPDs activities could be delegated to one of the Deputy Ministers of Finance by the order of the Minister of Finance.

Gap analysis

Reviewing the procurement documents (standard bidding documents, forms, amendments to the PL and Government decisions) drafted by the PPD staff and based on the meetings and discussions with procurement stakeholders (representatives of the private and public sectors, judges etc.) It should be indicated that the language used in the above documents in many instances is not clear and contain many ambiguities. The MoF is at the stage of the procurement of a new platform/software for e-Procurement system that will require a

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specialist devoted full time to that activity.

Recommendations

Provide training to the PPD relevant staff in the international best practices on procurement documents and forms, procedures, legislation.

Sub-indicator 5(d)
Avoiding conflict of interest

Assessment criterion 5(d)(a):
The normative/regulatory institution has a system in place to avoid conflicts of interest.*

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

PL Article 16.1 defines that: "The authorized body may not be involved in the procurement processes, be a party to the contract, except for procurement to be carried out for its own needs." Despite the above GoA Decree 390-N of 2017 mandates that in case of the changes and additions to the procurement plan to be financed out at the state budget, the procurement methods shall be agreed with the MoF.
While there is not a specific system to address conflicts of interest at the institutional level, the Law on Public Service provides a framework to mitigate such issues. Article 29 outlines regulations on accepting gifts, and Article 33 defines conflict of interest (COI) and its management.

Quantitative analysis

** Recommended quantitative indicator to substantiate assessment of sub-indicator 5(d) Assessment criterion (a):*
- Perception that the normative/regulatory institution is free from conflicts of interest (in % of responses).
Source: Survey.

The survey results reveal that 78,8% of respondents believe the normative/regulatory institution is free from conflicts of interest.
However, one-third (33.3%) of the respondents do believe conflicts of interest are an issue within procuring entities.
According to respondents, public procurement is frequently manipulated through tailored tenders, biased technical requirements, favoritism, and pre-selected suppliers, resulting in restricted competition and potential corruption.

Gap analysis

PL Article 16.1 creates a barrier to direct involvement of the authorized body in procurement processes, but GoA Decree 390-N requires the MoF's approval in specific procurement situations, which may indirectly involve the MoF in procurement planning, thus creating potential conflicts.
While the Law on Public Service addresses conflicts of interest and provides some general principles, it lacks a clear, structured system or set of procedures to manage procurement-related conflicts of interest at the institutional level. This is especially relevant for high-ranking officials or decision-makers who, although not

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directly involved in the procurement or evaluation process, still have the ability to influence it during the planning phase.
The current procurement legislation lacks clear provisions for addressing conflicts of interest at the institutional level and does not reference the Law on Public Service or other relevant legal frameworks that regulate such issues.

Recommendations

It is recommended to establish specific procedures and criteria for approval that ensure the MoF's involvement does not undermine the intended independence of the procurement process.
To address the gap in COI management at the institutional level, it is recommended to develop a specific framework that outlines how conflicts of interest should be identified, disclosed, and managed within the procurement context. This framework should apply to high-ranking officials and decision-makers, even if they are not directly involved in the procurement process.
It is recommended to revise the procurement legislation to explicitly regulate institutional-level COI and ensure alignment and cross-referencing with the Law on Public Service and other applicable legal acts governing ethics, transparency, and public sector conduct.
It is also recommended to enhance institutional capacity by training public procurement officials regarding the relevant legal frameworks, the potential for conflicts of interest, and best practices for maintaining transparency in procurement.

Indicator 6. Procuring entities and their mandates are clearly defined

Sub-indicator 6(a) **Definition, responsibilities, and formal powers of procuring entities** The legal framework provides for the following:
Assessment criterion 6(a)(a): Procuring entities are clearly defined.
Conclusion: No gap
Red flag: No
Qualitative analysis The wording used in the procurement legal framework of Armenia is "contracting authority(ies)." <u>Contracting authorities are listed in the PL Article 2.1:</u> *"(1) "contracting authority" means:* *a. public administration and local self-government bodies, state or community institutions provided for by the Constitution of the Republic of Armenia and laws of the Republic of Armenia;* *b. Central Bank of the Republic of Armenia;* *c. state or community non-commercial organizations;* *d. organizations with more than 50% of state or community shares;* *e. foundations established or associations (unions) formed by the state or community, or state or community non-commercial organization, or organizations with more than 50% of state or community shares;*

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f. legal persons having received means in the form of donation or grant from the state or community, or from state or community non-commercial organizations, or organizations with more than 50% of state or community shares — as regards procurement carried out at the expense of means received in the form of donation or grant;
g. foundations restructured through reorganization of state or community non-commercial organizations or organizations with more than 50% of state or community shares;
h. public organizations."

The meaning of the public organizations is presented in the PL Article 2.2
"*(2) "public organizations" means:*
a. persons included in the list approved by the Public Services Regulatory Commission of the Republic of Armenia, who carry out activities in the regulated field of public services, with the exception of persons who have been included in the list referred to in this paragraph due to holding a dominant position in respect of services provided within the framework of operation of the public network in the electronic communication sector;
b. other organizations operating in the field of public services which, based on a special or exclusive right, implement one or more types of relevant activities defined by this Article, where procurement is carried out for the purpose of implementing the given type of relevant activity."

The meaning of the relevant activities is presented in the PL Article 2.22

"*(22) "relevant activities" means the following types of activities being implemented in the field of public services, and this Law shall apply to procurement carried out within the framework thereof. Those types of activities are the following:*
a. generation of electric and thermal energy (including cogeneration), the transmission (transportation) and distribution of electric, thermal energy and natural gas, the provision of system operator services for electric power and natural gas supply, the construction of new production capacities in the electric and thermal energy industry or renovation thereof, the construction of transmission (transportation) or distribution networks in the electric and thermal energy or natural gas industry;
b. supply of drinking, irrigation and industrial water, water disposal and wastewater treatment;
c. operation of public network in the field of electronic communication;
d. services subject to tariff regulation by the Public Services Regulatory Commission of the Republic of Armenia in the fields of postal communication, mandatory technical inspection of railway transport and vehicles;
e. provision or operation of (existing) networks intended for provision of public services in the field of transport. A network for provision of transport services shall be considered as existing, where the operation conditions including the routes under maintenance, the capacity to be provided or the frequency of maintenance are established by a competent state body;
f. exploitation of a geographical area:
- for the purpose of prospecting for or extracting oil, gas, coal, or other solid fuels;
- for the purpose of providing airports or other terminal facilities to carriers by air or waterways."

Gap analysis

No gap.

Recommendations

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No recommendations.

Assessment criterion 6(a)(b):
Responsibilities and competencies of procuring entities are clearly defined.

Conclusion: No gap

Red flag: No

Qualitative analysis

Responsibilities and competencies of the procuring entities are prescribed in the numerous articles of the PL presented below:

- Article 15.3 mandates the Contracting Authority to publish in the bulletin the procurement plan including modifications thereto within two working days following the day of approval thereof, except the procurement plan containing a state secret; and in Article 15.7 it is said: "*7. The* contracting authority *undertakes financial obligations under the contract in the case that the required financial allocations are provided for the implementation of that procurement and within the limit of these allocations*."

- Article 16 stipulates:
"*3. The head of the contracting authority shall appoint a procurement coordinator who:*
(1) is responsible for the organization and co-ordination of the procurement process;
(2) provides an opinion on the procurement documents approved by the contracting authority;
(3) performs the powers of the secretary of the evaluation committee;
(4) draws up and submits for the contracting authority head's approval the procurement record and the contract" and;
"4. the contracting authority may assign as a procurement coordinator:
1) its relevant department.
2) an official person(s); or
3) an invited person: the consultant(s)."

- Article 10. 1 defines: "*Prior to sign the contract, no later than the first working day following the adoption of a decision on the selected bidder, the contracting authority shall publish in the bulletin a contract award notice….*"

Article 9 defines that:
"*1. When the price exceeds the procurement base unit – the scope of the information the contracting authority should present in the procurement record drawn up within three days after signing the contract or procurement is canceled;*
2. Contracting authority should register the procurement transaction that entails obligations for the state by reporting on it to the authorized body; and
3. When the price does not exceed the procurement base unit – contracting authority should ensure availability and safekeeping of the relevant paper or electronic documents on the carried-out procurement activities and the grounds thereof;
5. For the purpose of drawing up and publishing the annual procurement report, the contracting authorities shall submit reports to the authorized body. The annual procurement report shall be published in the bulletin by 1 May of the year following the year concerned".

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- Article 6.2 mandates the head of the contracting authority to make a decision and inform the authorized body to include a bidder into the list of debarred firms, if a bidder: "*(a) has violated contractual obligation resulted on unilateral contract termination; (b) fails to pay bid, contract and/or qualification security(ies) within the time period defined in the invitation/contract; and (c) being selected a bidder has refused or been deprived the right to sign the contract*".

- Article 11. 1 stipulates: "*Where the procurement price exceeds the procurement base unit, the contracting authority shall publish a notice on the concluded contract in the bulletin no later than the first working day following conclusion of the contract. In case of carrying out procurement containing state secret the notice provided for by this part shall be sent to all bidders having submitted bids on the first working day following conclusion of the contract*." and in the sub-clause (2) of the same article defines the scope of the information to be presented in the above notice.

- Article 12 says: "*1. Illegal actions of the contracting authority and the bidder within the framework of the procurement process cause the liability defined by the law. 2. If an illegal act is discovered within the procurement process of a bidder or a representative of its governing body, the contracting authority shall notify the law enforcement bodies in writing on the day it is discovered*."

- Article 23.1.3 provides a right to the contracting authority in the certain circumstances to apply "single source" procurement method for: "*… additional quantity of goods from the same source, which were not included in the initial contract, but due to objectively unforeseen circumstances have become necessary for the performance of the initial contract …*".

- Article 24. 3 mandates the contracting authority to respond to the bidder's request for clarification and to make the response accessible for all other bidders i.e.: "*3. The bidder shall have the right to request in a written form a clarification on the prequalification notice at least five calendar days prior to expiry of the deadline for submission of prequalification bid. The clarification shall be provided in writing to the bidder having made the enquiry, within two calendar days following the day of receipt of the enquiry. In case of providing information to any of the bidders, the contracting authority must ensure accessibility of the information to all other potential bidders*."

- Article 26.1 defines that the evaluation committee should be formed on the instruction of the contracting authority's head.

- Article 33.5 obliges the contracting authority to provide a copy of the minutes of the evaluation committee meeting ensuring confidentiality of the information marked as confidential. It particularly states: "*5. Bidders and the representatives thereof may be present at the evaluation committee sessions. Bidders or representatives thereof may request a copy of the minutes of the evaluation committee meetings that are provided within one calendar day. The contracting authority is obliged to ensure the confidentiality of information marked by bidders as confidential and shall be held liable, as prescribed by the law of the Republic of Armenia, for the damage caused to bidders as a result of disclosing such information, except for the information subject to mandatory disclosure provided for by Law.*"

- Article 36 delegates to contracting authority the right to inform the bidder of the contract award and to sign the contract. It particularly says: "*1. The contract shall be concluded by the contracting authority based on a decision of the evaluation committee." and "2. On the fourth working day following the expiry of the standstill period*

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provided for by Article 10 of this Law, the contracting authority shall notify the selected bidder by providing the proposal to conclude a contract and a draft contract. Moreover, a contract may be concluded no earlier than the fourth working day following the day of expiry of the standstill period provided for by Article 10 of this Law"

- Article 37.3 Mandates the contracting authority justifies cancellation of the procurement in the bulletin. It says: "*3. Within a working day following the cancellation of the procurement, the contracting authority shall publish in the bulletin a statement presenting justification for cancellation of the procurement procedure. In the case of a closed tender, the statement referred to in this Article is not published*."

- Article 38, which prohibits negotiations between the EC and the bidders, nevertheless establishes the circumstances/conditions that allow to conduct them. It particularly says: "*1. Negotiations between the evaluation committee, the contracting authority and bidders shall be prohibited, except for:*
(1) cases when one bidder has participated in the bidding, whose submitted bid complies with the requirements of the invitation, or as a result of bid evaluation, a bid of only one bidder has been evaluated as complying with the requirements of the invitation, or when the price proposals submitted by all the bidders having submitted bids evaluated as complying with the non-price conditions exceed the financial resources earmarked for carrying out the procurement concerned. The negotiations held in accordance with this point may only lead to reduction of the proposed price, and the negotiations shall be held simultaneously with all the bidders;
(2) other cases provided for by this Law."

- Article 41 defines the role and responsibilities of the contracting authority in the electronic auction. It particularly indicates:
"*1. The contracting authority shall, based on the criteria specified in the invitation, carry out full evaluation of bids after finalization of the results of the electronic auction.*
5. In each phase of the electronic auction, the contracting authority shall immediately (online) provide the bidders with minimum sufficient information which enables them to ascertain, at any time, their relative ranking
6. During the phases of the electronic auction, the contracting authority shall not disclose the identity of the bidders submitted prices" It is continued in Article 42. 2 stipulating that:
"2. As it is prescribed by this Law, the contracting authority shall sign the contract with the bidder selected based on the results of electronic auction."

The PL is granting "privileges" to three categories of the contracting authorities i.e.: public organizations (utilities), Central Bank of Armenia and procurements done for organizing electoral processes.
Peculiarities and exclusions for procurements carried out by the public organizations are presented in Article 52 and 53 of the PL. For the Central Bank it is covered under Articles 54 and procurement for organizing electoral processes is covered under Article 55.

Procurement Regulations Clause 2 defines: "*The contracting authority shall bear liability for including the main terms in the invitation and in the contract, as well as for fulfilling the requirements defined by the legislation of the Republic of Armenia on procurement for contracting authorities*."

As to the enforcement of these obligations, Clause 106 of the Procurement Regulations provides that failure to submit a report to the authorized body, or detected non-compliance, leads to suspension of financing of the procurement contract. This consequence applies to procurements financed from the state budget, whereas for procurements financed from other sources no equivalent consequence is specified.

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Gap analysis

No gap.

Recommendations

Suggestion for further improvement: (i) the PL and Procurement Regulations are updated to make the use of the new e-GP system mandatory for all contracting authorities regardless of funding sources, which would also extend uniform transparency and reporting across all procurements; (ii) to design sequential business processes to be used under the new e-GP system, so that it will not allow a contracting authority to move to the next step without the contracting authority having performed all previous mandatory steps as prescribed in the PL. The system should also include considerations for remote areas with limited access to the internet, to be able to use the system offline and engage in periodic synchronizations with the main system.

Assessment criterion 6(a)(c):
Procuring entities are required to establish a designated, specialized procurement function with the necessary management structure, capacity, and capability.*

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

According to procurement legislation, the head of the procuring entity is required to appoint a procurement coordinator, designate the responsible subdivision, and establish the evaluation commission (Clause 7 of the GoA Decree 526-N). The responsibilities of the responsible subdivision cannot be assigned to the procurement coordinator. Members of the responsible subdivision involved in drafting the procurement notice must have the necessary professional competence to define the procurement's subject matter, based on its type. If the staff of the procuring entity lack the required professional competence, an appropriate expert or specialist should be brought in to assist the commission (Clauses 13 and 15 of the GoA Decree 526-N).
The procurement coordinator is responsible for organizing and coordinating the procurement process. This role includes providing opinions on procurement-related documents, acting as the secretary of the evaluation commission, and preparing procurement protocols and contracts for approval. The procurement coordinator can be a specific subdivision within the procuring entity, an official or officials or an invited person (Articles 16.3 and 16.4 of PL). Employees of the procurement coordinating subdivision, along with officials and invited individuals, must be included in the list of qualified procurement coordinators, published by the authorized body (MoF). The latter is tasked with ensuring their qualification certification and maintaining a system for their continuous professional training.
While the PL requires the appointment of a procurement coordinator and emphasizes the importance of their qualifications and training, it does not explicitly mandate the establishment of a specialized procurement department within each procuring entity. The structure and capacity of the procurement function are determined by the procuring entity, provided they comply with the legal requirements for procurement processes.

Quantitative analysis

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*// Minimum indicator // * Quantitative indicator to substantiate assessment of sub-indicator 6(a) Assessment criterion (c):*
- procuring entities with a designated, specialized procurement function (in % of total number of procuring entities). Source: Normative/regulatory function.

As per official information provided by the MoF, all procuring entities have procurement function.
However, designated procurement departments are mostly established within large procuring entities. The assessment team could not determine the exact number of such procurement departments.

Gap analysis

While the PL requires the appointment of a procurement coordinator and emphasizes the importance of their qualifications and training, it does not explicitly mandate the establishment of a specialized procurement department or define clear criteria for the structure and capacity of the procurement function within different procuring entities, especially considering factors such as the volume and complexity of procurement activities. Moreover, the PL allows procurement coordinator to be an invited person, which could affect continuity and the retention of institutional knowledge.

Recommendations

While the PL acknowledges the importance of qualified procurement coordinators, it should explicitly encourage the establishment of dedicated procurement departments within some procuring entities in order to ensure consistency and efficiency in procurement processes. This can be done by amending the legal framework to require the establishment of a specialized procurement department (or unit depending on the volume of procurements undertaken on an annual basis) and ensure the availability of in-house procurement coordinators within procuring entities, particularly for medium and large-scale organizations. The PL should provide clear guidance on the minimum requirements for the structure and capacity of procurement functions within procuring entities, while allowing for flexibility to adapt to the specific needs and circumstances of each entity.

Assessment criterion 6(a)(d):
Decision-making authority is delegated to the lowest competent levels consistent with the risks associated and the monetary sums involved.

Conclusion: No gap

Red flag: No

Qualitative analysis

Procurement Regulations in its Chapter III. PERSONS RESPONSIBLE FOR PROCUREMENT PROCESS describes distribution of the decision-making authority. Particularly it is indicated:

Clause 8. The procurement coordinator shall:
(1) be responsible for the organization and co-ordination of the procurement process;
(2) provide an opinion on documents approved by the contracting authority within the framework of procurement, ensure compliance of the procurement procedure and the documents related thereto with the terms defined by the procurement legislation;
(3) exercise powers of the secretary of the evaluation committee;

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(4) draw up the procurement record and the contract and submit these for approval to the head of the contracting authority.

Clause 11. The responsible subdivision shall:
(1) draw up and approve the procurement bid;
(2) oversee performance of the contract party (contractor, supplier, etc.) and, based on the results thereof, presents recommendations to the head of the contracting authority on applying sanctions provided for by the contract;
(3) accept the result of the contract implementation;
(4) propose candidacy of a person(s) nominated to be included in the evaluation committee;
(5) submit, where necessary, a proposal to make amendments and additions to the procurement plan…

Clause 14. The evaluation committee shall:
(1) approve the drafts of the procurement/prequalification notices and the invitation, except for the text of prequalification notice in the closed periodic tender;
(2) make changes in the draft procurement/prequalification notices and the invitation;
(3) provide clarifications on the procurement procedure;
(4) conduct bids opening and evaluation;
(5) determine the successful bidder(s);
(6) declare the procurement procedure as not having taken place.

Governance and procurement are also decentralized in Armenia to the provincial and community level.

Gap analysis

No gap.

Recommendations

No recommendations.

Assessment criterion 6(a)(e):
Accountability for decisions is precisely defined.

Conclusion: No gap

Red flag: No

Qualitative analysis

PL Article 16 stipulates:
"3. The head of the contracting authority shall appoint a procurement coordinator who:
(1) is responsible for the organization and co-ordination of the procurement process;
(2) provides an opinion on the procurement documents approved by the contracting authority;
(3) performs the powers of the secretary of the evaluation committee;
(4) draws up and submits for the contracting authority head's approval the procurement record and the contract" and
"4. the contracting authority may assign as a procurement coordinator:

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1) its relevant department.
2) an official person(s); or
3) an invited person: the consultant(s).”

In Clause 5 of the Procurement Regulations the persons responsible for procurement process are defined as follows:
“*5. The head of the contracting authority, as well as the following persons with respect to the competences reserved thereto, shall be responsible for each procurement process:*
(1) the procurement coordinator;
(2) the responsible subdivision;
(3) the evaluation committee.”

6. The head of the contracting authority:
(1) as provided for by paragraph “a” of point 1 of part 1 of Article 2 of the Law shall be:
a. the Secretary General of the body or the Deputy Secretary General authorized thereby, except for the Staff to the President of the Republic of Armenia, the Staff of the National Assembly of the Republic of Armenia, the Staff of the Prime Minister of Armenia and the Ministry of Defense of Armenia, where the head of the contracting authority may be, instead of the head of staff or the Minister, the official authorized thereby;
b. the head of the body or the official authorized by the latter, where the given body does not have a “Staff” State Administration Institution;
c. within local self-government bodies — the head of community or the official authorized by the latter;
d. within state or community administrative institutions — the head of an institution.”

The roles and responsibilities of the other persons/bodies involved in the procurement process (i.e.: procurement coordinator; responsible subdivision and the evaluation committee) are elaborated in detail in the Procurement Regulations Clauses 7-14.

Gap analysis

No gap.

Recommendations

No recommendations.

Sub-indicator 6(b)
Centralized procurement body

Assessment criterion 6(b)(a):
The country has considered the benefits of establishing a centralized procurement function in charge of consolidated procurement, framework agreements or specialized procurement.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

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While the public procurement system in Armenia is in general a decentralized system, the PL nevertheless provides for the possibility of centralized procurement under Article 17. It particularly stipulates:

"*1. Procurement for the needs of contracting authorities or separate groups thereof may be carried out in a centralized manner as prescribed by the GoA.*
2. Centralized procurement shall be carried out by a body or a legal person authorized by the GoA."

Chapter XV of the Procurement Regulations entitled "*Arrangement of Centralized Procurement Process for Needs of State and Community Non-Commercial Organizations*" cover how the contracting authority should conduct centralized procurement for the needs of the state/community/Non-Commercial Organizations (NCOs) and organizations with more than 50% of state/community shares operating within their administration system.

Procurement Regulations (Clause 19 (2), (3), (4) and (5)) delegates to the state agencies the responsibility for the development and implementation of the Government policy in the: (i) urban development; (ii) culture; (iii) water sector; and (iv) road sector - to procure services and act as a Client in the contracts for development and expert examination of the detail design documents and for author and technical supervision required for the state budget financed civil works to be implemented in areas they are in charge of.

Gap analysis

While the legal framework allows for centralized procurement, and this is undertaken at the Ministerial level on behalf of their provincial and community level counterparts (for e.g., Ministry of Health), the legal framework does not currently provide for the possibility of framework contracting/agreements, although they were used prior to the introduction of the new law.

Recommendations

It is recommended that the legal framework is revised to also incorporate the use of framework contracts/agreements, which can bring many advantages to the GoA.

Assessment criterion 6(b)(b):
In case a centralized procurement body exists, the legal and regulatory framework provides for the following:
- Legal status, funding, responsibilities, and decision-making powers are clearly defined.
- Accountability for decisions is precisely defined.
- The body and the head of the body have a high-level and authoritative standing in government.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

At the moment there is no "centralized" procurement body in Armenia. As explained in the indicator immediately above centralized procurement takes place at the ministerial level in most instances and is covered/allowed for under the law. However, there is not one single legal entity that undertakes this on behalf of all government. Hence, there is no legal status, or funding, or clearly defined roles and responsibilities as requested under this indicator.

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However, at the ministerial level, the regulatory framework defines the roles, responsibilities, and decision-making powers of the authorized body responsible for general administration, referred to as the superior authority.

Gap analysis

There is no single centralized body that undertakes centralized procurement on behalf of government, hence this indicator is not really applicable.
The absence of a legally established centralized procurement entity limits uniformity, coordination and economies of scale. No single body is mandated to conduct procurement on behalf of all government agencies, nor is there a consolidated institutional framework, resulting in unclear legal status, lack of sustainable funding, and undefined roles, responsibilities and operational mandate.

Recommendations

It is recommended that the GoA assess the benefits of establishing a single, legally mandated centralized procurement body versus maintaining the current approach that allows centralized procurement at the ministerial level, with a view to determining the most effective institutional arrangement to enhance coordination, efficiency and economies of scale.

Assessment criterion 6(b)(c):
The centralized procurement body's internal organization and staffing are sufficient and consistent with its responsibilities.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

As mentioned above, at this moment in time there is no single centralized body that undertakes centralized procurement on behalf of government. Hence this indicator is not really applicable.

Gap analysis

N/A.

Recommendations

It is recommended that the GoA looks into the benefits of whether they want one single centralized body to undertake such centralized procurement or if the current system of allowing centralized procurement at the ministerial level suffices.

Indicator 7. Public procurement is embedded in an effective information system

Sub-indicator 7(a)
Publication of public procurement information supported by information technology

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Pillar II. Institutional Framework and Management Capacity

The country has a system that meets the following requirements:
Assessment criterion 7(a)(a): Information on procurement is easily accessible in media of wide circulation and availability. Information is relevant, timely and complete and helpful to interested parties to understand the procurement processes and requirements and to monitor outcomes, results, and performance.
Conclusion: Minor gap
Red flag: No
Qualitative analysis Information on procurement (Laws and International Agreements; Government and Prime Minister Decrees; Orders of the Minister of Finance; Procurement plans; Procurement notices; Official clarifications; Procurement document templates; Guidelines; Manuals; Instructions) are available at the open access https://gnumner.minfin.am/ website. ("gnumner" is Armenian translation of the English "procurement"). This is the centralized procurement platform under the regulatory body for procurement under the MoF. In addition to this all procurement opportunities are also posted through this platform which includes tender notices, tender documents, minutes of evaluation reports, etc. While the information provided is relevant and timely, it is not comprehensive, as not all procuring entities are included, and some data on the e-portal is published in non-machine-readable formats. This limits the ability of stakeholders to easily and fully access data, monitor public procurement outcomes, and assess performance. Recognizing this issue, the authorities identified modernizing the e-procurement system as a priority in the Public Finance Management Reform Strategy for 2019–2023. The strategy aimed to expand access to include more procuring entities and introduce online monitoring of goods and services supply concerning time, quality, and order. However, this commitment was not fulfilled to date. One of the key development directions outlined in the Concept of Development of the Procurement System and its Action Plan (Prime Minister Decree 977-L, August 25, 2022) is the digitalization and creation of a new e-procurement system, which encompasses the previously stated objectives.
Gap analysis Monitoring procurement outcomes, results, and performance is challenging due to incomplete published information and the frequent use of non-machine-readable formats. Information posted on the procurement website is available mostly in Armenian with few documents translated into English and Russian. The quality of the translations into Russian and English have room for improvement. For example, the words in Armenian "Մեկ անձից իրականացված ընթացակարգեր" (to be read in English as "Procurement through the "Single Source" method") is currently translated as "Procedures performed by one person" and in Russian as "Процедуры, выполняемые одним человеком" (see snapshot below).

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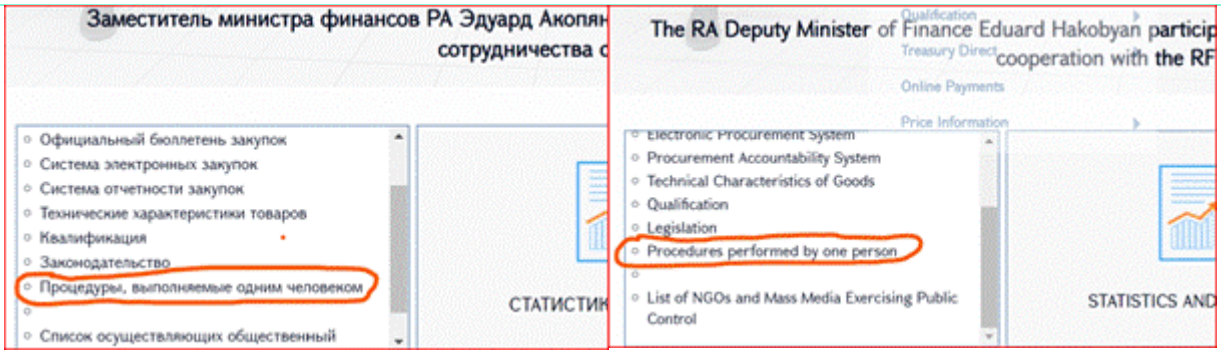

Additionally, some information in the documents posted online need updating. For example, the WTO Government Procurement Agreement - some of the ministries named in the list presented in the ANNEX 1 do not exist anymore.

Recommendations

While there exist centralized platforms and a plethora of information is captured therein, it is recommended that the relevance of the data is verified and updated where needed and that the translations as mandated under the law into Russian and English are reviewed for better translation of several important terms (especially with regards to the PL and Procurement Regulations, which guide the entire procurement process).

PL Article 14 says: "*1. The documents related to procurement shall be drawn up and published in the bulletin in Armenian and Russian in cases provided for by this Law, whereas notices on procurement, including prequalification notices, shall also be published in English and Russian*."

Not all documents have been translated into Russian and English as mandated under the PL, so it is recommended that those translations are also carried out.

Take concrete steps to implement the measures outlined in the Concept of Development of the Procurement System and its Action Plan, which include modernizing the e-procurement system and broadening the scope of procuring entities utilizing the system.

Assessment criterion 7(a)(b):
There is an integrated information system (centralized online portal) that provides up-to-date information and is easily accessible to all interested parties at no cost.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

The https://gnumner.minfin.am/en/ website (see snapshot below) allows all interested persons to access freely the relevant procurement information, such as the laws, regulations, and decrees related to procurement, as well as procurement plans, procurement notices, bidding documents, evaluation committee's minutes/reports, annual procurement reports, etc.

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Gap analysis

As mentioned in the indicator above, not all information is up to date and some of the translations are either missing or need improvements.

Article 11 of the PL requires to publish contract notices which shall include: "*(1) the brief description of the subject of procurement; (2) the name of the contracting authority; (3) contract signing date; (4) selected bidder's name and address; (5) the price proposals submitted by bidders and the contract price; (6) the information on publications made according to the Law for the purpose of involving bidders (if applicable); (7) the procurement method used and justification thereof.*"

The review of a randomly selected sample of contract notices posted on the website revealed many instances where the information posted by the contracting authorities were not complete and not consistent with the requirements under Article 11 of the PL.

Moreover, the PSRC Decision 273-A of August 19, 2020 (Clause 6.4 of the Annex 2) mandates public organizations (utility companies) to publish their notice and invitation of procurement (Article 27 of PL) at both the MoF's procurement.am and their own official webpages simultaneously. According to Clause 6.4, the notice on concluded contract (Article 11 of PL) for procurements exceeding the procurement base unit (AMD 1 million)

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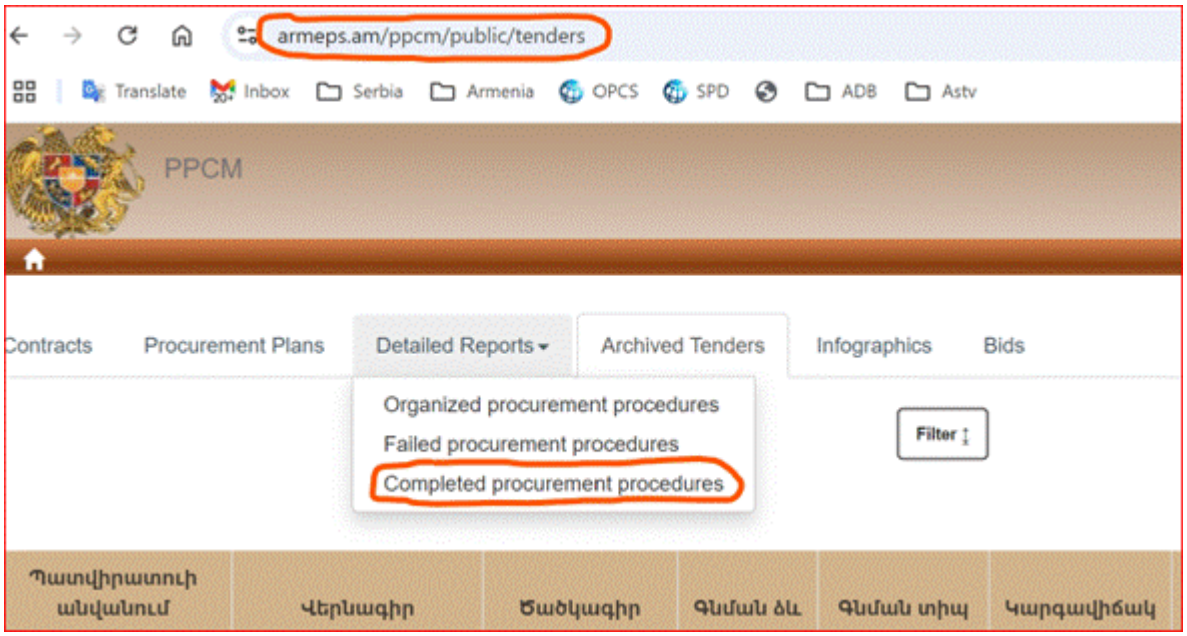
should be published within 5 days following conclusion of the contract (PL requires to publish in the bulletin no later than the first working day). However, it would appear that none of the six public organization named in the PSRC list (i.e.: “Electric Networks of Armenia;” “Gazprom Armenia”; "Trans Gas;” "Hrazdan Power Company"; "International Power Corporation"; and "Contour Global Hydro Cascade") have uploaded complete information on the platform with regards to the contracts that they award (there were only few invitations and notices on concluded contracts published at procurement.am webpage).



Recommendations

While there is a centralized procurement system that contains a lot of information, freely accessible without costs associated with it, it is recommended that the information is updated to be the latest versions. It is also recommended, as above, that the translations are done for all documents as mandated under the PL. And that Ministries, Departments, and Agencies (MDAs) are enforced to upload the information as is required. The system exists, but not everyone is using it as is sought and mandated under the law. Monitoring and enforcement are therefore important aspects that should be improved by the authorized body to enforce implementation of the law.

Assessment criterion 7(a)(c):
The information system provides for the publication of: *
• procurement plans
• information related to specific procurements, at a minimum, advertisements or notices of procurement opportunities, procurement method, contract awards and contract implementation, including amendments, payments, and appeals decisions
• linkages to rules and regulations and other information relevant for promoting competition and transparency.

Conclusion: Substantive gap

Red flag: No

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Qualitative analysis

All procurement plans must be published on the e-portal, and no procurement action can be initiated unless it is included in the procurement plan, with limited exceptions for cases involving national security, defense, or the protection of state secrets (PL Article 15.3).

Procurement plans, along with detailed information on specific procurements, advertisements or notices of procurement opportunities, procurement methods, contract awards, and contract implementation, including amendments, payments, and appeals decisions, are published on the official procurement websites (www.procurement.am/www.gnumner.am) and the e-procurement system (https://www.armeps.am) with its PPCM module. The official procurement website features a dedicated section titled "Legislation," which provides access to various legal and procedural documents. This includes laws, international contracts, Government and Prime Minister decrees, Finance Minister orders, official explanations, standard bidding document (SBD) templates, guidelines, manuals, methodological instructions, and procurement procedures of public organizations (utility companies).

Quantitative analysis

// Minimum indicator // Quantitative indicators to substantiate assessment of sub-indicator 7(a) Assessment criterion (c):
- *procurement plans published (in % of total number of required procurement plans)*
- *key procurement information published along the procurement cycle (in % of total number of contracts)*
- *invitation to bid (in % of total number of contracts)*
- *contract awards (purpose, supplier, value, variations/amendments)*
- *details related to contract implementation (milestones, completion, and payment)*
- *annual procurement statistics*
- *appeals decisions posted within the time frames specified in the law (in %).*

Source: Centralized online portal.

According the official data provided by MoF, except for cases involving national security, defense, or the protection of state secrets, all procurement plans are published in the official webpage (https://armeps.am/ppcm/public/procurements), since no procurement procedure can be initiated unless it is included in the procurement plan.

For all procurement processes exceeding the procurement base unit and implemented using competitive procurement methods, the key procurement information along the procurement cycle is published in accordance with the legal and regulatory framework. Over the past six years, annual procurement statistics/reports have consistently been published on the official webpage by May 1 of the year following the reporting year. Observations indicate that appeals decisions have been published on the official procurement webpage within the time frames stipulated by the legislation.

Gap analysis

While invitations to bid and contract awards are largely published for nearly all required contracts, details related to contract implementation are sometimes limited or incomplete. In addition, this information is published in a non-machine-readable format. The information available on the procurement bulletin website is also not in a

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machine-readable format, hindering data analysis and automated processes. Considering that information regarding paper-based procurement procedures is only published in the official bulletin, these limitations become even more challenging to address.

Recommendations

It is recommended that within the scope of the implementation of the new e-procurement system the publication of all relevant details related to contract implementation, such as amendments, milestones, and payments, be ensured. Where possible the publication of procurement information should be done in open and structured machine-readable formats.

In cases where the transition from paper-based procurement to e-procurement is not fully implemented, it is recommended to improve the accessibility of paper-based procurement information by at least digitizing and publishing core details (such as bidders, contract awards, values, etc.) in machine-readable formats.

Assessment criterion 7(a)(d):
In support of the concept of open contracting, more comprehensive information is published on the online portal in each phase of the procurement process, including the full set of bidding documents, evaluation reports, full contract documents including technical specification and implementation details (in accordance with legal and regulatory framework).

Conclusion: Minor gap

Red flag: No

Qualitative analysis

On the centralized procurement platform the bidders' names, country of origin, and submitted bid prices are posted. Bidding documents, bid opening minutes, evaluation reports, contract documents, including technical specification, and implementation details are all posted/supported by the system.

Gap analysis

The review of sample contracts posted through the website highlighted that in several cases MDAs did not upload all the required information. Again, highlighting that implementation, monitoring and enforcement are aspects currently not adequately in place under the public procurement system in Armenia.

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Recommendations

It is recommended that the Authorized Body under the MoF addresses the issue of non-compliance through in depth monitoring of their procurement portal and ensuring that MDAs upload all information as called for under the law.

Additionally, it is recommended that the new e-GP system, which the MoF is looking to purchase, is set up in such a way that one cannot move forward in the process unless certain preconditions have been met (or certain information uploaded). Additionally, a system of reminders or red flags can be adopted so that the system can inform the MDAs and the Authorized Body of any missing information through a system generated report for example. This would aid with the implementation as per the law.

Assessment criterion 7(a)(e):
Information is published in an open and structured machine-readable format, using identifiers and classifications (open data format) *

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

The information in the PPCM module of the Armeps system is structured/separated for: Contracts; Procurement Plans; Detailed Reports; Archived Tenders; Infographics; and Bids. It is presented in the tabulated form and equipped with the search engine allowing to filter and find requested procurement information using the following criteria: Contracting authorities' name; description of the package; the package reference number; procurement method; procurement category (Goods/Works/ Services); status of the procurement (signed/canceled/under evaluation); invitation date, opening date; award date etc. The system allows you to download the information as an Excel and CSV file.

Quantitative analysis

** Recommended quantitative indicator to substantiate assessment of sub-indicator 7(a) Assessment criterion (e):*
- Share of procurement information and data published in open data formats (in %).
Source: Centralized online portal.

As mentioned throughout the report, not all information is published in an open, structured, and machine-readable format, either in the e-procurement system or the official procurement bulletin. Unfortunately, there is a lack of official statistics, and it was not possible to determine the share of procurement information and data published in open data formats.

Gap analysis

Not all information is published in an open, structured, and machine-readable format, either on the e-procurement system or the official procurement bulletin. There is lack of official statistics on this.

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Recommendations

As already mentioned in Assessment criterion 7(a)(c), where possible the publication of procurement information and data should be done in open and structured machine-readable formats. This will facilitate data analysis, improve accessibility, and support automated systems for processing and decision-making.

Assessment criterion 7(a)(f):
Responsibility for the management and operation of the system is clearly defined.

Conclusion: No gap

Red flag: No

Qualitative analysis

PL Article 16 in its 2 (11) defining the responsibilities of the authorized body particularly indicated:
"*2. For the purpose of regulating and coordinating the procurement process, the authorized body shall:*
(11) maintain and co-ordinate the e-procurement system."

Gap analysis

No Gap.

Recommendations

No recommendations.

Sub-indicator 7(b)
Use of e-Procurement

Assessment criterion 7(b)(a):
E-procurement is widely used or progressively implemented in the country at all levels of government.*

Conclusion: Minor gap

Red flag: No

Qualitative analysis

The e-Procurement system in Armenia was designed and launched in 2009 with the support of the World Bank. In 2015, the World Bank funded the inclusion of three additional modules into the existing e-procurement system, i.e., Procurement planning; Monitoring and reporting; Contract administration.

GoA Decree 386-N of April 6, 2017. "On approval of the rules for conducting electronic procurement "sets that use of the e-Procurement system is mandatory for the following contracting authorities:
a. State administration bodies defined by the Constitution and the laws of Armenia, state institutions, "Yerevan Garbage Collection and Sanitation" community institution,
b. Communities of the Republic of Armenia that were carrying out procurement through e-procurement system before this decision was adopted,

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c. Organizations where the state owns more than 50% of shares, “Yerevan Bus”; “YerevanTrans”; as well as “Nork Marash”, “Surb Astvatsamayr” and “Yerevan” Medical Centers CJSCs,
d. Foundations established or associations (unions) formed by the state,
e. Foundations or associations (unions) formed by the communities of the Republic of Armenia that were carrying out procurement through e-procurement system before this decision was adopted,
f. Foundations established or associations (unions) formed by organizations in which the state has a share of more than fifty percent,
e. State non-profit foundations or foundations reorganized through the reorganization of organizations where the state owns more than 50% of shares,
h. "Greening and Environmental Protection" community NCO under the Yerevan Municipality.

Quantitative analysis

*// Minimum indicator // * Quantitative indicators to substantiate assessment of sub-indicator 7(b) Assessment criterion (a):*
uptake of e-Procurement
- number of e-Procurement procedures in % of total number of procedures
- value of e-Procurement procedures in % of total value of procedures
Source: e-Procurement system.

According to official information from the MoF, in 2022, e-procurement procedures accounted for 36% of the total number and 55% of the total value of procurement procedures. In 2023, these figures increased to 42% and 58%, respectively.

Gap analysis

While e-procurement is widely utilized, with many major contracting authorities connected to the system, there remain some entities that have not yet integrated.

Recommendations

It is recommended to introduce regulatory measures/legislative provisions requiring all contracting authorities to integrate with the e-procurement system within a specified timeframe to ensure consistent application of procurement processes.

Assessment criterion 7(b)(b):
Government officials have the capacity to plan, develop and manage e-Procurement systems.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

As mentioned in the indicators above, the government has been working on establishing and improving their e-GP system with the support of the World Bank since 2009. It is currently looking at procuring a new e-GP system

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that will be all encompassing from the procurement planning all the way through to completion of the contract and issuing certifications of completion and acceptance (payment of invoices, etc.)

Moreover, when discussing with various counterparts, none of the procurement personnel expressed any difficulties with the e-GP system currently in place. They are trained in the use of the system when obtaining the license/certificate to become a government procurement coordinator and must undertake mandatory refresher training every three years.

Gap analysis

When we met with some of the training institutions who also train the private sector and other relevant stakeholders of the public procurement system, they expressed a concern that the existing e-GP system does not have a "training module" that they can use when training their students. The system can only be used actively meaning that any sort of training that wants to be offered on the system has to be carried out in the "live" system meaning that overall statistics would be skewed due to fictional accounts/contracts being made for the purpose of training.

Recommendations

It is recommended that as part of the new electronic government procurement software that the MoF is currently purchasing, the requirement for a training module should be part of the system so this can be used for training purposes of the relevant stakeholders.

Assessment criterion 7(b)(c):
Procurement staff is adequately skilled to reliably and efficiently use e-Procurement systems.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

Procurement staff of the contracting authorities, met by the assessment team, communicated a knowledge and skillset sufficient to use the current e-GP system. As already elaborated on above, in order to become an official procurement coordinator, one must pass an exam and be certified by the Authorized Body with mandatory refresher training every three years.

Gap analysis

As mentioned immediately above, the current system does not have any training modules.

Recommendations

It is recommended that as part of the new electronic government procurement software that the MoF is currently purchasing, the requirement for a training module should be part of the system so this can be used for training purposes of the relevant stakeholders.

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Assessment criterion 7(b)(d):
Suppliers (including micro, small and medium-sized enterprises) participate in a public procurement market increasingly dominated by digital technology.*

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

Suppliers, including micro, small and medium-sized enterprises (MSMEs), actively participate in public procurement through the e-procurement system.
As noted earlier, official data from the MoF indicates that e-procurement procedures accounted for 36% of the total number and 55% of the total value of procurement procedures in 2022. In 2023, these figures increased to 42% and 58%, respectively.
A significant limitation arises from the fact that the ARMEPS system does not categorize suppliers based on their size. As a result, it becomes difficult to distinguish between MSMEs and larger suppliers when analyzing procurement data.
In 2021, at the request of the Ministry of Economy, the USAID-funded Armenia Business Enabling Environment Project developed a report on SME Participation in Public Procurement. This report was the first to assess SME shares among winning bidders, contract amounts for SMEs, and their participation in public procurement.
According to this report, for the period of 2019-2020 in the database of the e-procurement system out of 4822 selected bidders 4514 were identified as SMEs. The determination of the SME status was done by the State Revenue Committee based on two criteria - average annual number of employees and overall turnover.
Considering that e-procurement accounted for 33.4% and 38.7% of total lots in 2019 and 2020, respectively, the project's expert team concluded that the share of SMEs in paper-based procurements was likely larger for that period.
The study identified several barriers to SME participation, including issues related to the availability of public procurement information on websites, particularly shortcomings in the search tools of official procurement platforms. These issues may stem from both intentional manipulation of symbols by the procuring entity and system imperfections. As a result, such distortions make it difficult to locate specific procedures of interest or the overall list of tenders for goods, services, and works.
In addition, SMEs often lack professional skills compared to more experienced organizations, with many unwilling to invest in staff training or hire specialists.

Quantitative analysis

** Recommended quantitative indicators to substantiate assessment of sub-indicator 7(b) Assessment criterion (d):*
- bids submitted online (in %)
- bids submitted online by micro, small and medium-sized enterprises (in %)
Source: e-Procurement system.

According to MoF reports, the number of participants in organized procurement procedures was 188,523 in 2022 and 214,936 in 2023. However, the report does not present data on the number of bids submitted online.
The ARMEPS PPCM system includes a section with infographics intended to display various e-procurement data/statistics, such as the number of bids. However, the accuracy of the data presented in these infographics is uncertain.
Furthermore, there are no official statistics on MSME participation in public procurement.

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Gap analysis

The e-procurement system/ARMEPS does not classify suppliers based on their size, which make it challenging to differentiate between MSMEs and larger suppliers when analyzing procurement data.
Thus, there is no formal procedure in place for record-keeping, data analysis, or the publication of results related to MSME participation in public procurement. Consequently, there is no clear method for tracking, evaluating, or disseminating information about the involvement of MSMEs in procurement activities.
The accuracy of some data presented in PPCM system is uncertain (e.g. number of bids submitted electronically).
There are issues with search tools and symbol distortions on official procurement websites, which hinder SMEs from accessing relevant procurement information and finding specific tenders.
SMEs often lack professional skills for participating in e-procurement compared to more experienced organizations, which have dedicated staff for this.

Recommendations

Within the introduction of the new e-procurement system it is recommended to implement a feature that classifies suppliers based on their size (e.g., MSMEs vs. larger suppliers), which will allow for targeted analysis, policy development, and clearer visibility of MSME participation in procurement activities. This could be achieved through establishing a formal data exchange protocol between MoF and State Revenue Committee to ensure timely, accurate sharing of relevant supplier data.
It is recommended to define and track KPIs related to MSME participation, like percentage of tenders awarded to MSMEs, bid success rates, and the total value of contracts awarded to MSMEs. Overall, it could be useful to establish clear guidelines and procedures for collecting, storing, and managing data related to MSME involvement in procurement.
It is recommended to introduce an automated system within the new e-procurement platform that tracks and records the number of bids submitted electronically, segmented by supplier type.
Special attention should be given to the search interface, addressing the current challenges with search tools and symbol distortions. The new system must incorporate a more powerful search engine with advanced filters, enabling bidders to easily find relevant tenders, including those specifically designated for small businesses.
It would be useful to introduce targeted training programs for MSMEs to enhance their skills in e-procurement. This could include also workshops and online resources focused on procurement procedures and digital tools.

Assessment criterion 7(b)(e):
If e-Procurement has not yet been introduced, the government has adopted an e-Procurement roadmap based on an e-Procurement readiness assessment.

Conclusion: No gap

Red flag: No

Qualitative analysis

The government does have an existing e-GP system that is being used and is undertaking a process to purchase a new all-encompassing e-GP system to improve the current system even further. They have been working on this since 2009 with the assistance of the World Bank.

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Gap analysis

Not applicable.

Recommendations

No recommendations.

Sub-indicator 7(c)
Strategies to manage procurement data

Assessment criterion 7(c)(a):
A system is in operation for collecting data on the procurement of goods, works and services, including consulting services, supported by e-Procurement or other information technology.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

Each contracting authority uploads information on its procurements performed onto the e-Procurement system. The system collects the information, consolidates and makes it available at the open access website i.e. PPCM module of the Armeps system: https://armeps.am/ppcm/public/reports/lang=en.

The PPCM module is structuring it and presenting it separately for: Contracts; Procurement Plans; Detailed Reports; Archived Tenders; Infographics; and Bids. It has a search engine allowing to filter and find requested procurement information using the following criteria: Contracting authorities' name; description of the package; the package reference number; procurement method; procurement category (Goods/Works/ Services); status of the procurement (signed/canceled/under evaluation); invitation date, opening date; award date etc. The system allows also to download the information as an Excel file.

Gap analysis

Currently the system and most of its information is only available in Armenian, which may make it challenging for international bidders.

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Recommendations

It is recommended that the new e-GP software that is being purchased/considered would include different languages such as Russian and English in line with what is required under the existing PL.

Assessment criterion 7(c)(b):
The system manages data for the entire procurement process and allows for analysis of trends, levels of participation, efficiency and economy of procurement and compliance with requirements.

Conclusion: Minor gap

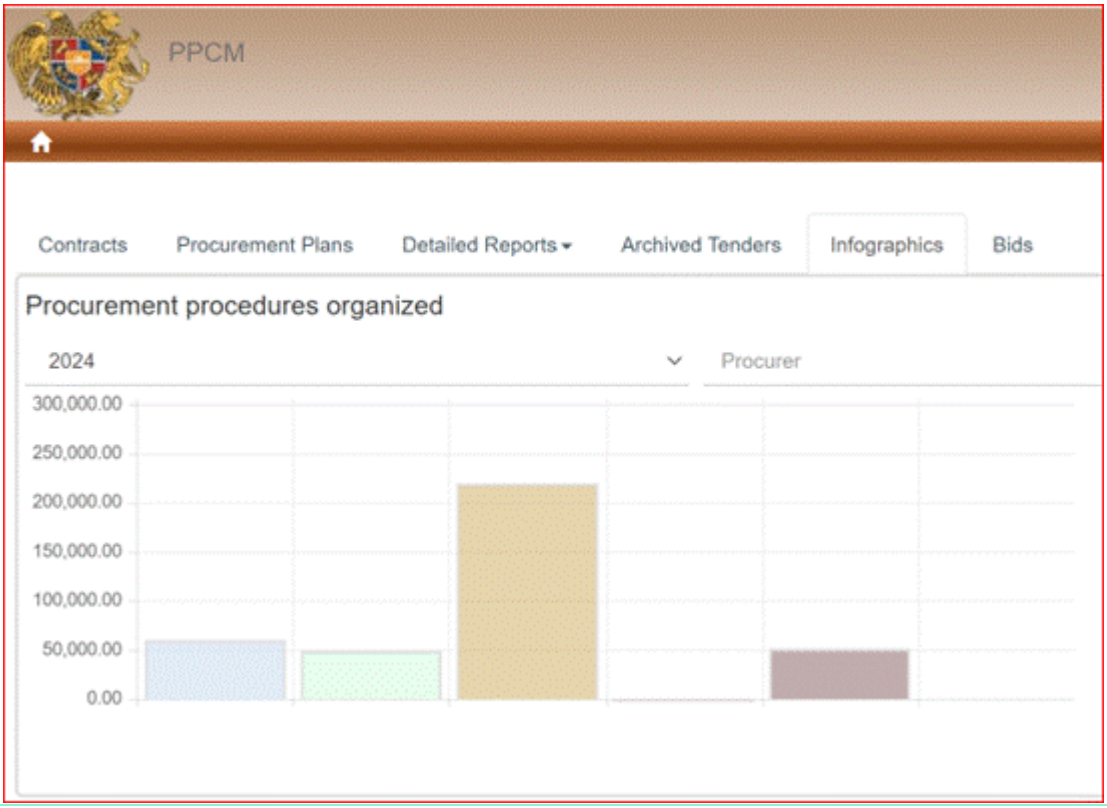
Red flag: No

Qualitative analysis

As already elaborated on above the current e-GP system covers the entire procurement process from planning to issuance of a contract (it does not include contract management, payments, etc.)

Data is managed and meaningful reports can be generated as shown in the snapshots below.

Participation (we may see the number of bids by clicking on the relevant field)



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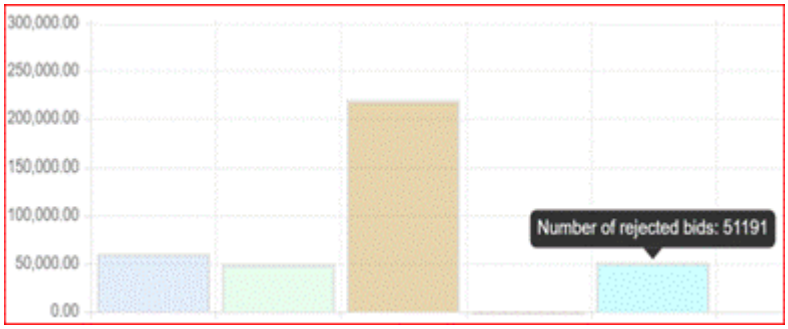
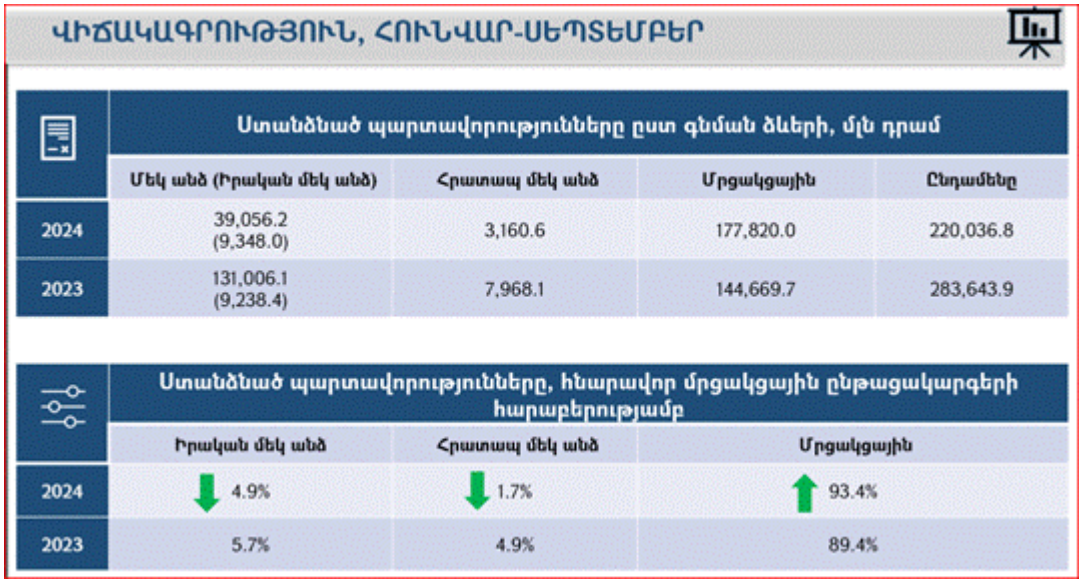


SS procurement data (number of SS contacts signed in January-September 2023 compared to the 2024 same period):



ՎԻՃԱԿԱԳՐՈՒԹՅՈՒՆ, ՀՈՒՆՎԱՐ-ՍԵՊՏԵՄԲԵՐ

Ստանձնած պարտավորությունները ըստ գնման ձևերի, մլն դրամ

	Մեկ անձ (Իրական մեկ անձ)	Հրատապ մեկ անձ	Մրցակցային	Ընդամենը
2024	39,056.2 (9,348.0)	3,160.6	177,820.0	220,036.8
2023	131,006.1 (9,238.4)	7,968.1	144,669.7	283,643.9

Ստանձնած պարտավորությունները, հնարավոր մրցակցային ընթացակարգերի հարաբերությամբ

	Իրական մեկ անձ	Հրատապ մեկ անձ	Մրցակցային
2024	↓ 4.9%	↓ 1.7%	↑ 93.4%
2023	5.7%	4.9%	89.4%

Gap analysis

The system currently in place, however, does not run all the way through the contract completion, managing invoices/payments, and issuance of completion certificates for example. This is why the MoF is currently undertaking the procurement of a new all-encompassing e-GP system that can manage the entire process from

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A-Z. Also, the current system has the information mostly available in Armenian and not in other languages as the PL mandates. Aside from occasional spot checks for compliance, there is no systematic monitoring of data related to procurement performance, efficiency, and compliance.

Recommendations

It is recommended that the MoF continues with its plans/strategy to improve the e-GP system and to obtain such an all-encompassing software that would allow for more meaningful/complete data/statistics to be captures, manipulated, and reported.

Assessment criterion 7(c)(c):
The reliability of the information is high (verified by audits).

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

No in-depth audit reports were available for review of the existing e-GP system. The MAPS assessment team also was not able to conduct an in-depth audit of the system, other than these indicators of the MAPS core assessment tool.

Gap analysis

As elaborated on above, a lot of the MDAs do not upload all the information as required onto the system, so the data or statistics that are currently being generated are not fully accurate or dependable as they do not give the full picture of all procurements taking place in Armenia.

Recommendations

It is recommended that the new e-GP system includes such measures that would mandatorily completion of certain areas/fields/uploads before one can move to the next step of the procurement process. There should also be a system of notifications and red flags that can be sent to the procuring entity as well as the Authorized Body when the system notices irregularities. Monitoring and enforcement for the use of the system as intended is critical for the system to be able to perform its functions reliably and accurately.

Assessment criterion 7(c)(d):
Analysis of information is routinely carried out, published, and fed back into the system. *

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

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PL Article 9.5. requires the authorized body to issue Annual Procurement Reports on or before the 1st of May each year to cover procurement of the preceding year. Armenian versions of such reports are available at the MoF website: https://gnumner.minfin.am/en/page/reports/

The report for 2023 as well as the reports for the previous years are presenting only statistical data without any meaningful analytical analyses being carried on them, or conclusions made thereon, which may steer future procurement policy.

Quantitative analysis

*// Minimum indicator // * Quantitative indicators to substantiate assessment of sub-indicator 7(c) Assessment criterion (d):*
• total number and value of contracts
• public procurement as a share of government expenditure and as share of GDP
• total value of contracts awarded through competitive methods in the most recent fiscal year.
Source: Normative/regulatory function/E-Procurement system.

According to official data from the MoF, in 2022, the total number of completed procurement procedures was 113,054, with a total contract value of approximately AMD 390.6 billion. Public procurement represented around 17.1% of government expenditure and 4.6% of GDP. Contracts awarded through competitive methods accounted for approximately AMD 224.7 billion.

In 2023 the total number of completed procurement procedures was 114,657, with a total contract value of approximately AMD 439.1 billion. Public procurement represented again around 17% of government expenditure and 4,6% of GDP. Contracts awarded through competitive methods accounted for approximately AMD 266 billion.

Gap analysis

In the MoF Annual report for 2023 some of the presented data are questionable e.g. total amount of the contracts signed by the six public utility organizations under PSRC (i.e. Gazprom Armenia; Trans Gas (under Gazprom Armenia); Electric Networks of Armenia; Hrazdan Power Company; International Power Corporation (Sevan Hrazdan cascade); and Contour Global Hydro Cascade CJSC (Vorotan Cascade)) presented in table 11.4 on page 31 of the report as AMD 24,860.3 million, whereas in the Annual report posted at the website of the Public Services Regulatory Commission (www.psrc.am/contents/page/annual_reports) total amount of investments done by two out of above six companies is more than AMD 61,000.0 million (i.e. AMD 25,000.0 million by Gazprom Armenia CJSC and 36,000.0 million by Electric Networks of Armenia CJSC.).
Snapshot below is copied from page 29 of the PSRC 2023 report.

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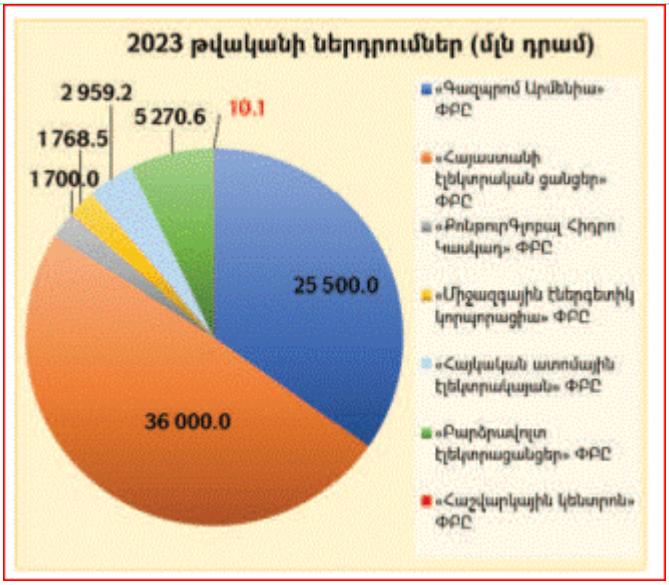

Recommendations

It is recommended that the authorized body monitors and analyzes the information captured in the system to produce meaningful conclusions that can steer procurement policy for the ensuing years. Having the new e-GP system should assist significantly in this regard, but in the end, the analyses should be done by the staff of the authorized body and presented in their annual reports published on their site.

Indicator 8. The public procurement system has a strong capacity to develop and improve

Sub-indicator 8(a) **Training, advice, and assistance** There are systems in place that provide for:
Assessment criterion 8(a)(a): Substantive permanent training programmes of suitable quality and content for the needs of the system.
Conclusion: Minor gap
Red flag: No
Qualitative analysis Procurement training exists and has been delivered in the past through outsourced institutions such as GORTSQ (https://gortsq.am/) and in the past two years has been delivered in house under the authorized body (MoF). Article 16.2.3 of PL states that the authorized body (the MoF's PPD) ensures the qualification certification of procurement coordinators and the existence of a system for continuous professional training. This training is by and large compliance based to train new procurement coordinators on the rules and regulations of procurement, the reasoning behind the PL and Procurement Regulations, coverage of past frequently asked questions and their responses, as well as aspects on the e-procurement system (E-Auctions).

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Procurement coordinators must mandatorily pass an online test (available through the Procurement website: https://gnumner.minfin.am/hy/page/gnumneri_hamakargoghneri_orakavorman_qnnutyunneri_harcashar/) Before they can partake in the face-to-face training and then they obtain a license from the authorized body to hold the official position of a procurement coordinator within government. Procurement coordinators must mandatorily undertake refresher training at MoF in order to keep their license. The MoF maintains a list of their public website with all the names of licensed procurement coordinators (https://gnumner.minfin.am/hy/page/gnumneri_hamakargoghneri_vorakavorum1/).

To date the MoF has trained over 1500 procurement coordinators. GORTSQ continues to deliver procurement training to private sector companies when they are contracted to do so on the understanding of the procurement legal framework and on how to prepare a successful bid. To date they have trained over 1500 companies and 3000 procurement coordinators since its inception.

The Academy of Public Administration of Armenia (https://paara.am/en/home/) also offers procurement training on an ad hoc basis as and when there are requests from the government and the private sector. To date they have trained around 3500 participants from both the public and private sector. They also include some supply chain and procurement courses as part of their Masters programme and can integrate modules as part of their PhD program as well if the focus of the PhD is on public financial management (PFM).

Gap analysis

Largely the training on procurement is compliance based and is lacking aspects of competence training (i.e., contract management, drafting qualifications and technical specifications, negotiations, strategic thinking in procurement, etc.) as communicated by most stakeholders met during the missions to Armenia. This may be due to the fact that the procurement profession is not yet fully integrated into civil service as a recognized procurement function with a career path, a position classification system mapped with qualification requirements, and promotions based on qualifications.

Throughout meetings with MDAs, there was a repeated request for more training on how to draft qualification criteria, technical specifications and how to evaluate those.

Evaluation commission members have also not been trained in procurement; currently the training is reserved for “procurement coordinators.” However, evaluation members must also understand procurement well if they are to evaluate efficiently and effectively.

Training for civil society organizations (CSOs) has not been undertaken by the government.

Recommendations

It is recommended that competency training is developed and integrated into the existing training modules and infrastructure in Armenia. It is also recommended to engage more with civil society and to provide them with the training which is also available for the private sector bidders. Evaluation commission members must also be trained and the procurement function in general must be professionalized and integrated under the civil service office with a clear career path.

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Assessment criterion 8(a)(b):
Routine evaluation and periodic adjustment of training programmes based on feedback and need.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

There are periodic adjustments to the training syllabus to go hand in hand with the changes in the legal framework, which the authorized body (MoF) is responsible for and undertakes. Any changes to the law are also published on the website/bulletin of the authorized body and sent in a circular to all MDAs.

Gap analysis

While the MoF does also offer training on the Frequently Asked Questions (FAQs) they receive through their website and help desk as part of the procurement coordinator's training, they admit that they still need to create a more expansive system to receiving feedback on their training courses and use the feedback to adjust the training courses accordingly. There is no in depth "skills-gap" analysis of those stakeholders working in public procurement to feed into the capacity building initiatives and lead to adjustments in the programmes to cater for such identified skills-gaps.

Recommendations

It is recommended that the MoF incorporates such a feedback/evaluation mechanism into their existing capacity building programmes.

Assessment criterion 8(a)(c):
Advisory service or help desk function to resolve questions by procuring entities, suppliers, and the public.

Conclusion: No gap

Red flag: No

Qualitative analysis

The authorized body (MoF) offers advisory services through a variety of media. There are possibilities to send questions through email and they have a FAQs section on their procurement bulleting open to the public. These FAQs are divided into two sectors: the bidders and the procuring entities. Questions can also be asked through a helpdesk hotline. The hotline is divided into four different sections for questions related to: the E-Auction system, methodological questions regarding the PL and Procurement Regulations, blacklisting, and e-tendering. The hotline receives on average 1500 calls per month.

Gap analysis

No gaps.

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Recommendations

No recommendations.

Assessment criterion 8(a)(d):
A strategy well-integrated with other measures for developing the capacity of key actors involved in public procurement.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

The MoF has a procurement development strategy entitled "DECREE N 977-L OF THE PRIME-MINISTER OF THE REPUBLIC OF ARMENIA ON APPROVING THE CONCEPT OF THE PROCUREMENT SYSTEM DEVELOPMENT AND THE ACTION PLAN DERIVING THERE FROM". It has a section dedicated to capacity building as elaborated on in the table below, which has been taken from the Decree N 977-L's action plan:

Objective	Actions	Expected outcome	Co-implementer	Date
Capacity development	Assess needs and conduct training programs for continuous capacity - building for development of terms of reference	Responsible units have sufficient knowledge for developing terms of reference	Public administration bodies	Continuous
	Assess needs and conduct training programs for continuous development of contract management capacities	Responsible units have sufficient knowledge of contract management. Ratio of value for money for public services, goods and works increased as a result of developing contract management capacity	Public administration bodies	
	Assess needs and conduct training programs to build capacity for procurement planning	Difference in design- cost estimate and/or cost estimate price and the price resulting from the tender reduced	Public administration bodies	
	The competent authority to train procurement specialists	Number of clarifications and advice sought from the Ministry of Finance by procurement specialists decreased		Continuous
	Train judges	Informed decision-making within the timelines set out under the appeals process	Judicial department	Continuous
	Train businessmen	Training of organizations participating in procurement, including by posting materials and/or video clips on online platforms	Public bodies; Enterprise Armenia	Continuous

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	Train managerial staff	Heads and deputies of public administration and local self-government bodies familiarized with the authorities and duties of units performing procurement process organization functions, possibilities for receiving online information presented and quality of management of risks occurring during the process improved	Public administration bodies	Continuous

According to the MoF's report on the implementation of the above activities in 2023:

- Training courses related to procurement of construction projects were organized for 250 participants from 127 procuring entities.
- Collection and assessment of needs for procurement planning, development of technical specifications and contract management was carried out, on the basis of which training courses were organized for 614 employees of state administration bodies and Yerevan Municipality.
- Training courses for relevant specialists of medical organizations were organized for 185 participants.
- Mandatory training for 389 qualified procurement professionals was organized using new models and approaches in training, in particular taking into account frequently raised Q&A, case studies and discussion of recommendations.
- Within the framework of the agreement with the experts of the EU SIGMA program, training courses were organized for 20 judges.
- Distance training courses were held for 50 private construction organizations regarding the new conditions for the organization of the procurement processes of construction projects related to schools and educational complexes.

Gap analysis

Some aspects of the action plan represented above still need to be implemented and continued to be rolled out on a continuous basis (no statistics for 2024 were available). Additionally, it does not take into consideration the training of civil society and the media, who can be important players in the procurement reform agenda or even cause problems if they don't have a good understanding of the system and yet try and put out statements in the media that may misinform the public and have adverse effects on the procurement reform agenda.

Recommendations

It is recommended that the activities for capacity development are implemented continuously and that the training includes some sessions for the sensitization of civil society and the media as well and that a longer-term capacity strategy is developed for the professionalization of the procurement function together with expanded competence training in partnership with the Civil Service Office.

Sub-indicator 8(b)
Recognition of procurement as a profession
The country's public service recognises procurement as a profession:

Assessment criterion 8(b)(a):
Procurement is recognized as a specific function, with procurement positions defined at different professional levels, and job descriptions and the requisite qualifications and competencies specified.

Conclusion: Substantive gap

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Red flag: No

Qualitative analysis

The position of procurement coordinator is identified within government and made mandatory for each MDA to have one as implied under Articles 16.3 and 16.4 of the PL. Clause 9 of GoA Decree 759-N entitled 'Procedure for Awarding the Qualification of Procurement Coordinators and their Continuous Professional Training' states:

"*As of the date of registration for participation in the electronic system, the person can take part in the exam who*
1) has a higher education.
2) has not been declared incompetent or limited in ability by a court order;
3) is not or has not been convicted of a crime committed intentionally, except for the case where the conviction has been removed or extinguished in accordance with the law;
4) has not been deprived of the right to hold a public service position by court order;
5) is not included in the list of persons whose qualification of procurement coordinator has been terminated."

Procurement coordinators must be licensed by the authorized body (MoF) as described under sub-indicator 8(a)(a) above. Once the license has been obtained, the procurement coordinators are required to undertake a 12-hour refresher training at the MoF every three years, or their license will not be renewed.

The Civil Service Office of Armenia has a position classification system for all civil servants together with the necessary corresponding qualification requirements for each position. There is a decree that specifies the details of this and is entitled "First Deputy Prime Minister's Decree 3N of 2019" and defines the methodology for evaluation, classification, defining titles, drawing up civil service position descriptions, placement in the general system of positions, defining rights and responsibilities, maintenance of the list of titles, as well as for defining the requirements for professional knowledge and competencies of a civil servant for holding the given position.

Clause 11 of the Decree 3N of 2019 clearly specifies that the personnel management subdivision together with the head of the structural subdivision should prepare job description for the civil service position, which includes:

- the title of the position and the standing within the structure of the relevant body;
- the functions, rights, and responsibilities;
- education, work record, work experience;
- professional knowledge;
- competencies.

According to Clause 24 of the same decree, a civil service position description shall comprise the following sections:

- general provisions - the title, code, standing of the position in the structure of the relevant body, the procedure for replacement is established by indicating the title of substituting position or positions, subordination and/or accountability, information on the place of work (main place of activity);
- job profile - the functions assumed by the given position are established according to significance, as well as the rights and responsibilities;

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- position requirements - education, work record, work experience, professional knowledge and competencies for the given position are established;
- organizational scope - the level corresponding to the evaluation criteria for the given position is established.

This decision/decree also contains sample forms of description for the groups of managerial and professional positions. Section 3 defines the main principles and requirements for evaluation, classification of civil service positions and placement in the general system of positions. Public bodies can initiate changes in position titles and descriptions by preparing supporting documents and submitting them to the Civil Service Office, which should study their compliance with the legislation within up to 30 working days (Clauses 30-49).

Thus, the Civil Service Office verifies compliance of documents with this decree and legislation, but the responsibility for drafting the job descriptions, ensuring qualifications, and setting of the KPIs is the mandate of the hiring ministry.

Gap analysis

Clause 9 of GoA Decree 759-N contains the requirement for a person to not be deprived of the right to hold a public service position in order to be able to take the exam for qualification of procurement coordinators. There is no mention of a “civil service position.” Despite the fact that according to official sources almost all procurement coordinators in public bodies are civil servants (except National Security Service and Foreign Intelligence Service), the absence of such a mandatory requirement and clear mention in the procurement legislation can create issues. In addition, the PL allows for outsourcing of the procurement function to the private sector (Article 16.4 of PL), which can create an additional disconnect with the Law on Civil Service and decrees, because the Civil Service Office’s mandate does not cover the private sector. As practice shows, in many instances, especially in small procuring entities, procurement is still carried out by other professionals such as HR staff or accountants for example. Procurement coordinators are also considered as “compliance officers” rather than procurement professionals by many.

The Civil Service Office further explained that they had not received any request for, nor implemented any, competence-based training for procurement coordinators in the past.

Recommendations

It is recommended that the MoF works closely with the Civil Service Office of Armenia to introduce procurement as a mandatory professional function under the civil service with various hierarchical levels of the profession as currently identified under the First Deputy Prime Minister’s Decision/Decree 3N. And for each of these levels, the required qualifications and competencies are specified. The salary levels of such staff ought to be on a par as accountants or financial management specialist under civil service so that the profession is recognized to be on a par as such existing professions.

It is recommended that the outsourcing of the procurement function is removed from the legal framework and that the internal staffing of procurement specialists is mandated in each public body. Additionally, the legislation needs to contain requirement for a procurement coordinator to be a civil servant, instead of the provision mentioning public service position (Clause 9 of GoA Decree 759-N).

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Assessment criterion 8(b)(b):
Appointments and promotion are competitive and based on qualifications and professional certification.

Conclusion: No gap

Red flag: No

Qualitative analysis

According to Article 16.5 of PL, employees of the subdivision coordinating procurement, officials and invited persons must be included in the list of qualified procurement coordinators. These persons are included in the list after successfully passing the exam for procurement coordinators qualification, organized by the authorized body (MoF). According to Clause 6 of GoA Decree 759-N the exam is conducted in Armenian using the electronic system. The exam is held every month, at least once, if there is at least one application that meets the requirements of this decree. Information about the date, time and place of the exam is published in the bulletin at least three working days before the date of the exam (Clause 8). This implies that at least appointments are competitive and based on qualifications and professional certification.

In addition, for those procurement coordinators who are civil servants a contest/competition is conducted which has testing and interviewing phases (GoA Decree 1554 of December 27, 2018, on Determining the Procedure for Holding a Competition for Filling a Civil Service Vacancies). According to Clause 9 of this decree the contest is classified into two types: internal and external. Public servants of the relevant body and civil servants registered in the civil service personnel reserve can participate in the internal contest if they meet the requirements of the vacancy position announced (Clause 10). Citizens who meet the requirements set out in Clause 11 of this decree can participate in an external contest for particular position.

Clause 12 defines that the promotion of a civil servant is carried out only by a contest prescribed by Law on Civil Service. The contest is held in two stages: testing and interviewing. The testing phase of the contest is conducted electronically on the Civil Service Information Platform. The testing phase of the contest is videotaped and broadcast live online, with some exceptions, and the interview phase is videotaped (Clauses 13-15). Organization and holding of the contest are carried out by the personnel management unit of the relevant body.

Gap analysis

As far as there is no clear mention of procurement regarded as a mandatory professional function under the civil service, this can create disconnect with legislation and regulation of civil service especially regarding promotion.

Recommendations

As in the assessment criterion 8(b)(a), it is recommended to introduce procurement as a mandatory professional function under the civil service, in order to have an opportunity to apply all requirements and rules covered under Law on Civil Service and corresponding regulations.

Assessment criterion 8(b)(c):
Staff performance is evaluated on a regular and consistent basis, and staff development and adequate training is provided.

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Pillar II. Institutional Framework and Management Capacity

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

The procurement legislation and regulations do not define procedure for performance evaluation of procurement specialists. KPIs are set by each MDA for their procurement coordinators.

Performance evaluation of staff in public bodies is regulated by the GoA Decree 1510-N of 2011, which defines the procedure for drawing up work plans, entering the work plans into the electronic document circulation system, approval thereof, performance evaluation via that system and rewarding based on performance in the bodies of state power. The process of performance evaluation through the system is covered under Section 4 of this decree. Performance evaluation of the works implemented by the body, the structural sub-divisions and bureau of the body and the employees shall be summarized on a semi-annual basis, taking into account the results of the current evaluation of the works implemented during the semester (Clause 33). Evaluations for the works should be issued upon finishing each work, taking into account the quality of the work and the time limits for acceptance thereof by the immediate supervisor (Clause 34). The works implemented periodically, which are impossible to be evaluated ad hoc, can be evaluated at a certain periodicity, upon the consent of the executor and the immediate supervisor thereof. Clause 47 of the decree defines that when evaluating the performance and drawing up the work plan for the subsequent year, the immediate supervisor and the employee shall jointly discuss the gap in the efficiency of the work thereof, determine the potential measures for elimination thereof (short-term, long-term training, professional literature, electronic teaching, etc.). The decree provides the scales and formulas for performance evaluation, as well as forms for evaluation of personal and managerial skills for different positions.

The main principles of qualification and continuous professional training of procurement coordinators are defined in GoA Decree 759-N on Procedure for Awarding the Qualification of Procurement Coordinators and their Continuous Professional Training. According to Clause 28 of this decree procurement coordinator must undergo training every third year following the year of qualification, as already elaborated on in the preceding sections. In the procuring entities the participation of the procurement coordinator in the training process is ensured by the official who appointed that coordinator to a position, and in the organization providing procurement coordinator services this is ensured by the organization's head (Clause 30).

According to Clause 32 of decree the total duration of training courses should be at least 12 hours and in the structure of the training course, at least 30% of each topic should include practical training. The training programs and topics are approved by the head of the authorized body (MoF) and published in the official bulletin by March 15 of each year.

Relations related to the training of civil servants are regulated by First Deputy Prime Minister's Decision/Decree 2N of 2019, which defines the procedure for training of civil servants, main criteria for organizations conducting a training, main principles of prescribing credits, principles, types of assessing the needs and drawing up an individual programme, as well as drawing up the training program of a relevant body. According to Clause 8 of this decree, the relevant bodies provided for by Law on Civil shall be obliged to take all the necessary measures for organizing trainings and ensuring the participation of civil servants therein. The maximum period for participating in a one-time training shall be 6 months. The training shall be conducted for each civil servant

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according to an individual programme, which shall be drawn up (amended) based on the assessment of training needs of the civil servant (Clauses 9, 10). The training programme of the relevant body, as well as distance learning programmes (modules) shall be held on the information platform of the civil service. Trainings on competencies shall be organized by the Civil Service Office, whereas the relevant body (Clauses 15-17) shall organize trainings on professional knowledge.

Gap analysis

It was communicated by MoF that the performance of meeting the KPIs or not is used to determine if a license will be retracted or not by MoF for procurement coordinators. It is not used by them or the MDA, to their knowledge, to ascertain skills-gaps or training needs, and underperforming staff are not trained to better meet the KPIs in the ensuing year, but rather lose their license to be a procurement coordinator.

On the other hand, the Civil Service Office confirmed that under GoA Decree 1510-N of 2011, the regular evaluations of public and civil servants do take place and that the responsibility for requesting competence training for staff who have underperformed is the responsibility of the ministry; and when such requests are received then the Civil Service Office will offer the necessary competence training (First Deputy Prime Minister's Decision/Decree 2N of 2019). In reality, however, it would appear that they have not received any such training request with regards to procurement competence. The procurement function is also not fully integrated into the civil service due to the clauses in the PL that allow for it to be subcontracted to the private sector and each MDA can make such decisions of procurement staffing on their own.

Recommendations

As recommended above, the MoF ought to work with the Civil Service Office to create a mandatory professional procurement cadre where the staff have a performance review which is used to determine skills-gaps, and the necessary training offered to empower or enable those procurement professionals to better perform their functions and achieve their KPIs.

Sub-indicator 8(c)
Monitoring performance to improve the system

Assessment criterion 8(c)(a):
The country has established and consistently applies a performance measurement system that focuses on both quantitative and qualitative aspects.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

The MoF engages in consultations with the Competition Protection Commission, the State Supervision Service, the External Audit Authority, and is in charge of internal audit (IA) as well for the GoA. They review the various reports issued by these bodies to provide feedback on the performance of the procurement system. The MoF also has the procurement website from which they derive statistics and incorporate them into their annual procurement reports, posted openly on their website.
https://gnumner.minfin.am/hy/page/2023_tvakani_hashvetvutyunner/

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Article 9.5 of the PL also states: "*For the purpose of drawing up and publishing the annual procurement report, the contracting authorities shall submit reports to the authorized body. The annual procurement report shall be published in the bulletin by 1 May of the year following the year concerned.*" So, they obtain procurement reports from the MDAs as well to feed into their own annual procurement reports.

Gap analysis

Revision of the annual procurement reports show that procurement statistics are produced and communicated annually, but there does not appear to be much or any analyses of these procurements – at least not presented in the annual reports. As covered under other sections of this matrix we know that the MoF do have a procurement reform agenda and are taking feedback information into the formulation of the reform agenda. One of which is the commissioning of this MAPS assessment with the assistance of the MDBs. This MAPS assessment will look at all qualitative and quantitative aspects surrounding the entire procurement system.

Recommendations

It is recommended that the statistics that are available should also include some relevant analyses and that these are included in the annual reports that they publish. The new e-GP system that the MoF is looking to procure also intends to include the entire aspect of the procurement process from planning to finalization of contract implementation (including payment, etc.) This all-encompassing system would generate even more useful data and can generate useful reports that can be used to further guide the future reforms.

Assessment criterion 8(c)(b):
The information is used to support strategic policy making on procurement.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

As elaborated on in the indicator above, the information gathered by the MoF is used to formulate their procurement reform agenda (Decree 977-L of the Prime Minister).
The primary areas of focus for developing the procurement system are identified as:

- Capacity development
- Ensuring increased access to information
- Adapting the role of the RA MoF to existing requirements
- Digitalization/development of a new e-procurement system
- Standardization and green procurement
- Continuous targeted system improvements

Gap analysis

A strategic plan (or action plan) should, however, include a results framework to monitor the implementation of the planned reform actions. This should typically include goals, actions, indicators with baselines and targets, and timelines for the reforms. Performance targets should be presented in a format that is clear about what is being

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measured and how it is being measured (method of calculation and data sources). The reform action plan does not currently include such details.

Recommendations

It is recommended that the reform program adds measurable targets and means of measuring them against baselines and objectives.

Assessment criterion 8(c)(c):
Strategic plans, including results frameworks, are in place and used to improve the system.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

As just elaborated on in the indicator immediately above the reform program is lacking such a results framework.

Gap analysis

The reform program lacks a comprehensive results framework.

Recommendations

It is recommended that the reform program incorporates a results framework to allow monitoring of the achievement of the objectives through measurable and verifiable indicators.

Assessment criterion 8(c)(d):
Responsibilities are clearly defined.

Conclusion: No gap

Red flag: No

Qualitative analysis

The reform plan clearly identifies the stakeholders, beneficiaries and those who will carry out the reform activities, which is by and large the MoF.

Gap analysis

No gap

Recommendations

No recommendations.

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Pillar III. Public Procurement Operations and Market Practices

Indicator 9. Public procurement practices achieve stated objectives

Sub-indicator 9(a) Planning
Assessment criterion 9(a)(a): Needs analysis and market research guide a proactive identification of optimal procurement strategies.
Conclusion: Substantive gap
Red flag: No
Qualitative analysis When reviewing the PL, the Procurement Regulations, as well as GoA Decree 390-N "On Approval of The Procurement Plan Form, Its Fill Out, Approval and Publication Procedure", there is no language mandating or even encouraging the conducting of a needs analyses and market analyses as part of the procurement planning process.
Gap analysis While some MDAs who were met during the MAPS assessment did mention that they conduct some market research as part of their procurement planning, it would appear that this is not always the case due to some examples of procurement processes that were not able to be completed successfully, which was determined to be caused in part by a lack of market analyses and capabilities for the markets to respond to the tender demands. For example, the contract for "Renovation of the Nor Geghi - Yeghvard transport hub" (ref. # ՏԿԵՆ-ՀԲՄԱՇՁԲ-2024/12Շ)" was awarded only after the fourth attempt because no bids were submitted in the first three attempts, and this was attributed by and large due to the lack of a market analysis to see who would be able to conduct such a project.
Recommendations Provide in the new PL and/or by-laws (GoA decisions) requirement to conduct needs analysis, market research, and to prepare procurement strategy as part of the procurement process, as a prerequisite for the preparation of the procurement plan, as well as guidance note/manual for their preparation.
Assessment criterion 9(a)(b): The requirements and desired outcomes of contracts are clearly defined.
Conclusion: Substantive gap
Red flag: No
Qualitative analysis Contract forms for procurement of Goods/Works/Services attached to the relevant sample bidding documents do not have clauses within them indicating that contracting authorities should specify desired outcomes.
Gap analysis

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Randomly selected and reviewed contracts for Goods and Services (i.e., “Supply of medical supplies for hospital” ref. #ԳԾ-ԳՀԱՊՁԲ-2021-1; non-consulting services for “Streets winter maintenance (snow removal)” # ՇՄԱՔ-ԳՀԾՁԲ-21/3) did have provisions in the technical specifications with regards to requirements and desired outcomes, but most other contracts did not.

Recommendations

Supplement the contract forms attached to the bidding documents with clauses where the outcomes of the delivered Good/Works/Services should be clearly defined and desired outcomes outlined.

Assessment criterion 9(a)(c):
Sustainability criteria, if any, are used in a balanced manner and in accordance with national priorities, to ensure value for money.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

Sustainability criteria are not currently in use in Armenia and there are no specific references to them within the procurement legal framework either.

Gap analysis

Sustainability criteria are currently not considered. However, the Authorized Body has the introduction of SPP as part of its intended future reform agenda (as already elaborated on above under indicator 3 of this report, focusing on SPP).

Recommendations

It is recommended that SPP principles are incorporated into the new PL and Procurement Regulations for procurement in Armenia

Sub-indicator 9(b)
Selection and contracting

Assessment criterion 9(b)(a):
Multi-stage procedures are used in complex procurements to ensure that only qualified and eligible participants are included in the competitive process.

Conclusion: No gap

Red flag: No

Qualitative analysis

PL Article 19. 1 defines circumstances when two stage bidding could be applied. These are particularly the cases when: *“(1) the contracting authority is not able to accurately (objectively) define the descriptions of the subject of procurement in accordance with the requirements of this Law; (2) the contracting authority provides the bidders an opportunity to submit alternative proposals on the possible descriptions of the subject of procurement; and (3)*

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there is a necessity to negotiate with the bidders for the purpose of clarifying certain peculiarities of the specification of the procurement subject."

Article 19. 2 further elaborates: "*2. In case of applying two-stage bidding, a prequalification procedure shall be arranged. Any bidder is eligible to participate in the prequalification procedure. The contracting authority shall provide the invitation to the prequalified bidders only and invite them for negotiations. The aim of the negotiations shall be to develop one or more alternative options for descriptions of the subject of procurement that will meet the requirements of the contracting authority. As a result of the negotiations, the contracting authority shall issue a final invitation to prequalified bidders*."

Gap analysis

No gap.

Recommendations

No recommendations.

Assessment criterion 9(b)(b):
Clear and integrated procurement documents, standardized where possible and proportionate to the need, are used to encourage broad participation from potential competitors.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

PL Article 16.2.8 delegates to the authorized body (MoF) the right to approve procurement documents (including the forms of the invitation and the contract) to be used by the contracting authorities. Sample forms of documents for procurement of Goods, Works and Services are approved by the Minister of Finance Order 121-A of March 30, 2021 "On approving sample forms of procurement notices and invitations and repealing Order 154-A of June 2, 2020" (amended several times, the latest No 31-A of February 26, 2024).

The documents approved by the above Order are split into three different groups to be used for: (a) e-Procurement; (b) paper-based procurement; and (c) procurements containing state secret. Armenian version (with few documents translated into Russian) of the sample documents are available at the open access website: https://gnumner.minfin.am/hy/page/gnumneri_gortsyntacnerum_kirarvogh_pastatghteri_orinakeli_dzever/

There are no documents recommended for procurement of the consulting services. When comparing the body texts of the sample/standard documents (i.e., invitation and contract forms) for the procurement of Goods, Works, and Services, it is noted that vast majority of the wording (>90%) in all three documents are **exactly the same**. The difference is as follows: the document for Works is used for procurement of Services and Goods by replacing throughout the text the word "Works" in the first case with word "Services" and in the second case with word "Goods ".

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Gap analysis

There are hence no SBDs or sample documents for each individual type of procurement (works, goods, services). The one for works is copied verbatim for services and goods. And no such document exists for procurement of consultancy services. Also, these documents only exist in Armenian and not in Russian or English.

Recommendations

It is recommended that the MoF creates SBDs for goods and non-consulting services, as well as RFPs for consultancy services. They can make use of the standardized documents which the donors use as a support (World Bank, Asian Development Bank, EFSD, etc.). These documents ought to be available in the three languages specified in the law and published openly on the procurement website.

Assessment criterion 9(b)(c):
Procurement methods are chosen, documented, and justified in accordance with the purpose and in compliance with the legal framework.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

As per the PL Article 5.1.11, the GoA shall approve several procurement related rules and procedures including: "*11. the form of the procurement plan, procedure for it filling out, approval and publication thereof.*"

GoA Decree 390-N of April 13, 2017, prescribes the details of the above. The forms of the procurement plans (for procurements financed by the State Budget and other sources) presented in the appendix to this decree also require indicating procurement methods for each line item in the plan. Clause 5 of the Rules, approved by the decree above, stipulates that: "*The procurement plan to be covered by the means of the State Budget of Armenia is approved each year as a separate annex to the GoA Decision "On approving the measures ensuring the implementation of the State Budget of the Republic of Armenia*".
According to Article 9 of the PL, if the procurement price exceeds the procurement base unit (AMD 1 million), the contracting authority must prepare a protocol of the procurement procedure within three working days after either concluding the contract or declaring the procurement procedure unsuccessful. The protocol must include, among other requirements, information on the necessity of the procurement and the justification for the chosen procurement method.

Gap analysis

It was observed during the assessment mission and discussions with most of the stakeholders, that SS and Lowest Cost were the two main selection methods for most of the procurements conducted by many of the MDAs.
PL Article 18 defines four procurement methods: (i) electronic auction; (2) tender; (3) price quotation; and (4) SS procurement. Article 18.5 stipulates that the preferred procurement method is tender.

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In the Public Procurement assessment reports for Armenia done earlier by the World Bank and ADB, it was indicated that quite a bit of SS being used and justified for reasons not always in line with international best practice

List of the signed contracts downloaded from www.armeps.am showed that 7,712 out of total 22,775 contracts signed in 2022 (i.e. 33%) and 10,051 out of 28,431 (35%) signed in 2023 were SS.

There are two types of SS methods used by the contracting authorities i.e. (i) SS (when required goods/works/services could be delivered by only one source; procurement of additional goods (≤ 10% of the initial) from the initial supplier; price does not exceed the procurement base unit (AMD 1.0 mil.); and procurement outside of Armenia) and (ii) Urgent SS - an urgent need for procurement due to emergency or other unforeseen situation.

While in the procurement invitations/notices posted by the contracting authorities, the procurement method to be followed is indicated (e.g.: SS, Urgent SS), but the procurement legislation does not require to specify the reasons caused the use of a particular procurement method.

Description some of the items procured through Urgent SS method (such as printing of passport booklets and forms for driving license and vehicle registration; equipment for 750 police patrol car; event organization, construction of a customs point, Technical supervision over construction etc.) prompts that these are rather result of poor procurement planning rather than cases caused by an emergency or unforeseen situation.

GoA Decision 526-N for SS procurement caused by an emergency or other unforeseen situation defines that:

- the number of be potential bidders should be not less than three, except when e-procurement system is used (Clause 21.1(d)), and

- bid preparation time should be not less than two and not more than five working days (Clause 71.1(b)).

List of the 2022-2023 signed contracts includes numerous road rehabilitation works valued in the range of USD (2.0 ÷10.0) mil. (contract details could be provided upon request). Given the 5 days for bid preparation time (as per Clause 71 of the GoA 526-N above), the reasonableness of the prices calculated within such a short period of time is questionable.

Recommendations

As already elaborated on in Pillar 1, it is recommended that the revised PL and regulations includes other types of procurement methods and the circumstances under which they are justified.
To repeal requirement to invite proposals from three bidders under the SS method given that if there are more than one supplier able to provide required goods/works/service, the case cannot be considered as a s SS; aiming to exclude abuse of the emergency or unforeseen situation, define its meaning as well as an authority/person delegated a right to declare these; introduce provision mandating contracting authorities to draw up and to file with other procurement related documents a justification for SS method application.

Assessment criterion 9(b)(d):
Procedures for bid submission, receipt and opening are clearly described in the procurement documents and complied with. This means, for instance, allowing bidders or their representatives to attend bid openings, and allowing civil society to monitor bid submission, receipt and opening, as prescribed.

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Conclusion: No gap

Red flag: No

Qualitative analysis

Bid submission, receipt, and opening procedures are described in the several articles of the PL, particularly:
Article 20. Conditions for applying an open tender;
Article 21. Conditions for applying a closed tender;
Article 24. Applications for prequalification;
Article 30. Submission of bids;
Article 33. Opening of bids;
Article 40. Conditions for holding electronic auction

These various conditions are also presented in the standard/sample procurement documents (Chapters 4. "Bid submission procedure" and 8. "Bids Opening, Evaluation and Conclusion" of the Invitation).

PL Article 33.5 stipulates the following: "*5. Bidders and the representatives thereof may be present at the sessions of the evaluation commission. Bidders or the representatives thereof may request copies of the minutes of the sessions of the evaluation commission, which are provided within one calendar day. The contracting authority shall be obliged to ensure the confidentiality of information marked by bidders as confidential and shall be held liable, as prescribed by the law of the Republic of Armenia, for the damage caused to bidders as a result of disclosing such information, except for the information subject to mandatory disclosure provided for by law*." However, this provision does not explicitly extend participation or access to civil society.
PL Article 5.1 mandates public oversight over implementation and management of the contracts when the price exceeds "procurement base unit" (i.e., AMD 1.0 million or USD 2,500 equivalent). The bidders submitted bid as well as the registered in Armenia NGOs and persons performing media activities are eligible to perform oversight activities.

Gap analysis

No gap.

Recommendations

No recommendations.

Assessment criterion 9(b)(e):
Throughout the bid evaluation and award process, confidentiality is ensured.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

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PL Article 26. "Evaluation commission" mandates that: "*3. The members and the secretary of the commission shall be obliged to, throughout the entire course of activities of the commission, keep the confidentiality of information submitted in bids*", whereas Procurement Regulations in its Clause 32.4, describing the content of the Invitation, prescribes the opposite i.e.: "*(4) if requested, the secretary of the commission shall provide forthwith the copies of the bid of any bidder to another bidder having made such a request. Where it is impossible to fulfil the request, the person having made the request shall immediately be provided with the documents included in the bid which s/he shall examine on site and shall have the right to snapshot them and return to the secretary during the session without interfering with the normal course of activities of the commission*".

The same wording is used in the sample bidding documents for Goods, Works, and Services (Clause 8.8 of the Invitation).

Gap analysis

There is a clear contradiction between the two above mentioned clauses which could bring into contention the interpretation of the assurance of confidentiality of bid information. The PL is supreme over the Procurement Regulations, nevertheless Clause 32.4 of the Procurement Regulations poses a serious risk to confidentiality.

Recommendations

It is recommended that Clause 32.4 of the Procurement Regulations is repealed or reworded to fall in line with Article 26 of the PL and to ensure that confidentiality is always maintained during the evaluation and award process.

Assessment criterion 9(b)(f):
Appropriate techniques are applied, to determine best value for money based on the criteria stated in the procurement documents and to award the contract.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

PL Article 34.2 defined that:
"*2. The successful bidder shall be determined:*
(1) out of bidders whose bid was evaluated as satisfactory on the non-price criteria, by giving a preference to the bidder whose bid price was the lowest.; or
(2) by the method of selecting the bidder, the total sum of coefficients given to the price proposal and the non-price criteria thereof is the highest. In case of using this method while evaluating the bids in cases and as prescribed in the invitation, other non-price criteria, in addition to the proposed price, shall be taken into account. The non-price criteria must be interrelated with the subject matter of the contract, and the relative weights thereof shall be presented in the invitation."

Gap analysis

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Reviewing the procedures followed in public procurement, particularly when the lowest bid price is the only criteria used for contract award, provided that the bidder is: (i) eligible; (ii) does not have COI; and (iii) submitted all required securities, without taking into consideration the qualification of the bidder, its financial standing, technical capability and other ongoing contract commitments, it should be mentioned that these are very far from the provision in the PL Article 3 where it is declared that: "1.The objective of this Law is to ensure value for money in the procurement process."

From the review of past procurement cases and the discussions held with stakeholders during the assessment, almost every single stakeholder mentions that in practice lowest price is the only determinant and some even expressed a fear to choose another option other than lowest price out of fear of reprisal from the auditing authorities. There appears to exist a wide-spread practice in Armenia that lowest price is the only way to award a contract.

There are no clear methodologies for applying non-price criteria, which leads to their infrequent use by procuring entities.

Recommendations

It is recommended that training and sensitization needs to be increased in Armenia for all procurement professional and other stakeholders that there are different procurement approaches which would not focus on lowest price, and this would provide the best outcomes and even value for money in many instances. The professionalization of the procurement function covered under indicator 8 is also a recommendation to allow for the better understanding of public procurement and its various methods internationally acceptable for the best outcomes.

It is further recommended to establish detailed guidelines and practical tools for the application of non-price criteria, tailored to the specific needs of procuring entities. These guidelines could be incorporated into procurement regulations and capacity-building programs should be provided to encourage their regular and effective use. Such guidelines would also facilitate sustainable procurement.

Assessment criterion 9(b)(g):
Contract awards are announced as prescribed

Conclusion: No gap

Red flag: No

Qualitative analysis

The requirement to publish contract award notices is prescribed in the PL Article 10: "*…prior to sign the contract, the contracting authority shall publish in the bulletin a notice regarding the decision on conclusion of a contract no later than the first working day following the award decision. If the procurement contains a state secret, the notice all be sent to all bidders submitted bids"*; and Article 11: "*that for the contracts exceeds procurement base unit requires to publish the following i.e.: (1) brief description of the procurement item; (2) the name and address details of the contracting authority; (3) contract signing date; (4) the name, address details and the country origin of the successful bidder(s); (5) the bid price and the contract price; (6) information on the publications (is any)*

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made with an aim to attract the bidders, as per to the Law; and (7) the procurement method used and the justification for the selection thereof."

According to Article 10 of PL (Part 1 and 2), prior to the conclusion of contract, the contracting authority shall publish in the bulletin a notice regarding the decision on conclusion of a contract no later than the first working day following the adoption of decision on the selected bidder. The decision on conclusion of a contract shall contain brief information on evaluation of bids and reasons justifying the selection of the bidder, and a statement on a standstill period. Furthermore, Article 10.5 of the PL stipulates that the contracting authority can proceed to conclude the contract if no bidder appeals the decision within the standstill period, which lasts for 10 calendar days. The contracting authority shall publish a notice on the concluded contract in the bulletin no later than the first working day following conclusion of the contract (Article 11.1 of PL).

Gap analysis

No gap.

Recommendations

No recommendations.

Assessment criterion 9(b)(h):
Contract clauses include sustainability considerations, where appropriate

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

As already elaborated on above under indicator 3, there are no considerations for SPP at this moment in time in Armenia or under the legal framework for procurement.

Gap analysis

Contract clauses do not include SPP.

Recommendations

It is recommended that SPP is included within the legal framework for procurement.

Assessment criterion 9(b)(i):
Contract clauses provide incentives for exceeding defined performance levels and disincentives for poor performance

Conclusion: Substantive gap

Red flag: No

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Qualitative analysis

There is no language in contract documents that provides incentives for exceeding defined performance levels. On the other side, the legal framework and contract documents are very heavy on penalties in case of nonperformance. For example, Clause 2.1.2(b) of the contract form for works provides to the Employer a right to "Refuse from the contract and claim to: (a) return the amount paid for the works; and (b) pay the penalty as per the Clause 5.2 of the contract."

Gap analysis

Incentives to exceed performance is missing and the level of penalties existing not only in contract documents but the legal framework for procurement is demotivating to the private sector and was mentioned in the assessment team's meeting with the private sector. We also notice that the average number of bids per tender is less than 2 currently in Armenia reflecting the increased disinterest from the private sector to participate in public bidding because of an unbalanced system in terms of incentives and penalties.

Recommendations

It is recommended, as in other sections of this assessment matrix, that the level of responsibilities and level of potential penalties (and backlisting) is revised under the new PL and Procurement Regulations and within the contract documents to make participating in public tenders interesting and fair, which in turn will lead to increased competition and better value for money.

Assessment criterion 9(b)(j):
The selection and award process are carried out effectively, efficiently and in a transparent way*

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

PL Article 34.2 stipulates that: "*2. The selected bidder shall be determined: (1) by a principle giving a preference to the bidder submitted the lowest price bid, out of the bidders whose bids were evaluated as satisfactory; or (2) by a method of the highest sum of the coefficients given to the price proposal and the non-price criteria. In case of using this method while evaluating the bids in cases and as prescribed in the invitation, other non-price criteria, in addition to the proposed price, shall be taken into account. The non-price criteria must be interrelated with the subject matter of the contract, and the relative weights thereof shall be presented in the invitation*."

The form for the "Invitation," attached to the bidding documents for procurement of Goods/Works/Services, in its Clause 8.4. provides only the lowest price approaches per the Article 34.2.1 above.

Quantitative analysis

**Recommended quantitative indicators to substantiate assessment of sub-indicator 9(b) Assessment criterion (j) are:*
- average time to procure goods, works and services

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- number of days between advertisement/solicitation and contract signature (for each procurement method used)
- average number (and %) of bids that are responsive (for each procurement method used)
- share of processes that have been conducted in full compliance with publication requirements (in %)
- number (and %) of successful processes (successfully awarded; failed; cancelled; awarded within defined time frames)
Source for all: Sample of procurement cases.

Based on the analysis of selected 96 procurement procedures, the average time for the procurement of goods, works and services (in days) can be presented as follows:

Procurement procedure	2022	2023
Open tender	84	72
Price quotation	41	39
E-Auction	34	39
Urgent SS	18	18

Procurement item	2022	2023
Goods	44	35
Works	45	49
Services	37	43

The number of days between advertisement/solicitation and contract signature can be presented as follows:

	2022		2023	
Procurement procedure	Minimum number of days	Maximum number of days	Minimum number of days	Maximum number of days
Open tender	35	129	38	165
Price quotation	31	59	7	57
E-Auction	27	39	32	63
Urgent SS	7	38	1	43

Overall, the indicator for the average number of bids submitted did not vary significantly across procurement methods/forms. However, the situation differed when it came to the responsiveness of the bids:

	Average number of bids		% of bids that are responsive from total number of bids	
Procurement procedure	2022	2023	2022	2023
Open tender	5	5	52%	43%
Price quotation	6	4	64%	79%

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E-Auction	5	6	72%	74%
Urgent SS	2	1	80%	100%

Analyzing the results of competitive procurement methods, the highest responsiveness of bids in 2022 was observed in E-Auctions, where 72% of the total bids were responsive or compliant. In 2023, the best performance was recorded in price quotations, with 79% of the bids meeting responsiveness criteria.
Across the two observed periods, there were at least 15 procurement procedures for which complete information was not published on the procurement website.
All 96 analyzed procurement procedures resulted in successful awards.

Gap analysis

1. The meaning of the "…satisfactory evaluated bid…" is defined in the PL Article 34.6 as follows: "*6. The bid shall be evaluated as satisfactory, where the data submitted according to part 5 of this Article meet the requirements defined in the invitation.*" Given that part 5 of the Article 34 was "repealed by HO-4-N of January 21**,** 2022", it is not clear what data should be submitted by the bidders to have their bids evaluated as satisfactory.

2. The bid price could be corrected by the evaluation committee only if there is an inconsistency between the amounts presented in letters and in figures, the amount in letters prevails (PL Article 34.4). Evaluation process does not include correction of arithmetical errors. Moreover, bidders for civil works contracts are not required to submit a priced BoQ with their bids.

3. Despite PL Article 6.3 stipulates that the bidder must meet the qualification criteria defined by the invitation (i.e., compliance of the professional activities to the activities in the contract; professional experience; technical, financial, and labor resources) the bidding documents do not require to present evidences to proof the above. Instead, the successful bidder, as a precondition for contract signing, in addition to the Contract Security (10% of the contract price), should present Qualification Security in amount 15% (or 30%) of the estimated price. Both securities could be either a bank guarantee or banking transfer to the treasury account indicated in the bidding documents.

4. According to the Clause 7.6 of the Invitation the bid shall be rejected unless it is accompanied by a Bid Security in amount 5% of the estimated price. Bid Security could be in a form of a unilateral commitment to pay penalty, either a bank guarantee or banking transfer to the treasury account indicated in the bid doc. Bid Security will be retained if the bidder, being awarded the contract, will refuse to sign it (Clause 7.3 of the Invitation). In addition to that the bidder will be subject to be included in the list of debarred firms as per the Clause 2.1 of the Invitation.

Recommendations

1. Make sure that the meaning of the "…satisfactory evaluated bid…" is properly disclosed in the new PL.

2. Supplement the legal framework and the bidding documents with a provision requiring verification and correction of arithmetical errors while evaluating the bids.

3. Repeal requirement to submit a Qualification Security as it has nothing to do with the bidder's qualification and supplement the legal framework with provisions requiring to: (a) include into the bidding documents the

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qualification criteria; (b) ask the bidders submit documents/evidences to proof their qualification, availability of the resources; (c) ensure that the firm selected for contract award meets qualification criteria defined in the bidding documents, and (d) conduct assessment of the bidder's qualification as a mandatory part of the evaluation process, "(e) ensure that the firm selected for contract award meets the required technical qualifications and specifications, (f) ensure BOQs are fully priced and checked for arithmetical correctness, front loading, and unbalanced prices."

4.To exclude double punishment (i.e., retaining the Bid Security and naming the firm in the list of debarred firms).

Sub-indicator 9(c)
Contract management

Assessment criterion 9(c)(a):
Contracts are implemented in a timely manner.*

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

While contracts and amendments are published on the e-portal (https://www.armeps.am/ppcm/public/reports), the data is not in a machine-readable format, and the implementation status is limited to invoices and delivery-acceptance acts, which are sometimes incomplete. This lack of comprehensive data affects transparency, accountability, and hinders effective data processing and analysis.

Quantitative analysis

Recommended quantitative indicator to substantiate assessment criterion (a): time overruns (in %; and average delay in days).

Source: Sample of procurement cases.

According to the data provided by the procuring entities, out of 96 procurement procedures and contracts, many experienced delays in their execution.

	Average delay in days		Time overrun in % (each type of procurement)	
Procurement procedure	2022	2023	2022	2023
Open tender	70	13	8%	25%
Price quotation	84	-	25%	-
E-Auction	29	13	25%	33%
Urgent SS	31	138	42%	42%

As the data shows, in 2023, most procurement types experienced shorter delays compared to 2022, with the exception of the urgent SS procedure. However, there was an increase in the occurrence of time overruns across

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these procedures. The urgent SS process saw a significant rise in delays in 2023, indicating that urgent procurement processes are facing substantial inefficiencies.

Gap analysis

The lack of comprehensive and accessible data regarding contract management negatively impacts transparency, accountability, effective performance monitoring and analysis.
The analysis of sample procurement cases indicates that, while there have been faster execution times for several procurement types in 2023, the increased time overruns and significant delays in the Urgent SS procedure highlight considerable inefficiencies. This is particularly problematic given that the primary objective of this procedure is to process requests promptly.

Recommendations

It is recommended to make the publishing of machine-readable data related to the implementation of procurement contracts mandatory and to automate the process. This includes ensuring that all relevant documents, such as contracts, amendments, invoices, delivery-acceptance acts, and implementation statuses, are automatically uploaded and updated on the e-procurement platform. Additionally, an automatic monitoring system can be implemented to track compliance and ensure that the required data is consistently available and up-to-date.
The automatization of the process will help to conduct regular performance reviews, and introduce post-procurement evaluations to identify issues.
It is recommended to introduce planning and project management tools to procurement teams that can help them visualize timelines, track progress, and manage risks more effectively. These tools will enhance overall efficiency, transparency, and the ability to adjust plans as needed. To maximize their effectiveness, it is crucial to integrate these project management tools with the procurement data system, ensuring a seamless flow of information between contract management, procurement status updates, and planning tools. This integration will improve the accuracy of the available data and support more informed, timely decision-making.

Assessment criterion 9(c)(b):
Inspection, quality control, supervision of work and final acceptance of products is carried out.*

Conclusion: Minor gap

Red flag: No

Qualitative analysis

The Clauses 108 to 112 of the GoA Decree 526-N define the process for accepting contract performance results, which include some mentions on supervision and quality control.
The responsible subdivision is tasked with conducting preliminary control over the implementation of a contract. The results of contract implementation (or part of it) are formalized through a delivery and acceptance protocol, which must be signed by both the head of the responsible subdivision and the individual who concluded the procurement contract. The form of this protocol is prescribed by the Minister of Finance.
The protocol can only be signed if there is a written positive opinion from the representative(s) who designed the procurement bid within the responsible subdivision. This positive opinion confirms that the goods supplied, works performed, or services provided meet the contract's terms or exceed the prescribed quality standards,

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thus meeting the contractual requirements. If there are delays in the supply or performance, a positive opinion is still issued unless the contracting authority has decided to rescind the contract.
In case of public oversight, the natural person who has requested to participate in the process jointly with the responsible subdivision, shall submit, in writing, a position to the responsible subdivision on compliance of the supplied good, performed work or provided service with the requirements of the contract. If the position is positive, it will be reflected in the final opinion. If the position is negative, but the representative of the responsible subdivision disagrees, the representative will still provide a positive opinion. In such cases, a discussion is held between the responsible subdivision and the contract signer to resolve objections. The discussion should be concluded within 30 working days, and the results must be documented in a summary sheet, which is signed by the head of the responsible subdivision and the representative who drafted the procurement bid. This summary is then published in the official bulletin.
In case of procurement of construction projects, upon receiving information about the completion of construction, the head of the contracting authority must form a commission, as prescribed by GoA Decree 596-N (March 19, 2015), to accept the completed works.
The result of the contract is considered fully accepted when the accepting commission approves the completed works. Before acceptance, the commission must document the completed construction facility and prepare an act for its acceptance for use, as per Armenian legislation. The responsible subdivision must verify if the completed construction complies with the contract: if compliant, a final delivery and acceptance protocol is signed; if not compliant, the protocol is not signed.
Before signing the final protocol, the contracting authority must withhold 5% of the total construction costs, or in case of partial payments, 5% of the final payment.

Quantitative analysis

Recommended quantitative indicator to substantiate assessment criterion (b): quality-control measures and final acceptance are carried out as stipulated in the contract (in %).
Source: Sample of procurement cases.

The information related to the quality-control measures and final acceptance procedures was not available for review (not provided by the procuring entities).

Gap analysis

While invoices and delivery-acceptance acts are published on the e-portal, they are not in machine-readable format and are incomplete. Additionally, the review of procurement data reveals that information on how inspection, quality control, and supervision are conducted is not publicly available. This lack of transparency hinders accountability and effective oversight in the procurement process.

Recommendations

It is recommended that the government ensure all procurement-related documents, including delivery-acceptance acts, and inspection or quality control reports, are published in a complete and machine-readable format on the e-portal.

Assessment criterion 9(c)(c):
Invoices are examined, time limits for payments comply with good international practices, and payments are processed as stipulated in the contract.

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Conclusion: Minor gap

Red flag: No

Qualitative analysis

According to the Clause 113 of Decree 526-N, in order to make payment for procurement made for the needs of the state or municipalities, as well as for those procuring entities with the status of a legal entity, whose accounts are in the treasury system, within three working days after the signing of the delivery-acceptance protocol, the procuring entity enters the payment order and a copy of the protocol into the treasury system of the authorized body (MoF). Payment for the procurement made for the needs of procuring entities who do not have accounts in the treasury system is carried out within the period specified by the payment schedule of the contract (transaction), within five working days.
If the contract includes an advance payment, then the payment order and a copy of the document certifying the availability of advance payment security must be entered into the treasury system for allocating the advance payment. The redemption of the advance payment is carried out by making deductions (withholdings) from payments made based on the protocols. Until the full redemption of the advance payment, no further payments will be made to the contracting party.
The authorized body/MoF, based on the documents presented according to this procedure, must make the payment, provided that the protocol has been entered into the treasury system, within the deadlines set by the contract payment schedule, within 5 working days (Clauses 114, 115).

Quantitative analysis

Recommended quantitative indicator to substantiate assessment criterion (c): invoices for procurement of goods, works and services are paid on time (in % of total number of invoices).
Source: Sample of procurement cases.

The information related to invoices was not available for review (not provided by the procuring entities).
According to official information provided by the MoF, during 2022 and 2023 all invoices for procurement of goods, works and services were paid on time.

Gap analysis

Though invoices and delivery-acceptance acts are published on the e-portal, they are not in a machine-readable format and are not always complete. As a result, it is not possible to determine whether invoices are paid on time, which limits transparency and accountability in the procurement process.

Recommendations

It is recommended to automate the process and ensure that all procurement-related documents, including invoices and delivery-acceptance acts, are published in a complete and machine-readable format.

Assessment criterion 9(c)(d):
Contract amendments are reviewed, issued, and published in a timely manner.*

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Conclusion: Minor gap

Red flag: No

Qualitative analysis

According to Decree 526-N Where the price of the contract concluded for state needs exceeds the procurement base unit, the modifications to that contract and the notice with regard thereto shall be published by the contracting authority in the bulletin as prescribed by the Minister of Finance within 3 working days from the day of introduction of the modification, and in case of procurements containing state secret, the modification shall be sent to the authorized body within 3 working days.
It is prohibited to make modifications to the contract and where the contract price is factor-based — also to any agreement attached to the contract concluded in the subsequent years, which result in the artificial change of the volumes of the goods, works and services to be procured or the price of the unit of the subject of procurement to be acquired or the contract price. Artificial changes include:

- reduction in volume with unchanged price;
- increase in volume beyond 10% of the contract price;
- substituting goods/services with ones exceeding 15% of the contract price;
- extension of the contract period for goods, works, or services by more than 30 days, but within the overall contract period;
- increase in the contract price if it occurs without any changes in the technical specifications;
- provision of an advance payment where it was not originally specified in the invitation.

In specific cases, the contracting authority may request the permission of the GoA to apply different conditions. This request must be submitted with a draft decision. The GoA may approve the request and allow for different conditions or waive the prescribed ones, based on the particularities of the contract's execution or management (Clauses 55-57).

Quantitative analysis

Recommended quantitative indicator to substantiate assessment criterion (d): contract amendments (in % of total number of contracts; average increase of contract value in %).
Source: Sample of procurement cases.

The review of 96 procurement cases reveals that a significant number of amendments were made during the execution of contracts, with some contracts being amended multiple times (maximum was 14 amendments on a single contract).

	Amendments in % of total number of contracts	
Procurement procedure	2022	2023
Open tender	67%	67%
Price quotation	58%	42%
E-Auction	33%	25%
Urgent SS	50%	58%

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Both in 2022 and 2023, open tenders had the highest percentage of amendments, followed by price quotations, urgent single-source procurement, and E-Auctions.
The high amendment rate for open tenders was mainly due to the larger scope and complexity of these contracts that require ongoing adjustments.
Some of the changes were caused by the delayed financial allocations necessary for executing the procurement (PL Article 15.6), which resulted in the need for signing new agreements and making adjustments.
Unfortunately, an analysis of changes in contract value could not be conducted due to insufficient data. Specifically, this information was only provided by a few procuring entities, making it difficult to perform a comprehensive analysis across all cases.
The review of data published on the official procurement websites shows that all contract amendments were issued and published in a timely manner, in accordance with the required procedures and regulations.

Gap analysis

While information on contract amendments is issued and published in the official bulletin, and contracts are generally made available on the e-portal in a timely manner, the data is published in a non-machine-readable format. As a result, conducting efficient analysis and extracting valuable insights from this data becomes challenging.
In addition, there may be gaps in how efficiently these amendments were executed, particularly when frequent changes occur on the same contract.
High amendment rate for reviewed procurement cases indicates a gap in effective planning or risk management that could minimize such amendments.

Recommendations

It is recommended that, in addition to adopting machine-readable formats, standardized data fields be established for all published procurement data within a new e-procurement system. This should include clearly defining and consistently reporting key contract details, such as changes in contract value, reasons for amendments, and the frequency of amendments, etc.
To address frequent amendments, trainings for procurement teams and stronger planning and risk management practices should be introduced to reduce the need for constant adjustments and improve contract execution. In particular, conducting thorough pre-contract assessments to anticipate risks, implementing risk management frameworks to address potential disruptions early, including contingency plans in contracts to allow smoother adjustments when unforeseen issues arise can be useful.

Assessment criterion 9(c)(e):
Procurement statistics are available, and a system is in place to measure and improve procurement practices.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

Procurement statistics are accessible in ARMEPS system, with its PPCM module offers features such as generation of reports using sample templates, graphical reports, and tools for analyzing procurement processes.

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Gap analysis

Despite the existence of some procurement statistics, there is no comprehensive data on non-digital (paper-based) procurement activities and some of the data available on the e-portal is published in non-machine-readable formats. As a result, interested parties face challenges in easily and comprehensively accessing the data, making it difficult to effectively measure/monitor public procurement outcomes, results, and performance. In addition, the functionality of the section for graphical representation of reports is quite limited and does not work properly.

Recommendations

It is recommended to take into consideration the existing gaps in the PPCM system while establishing a new e-procurement system and incorporate regular data collection and reporting, data analytics and clear performance indicators in the system. The new system should focus on tracking efficiency, cost-effectiveness, and supplier performance to identify improvement opportunities and enhance procurement practices.
Additionally, standardized frameworks, such as the Open Contracting Data Standard (OCDS), should be adopted to ensure data is published in a structured, machine-readable format. This would enhance accessibility, transparency, and the ability to monitor and analyze public procurement processes effectively.

Assessment criterion 9(c)(f):
Opportunities for direct involvement of relevant external stakeholders in public procurement are utilised.*

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

According to Article 5.1 of PL, in case of procurement not containing state secret, public control over the implementation and management of contracts may be exercised by the bidders having submitted bids for participation in the given procurement process, NGOs registered in Armenia, and persons carrying out media activities. In case of procurement containing state secret only the bidders having submitted bids for participation in the given procurement process are allowed.
The person (the representative) may not participate in the process where he or she has a close kinship or in-law relationship (parent, spouse, child, brother, sister, as well as spouse's parent, spouse's child, spouse's brother or spouse's sister), the organization founded by them or by him/her or the organization wherein those persons or he or she hold a share (unit) is a party to the contract. The person (the representative) shall sign a notice on absence of COI, which shall be published by the contracting authority in the bulletin.
Within the scope of the process, the person shall act on behalf of the unit of the contracting authority, performing the function of implementation and management of the contract, jointly with the latter, provided that the position submitted by the person is of advisory nature. The contracting authority shall obligatorily discuss the positions received, by making the party to the contract a participant in the process. The summary sheet for discussion shall be published in the bulletin. Where no position is submitted, a relevant note shall be made thereon in the document justifying the takeover of the outcome of implementation of the contract.

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The public control within the scope of implementation and management of the contract shall be mandatory in case of contracts with the price exceeding the base unit of procurement.
The terms for participation in the process and the time limits for applying shall be established by the notice on the concluded contract considering that the time limit for applying may not be less than three calendar days.
Where the position submitted by the person within the scope of the same contract is not justified at least twice, the person shall be deprived of powers to exercise public control within the scope of the given contract, whereon the contracting authority shall publish a notice in the bulletin.
Information and documents related to public monitoring and its outcomes are published in a dedicated section on the official procurement webpage[1]. According to the information published there, since the implementation of this mechanism in 2021, only 15 cases of public monitoring have been carried out.

Quantitative analysis

Recommended quantitative indicator to substantiate assessment criterion (f): percentage of contracts with direct involvement of civil society: planning phase; bid/proposal opening; evaluation and contract award, as permitted; contract implementation)
Source: Sample of procurement cases.

None of the 96 procurement cases reviewed showed direct involvement of external stakeholders in the contract implementation stage.

Gap analysis

The public monitoring outlined in Article 5.1 of the PL only covers the implementation and contract management phases, excluding other stages of procurement process.
Since the implementation of this mechanism in 2021, only 15 cases of public monitoring have been carried out, which reveals that the implementation of this procedure remains inefficient. Various challenges may hinder effective engagement of public, such as lack of awareness, insufficient resources, or bureaucratic obstacles.

Recommendations

It is recommended to ensure that public monitoring is not limited to the contract implementation phase but extends to other stages of the procurement process, including planning, bid evaluation, and contract awarding. This broader scope of monitoring would enhance transparency, allow for early detection of potential issues, and increase public trust in the procurement process.
It is recommended to implement targeted outreach and education campaigns to inform public/bidders, CSOs and media outlets about their rights to participate in procurement monitoring. This can be achieved through the creation of informational materials, such as guides, brochures, and online content, which explain the procurement process and how individuals and organizations can contribute to enhancing transparency.
Additionally, public awareness events such as workshops, webinars, and forums can be organized to provide an overview of the procurement process, highlight the importance of public monitoring, and demystify complex procurement procedures. These initiatives will encourage broader participation and empower stakeholders to more actively engage in procurement oversight.

[1] https://gnumner.minfin.am/hy/page/2021_tvakan_hanrayin_hskoxutyany_veraberox_nyuter/

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It is recommended to provide technical assistance to CSOs, media representatives and other stakeholders to help them understand complex procurement regulations, use digital tools, teach practical techniques for evaluating procurement processes, such as how to spot irregularities, assess compliance with procurement laws and contract terms, and engage in meaningful oversight.
It would be useful to establish a network of trained CSOs and media professionals to foster collaboration and experience-sharing in procurement monitoring. This network could be supported by an online platform where stakeholders can ask questions, share resources, and collaborate on monitoring initiatives. Additionally, regular consultations should be held between government procurement authorities, CSOs, and media outlets to discuss challenges, provide feedback, and share updates on procurement practices, thereby building trust and encouraging joint efforts. To further enhance oversight, joint monitoring initiatives should be promoted, where multiple CSOs or media outlets collaborate on large-scale projects, such as crowd-sourced monitoring or collective assessments of public procurement data. This approach will strengthen the overall effectiveness and transparency of procurement oversight.

Assessment criterion 9(c)(g):
The records are complete and accurate, and easily accessible in a single file.*

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

All procurement-related information is publicly available on official procurement websites (https://gnumner.minfin.am/hy/ and https://www.armeps.am/ppcm/public/reports). These websites host a comprehensive government procurement database, which includes details on all contracts, such as what has been procured, contract values, durations, and the entities awarded the contracts. The data covers all procurement methods for works, supplies, and services across all government bodies. The database is centralized and automatically compiled based on the entries made by government bodies with access to the system. It is publicly accessible to all interested parties.

Quantitative analysis

*// Minimum indicator // * Quantitative indicators to substantiate assessment of sub-indicator 9(c) Assessment criterion (g):*
- share of contracts with complete and accurate records and databases (in %)
Source: Sample of procurement cases.

As the information related to quality-control measures and invoices was not available for review, it is difficult to assess this indicator precisely.

Gap analysis

Public procurement records in Armenia are not always complete, accurate, or easily accessible. Although documents are published on official websites, they are often in non-machine-readable formats, incomplete, and not fully integrated. Search tools on these websites have several shortcomings, users must navigate through multiple sections to find relevant information, and updates may not be timely, affecting transparency and accessibility.

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Recommendations

To improve the accessibility and transparency of public procurement records in Armenia, it is recommended to automate the data collection, publishing, and updating process. This includes implementing a centralized system for real-time data entry, converting documents into machine-readable formats, and enhancing the search functionality with AI-based tools. Automated compliance checks and reporting tools would ensure timely and accurate publication, while user-friendly features like a virtual assistant can guide users through the portal. These measures would streamline processes, improve accuracy, and make procurement information more easily accessible to the public.

Indicator 10. The public procurement market is fully functional

Sub-indicator 10(a) **Dialogue and partnerships between public and private sector**
Assessment criterion 10(a)(a): The government encourages open dialogue with the private sector. Several established and formal mechanisms are available for open dialogue through associations or other means, including a transparent and consultative process when formulating changes to the public procurement system. The dialogue follows the applicable ethics and integrity rules of the government.*
Conclusion: Minor gap
Red flag: No
Qualitative analysis The government occasionally organizes discussions with the private sector and CSOs on various issues. Within the framework of the Open Government Partnership (OGP), Armenia develops action plans that include specific measures to enhance transparency, public participation, and accountability in governance. These action plans often include provisions for consultations with private sector stakeholders and CSOs on the development of new strategies, reforms, and legislation. Additionally, dialogue with the private sector, particularly on legislative matters, can be initiated through the online platform e-draft.am. The platform serves as a central hub where draft legislation, regulations, and policies are posted publicly. Anyone with an interest in the draft, including businesses, can participate in the consultation process. The platform allows users to make comments on the drafts, propose suggestions, and provide feedback that can help improve the proposed legislation. After the consultation period ends, the government body responsible for the draft is required to summarize the suggestions and respond publicly. This ensures that stakeholders not only have the opportunity to influence policy but also receive feedback on how their input was considered. This process enhances the transparency and accountability of the government's legislative activities. While the government’s efforts to engage the private sector and civil society through public consultations and platforms like e-draft.am are commendable, the real success of these dialogues depends on how well the feedback is handled and acted upon. Ensuring that responses to feedback are substantive (rather than merely procedural) and that changes to drafts reflect valid suggestions is crucial for maintaining the credibility of the consultation process.

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Quantitative analysis

** Recommended quantitative indicator to substantiate assessment of sub-indicator 10(a) Assessment criterion (a): - perception of openness and effectiveness in engaging with the private sector (in % of responses).*
Source: Survey.

The survey results suggest that while there is some level of communication between the government and the business community, it is far from consistent. A significant proportion of respondents feel that communication is either infrequent/seldom (48.5%) or nonexistent/never (9.1%), highlighting a gap in effective engagement.
While most participants can keep up with changes in the public procurement framework, nearly a third (31.3%) face challenges, highlighting the need for clearer communication, better training, or more user-friendly resources to ensure full awareness and compliance.
Most respondents feel they have competent resources to stay informed on procurement legislation changes, but a significant minority (27.3%) still struggle with access or quality, pointing to the need for improved support.

Gap analysis

While discussions occur, the frequency and depth of engagement can be irregular. In some instances, consultations are held but the results or subsequent discussions are not clearly communicated back to stakeholders, which can undermine trust in the process.
Although the e-draft platform allows public feedback, user engagement is limited due to lack of awareness and sufficient outreach.
Although the requirement to summarize feedback and provide a response is a positive step, there are instances where this is overlooked, and the responses tend to be more procedural. They often consist of generic acknowledgments rather than addressing the specific content of the feedback in detail. For instance, feedback may be limited to a simple "Accepted for consideration," without adequately explaining how the suggestions were evaluated or incorporated into the final decision.
The survey results indicate a gap in the effectiveness of engagement and communication between the government and the business community.

Recommendations

It is recommended to ensure that once consultations have been held, the outcomes and any subsequent decisions or actions are communicated back to stakeholders promptly. Instead of generic responses substantive ones are recommended which will contain more detailed explanations of how feedback was evaluated and whether or how it was incorporated into the final decision. It would be good to ensure a mechanism for users to request clarification if they feel their feedback wasn't adequately addressed.
In order to enhance stakeholder engagement, it is recommended to hold more frequent and structured consultations, either in person or virtually, with clear timelines for feedback and follow-up discussions. Setting regular intervals for engagement, such as quarterly or bi-annual consultations, can build consistency.
For reaching wider and more diverse audience, multiple channels (social media, webinars, partnerships with industry groups etc.) can be used to increase awareness of the e-draft platform and to inform stakeholders about consultation opportunities and the importance of their input.

Assessment criterion 10(a)(b):

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The government has programmes to help build capacity among private companies, including for small businesses and training to help new entries into the public procurement marketplace.
Conclusion: Substantive gap
Red flag: No
Qualitative analysis Overall, there are no special trainings and capacity-building programs for private companies designed to facilitate new entries into the public procurement marketplace. Currently, the procurement official webpage (www.procurement.am/www.gnumner.am) provides online educational materials (manuals, videos) to assist businesses in understanding and navigating the public procurement process. However, taking into consideration frequent changes in public procurement legislation and system, some of these materials are already outdated.
Gap analysis There are no special trainings and capacity-building programs for private companies to facilitate new entries into the public procurement marketplace. The online educational materials available on procurement official webpage are outdated.
Recommendations It is recommended that the MoF revive and expand in-person and virtual training programs tailored for businesses, especially new entrants to the public procurement marketplace. These sessions should cover essential topics such as ARMEPS navigation, procurement procedures, and updates to legislation. It is recommended also to increase awareness of available training and resources through targeted outreach, including webinars, newsletters, and partnerships with business associations. Ensure all materials are accessible, including in multiple languages, if needed. The official procurement website should host a dedicated, user-friendly education portal with up-to-date videos and guides. Content should be updated promptly to reflect changes in procurement legislation and systems. Collaboration with SMEs, industry associations, and procurement experts would be beneficial to ensure that training materials effectively address the practical challenges businesses encounter in procurement processes. Additionally, establishing a feedback mechanism would allow businesses to propose improvements to training programs and educational materials, maintaining their relevance and effectiveness over time.
Sub-indicator 10(b) **Private sector's organisation and access to the public procurement market**
Assessment criterion 10(b)(a): The private sector is competitive, well-organized, willing, and able to participate in the competition for public procurement contracts.*
Conclusion: Minor gap

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Red flag: No

Qualitative analysis

The ability of the Armenian private sector to effectively participate in public procurement is a complex issue with varying perspectives. Armenia has a dynamic business/SME sector with innovative companies capable of delivering quality goods and services. The e-procurement system and online resources provide better access to procurement opportunities and information for businesses. Government initiatives aim to address challenges faced by businesses, including streamlining regulations and improving business environment.

Quantitative analysis

** Recommended quantitative indicator to substantiate assessment of sub-indicator 10(b) Assessment criterion (a):*
• number of registered suppliers as a share of total number of suppliers in the country (in %)
• share of registered suppliers that are participants and awarded contracts (in % of total number of registered suppliers)
• total number and value of contracts awarded to domestic/foreign firms (and in % of total)
Source: E-Procurement system/Supplier Database.

According to data from the MoF, as of November 2024, 23,188 suppliers were registered in the e-procurement system (ARMEPS), representing approximately 21% of the total registered suppliers in Armenia (109,592 in 2023, according to www.armstat.am). In 2022, contracts were awarded to 7,568 participants, representing about 21% of the suppliers registered in ARMEPS (as of 2022). In 2023, contracts were awarded to 8749 participants, representing about 38% of the suppliers registered in ARMEPS (as of 2023).
In 2022 and 2023, a total of 101 and 118 contracts were awarded to foreign firms, with values amounting to AMD 15.1 billion and AMD 5.6 billion, respectively. This accounts for approximately 4% and 1% of the total value of contracts signed in 2022 and 2023, respectively.

Gap analysis

SMEs have limited access to finance and face challenges in securing adequate financing to participate in public procurement projects. Some SMEs lack the necessary capacity, such as technical expertise and managerial skills, to effectively compete for and successfully deliver on public contracts. While efforts to address corruption in public procurement are ongoing, concerns persist about potential corruption risks and the integrity of the process. Additionally, issues such as perceived biases or an uneven playing field that may favor certain businesses remain significant obstacles to fostering fair competition and trust in the system.

Recommendations

It is recommended to engage private sector and especially SMEs in regular public-private dialogue to identify their needs and challenges in public procurement. To strengthen SME capacity, targeted programs and training initiatives can be introduced to enhance their technical expertise and understanding of procurement processes. Additionally, mentorship and advisory services can be provided to help SMEs craft competitive proposals and manage contracts effectively, ensuring their successful participation in public procurement opportunities. This can also be achieved through collaboration with business associations, which can serve as platforms for

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delivering targeted programs, training sessions, and mentorship opportunities to SMEs. These associations can leverage their networks and resources to support SMEs in building capacity and navigating procurement processes more effectively.

It is recommended to explore options for making financing more accessible and affordable for SMEs. This could include initiatives such as government-backed loan programs, credit guarantee schemes, or partnerships with financial institutions to offer tailored financial products that address the unique needs of SMEs participating in public procurement.

Assessment criterion 10(b)(b):
There are no major systemic constraints inhibiting private sector access to the public procurement market.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

Despite improvements, public procurement in Armenia, like in many countries, may still be susceptible to corruption.
Companies may perceive that the procurement process is biased toward certain businesses or individuals due to political connections, previous relationships, or favoritism, even when there is no clear evidence of this. These perceptions can deter new entrants and undermine trust in the system.
Technical specifications in tenders may sometimes be written in a way that disproportionately favors certain suppliers or technologies, excluding others from competing effectively. These specifications may require very specific product features or certifications that only certain suppliers can meet, thereby excluding others who may offer competitive alternatives.
The emphasis on price as the primary evaluation criterion can drive unfair competition by prioritizing the lowest bidder rather than considering the overall value or quality of a proposal. Quality, innovation, sustainability and performance-based criteria are often neglected in favor of low-cost solutions. This can disincentivize businesses that focus on delivering high-quality, long-term solutions, and instead reward businesses offering low-cost, short-term solutions that might not meet the desired standards or result in long-term benefits.
Many private sector companies, particularly smaller ones, struggle to access financing for public procurement projects. The inability to secure the necessary financing to bid for or execute large projects limits their participation in procurement opportunities. In addition, many contracts require financial guarantees, including bid, contract/performance and qualification ones. The financial burden of providing these guarantees can make it difficult for smaller businesses to compete with larger firms that have greater financial resources and thus can become significant barrier to entry.
In addition, many SMEs in Armenia may lack the technical expertise and administrative capacity required to prepare bids that meet the detailed and often complex procurement requirements.

Quantitative analysis

** Recommended quantitative indicator to substantiate assessment of sub-indicator 10(b) Assessment criterion (b):*
- perception of firms on the appropriateness of conditions in the public procurement market (in % of responses).
Source: Survey.

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The survey results show that a slightly greater majority of respondents (57.6%) perceives that access to financing is adequate, but a substantial portion (42.4%) still believes it is insufficient. This indicates that while there may be some access to financing, it is still a significant concern for nearly half of the respondents, suggesting that improvements are needed, especially for SMEs.

A clear majority (60.6%) feels that the procurement methods and procedures do not align with the level of risk and value involved in the procurement process. The suggests that the current procurement framework might be too rigid or inconsistent, leading to inefficiencies.

The rules and conditions for participating in public procurement are not sufficiently simple and flexible for a majority of respondents (51.5%).

A significant majority (66.7%) feels that the risks associated with contract performance are not fairly distributed, which may indicate that the contractual terms are either too burdensome for certain parties (likely suppliers) or that risks are not properly shared between the contracting authority and the supplier.

The payment conditions are not perceived as fair by the majority of respondents (63.6%) which indicates that there may be issues such as unclear payment terms, or conditions that disadvantage suppliers.

A clear majority (75.8%) indicates that invoices are generally paid on time, which suggests that the payment process is functioning well for most cases. However, the 24.2% who feel invoices are not paid on time still represent a significant portion, indicating that there are occasional issues that need to be addressed, possibly with regard to delayed payments in specific cases.

The dispute resolution and appeal mechanisms are perceived as ineffective by the majority of respondents (81.2%), suggesting that the current systems for handling disputes and appeals may be slow, complex, or not yielding fair outcomes.

Respondents have highlighted several areas for improvement in public procurement to enhance private companies' access to the market. These include establishing clear technical specifications, ensuring flexible and transparent procedures, and evaluating both quality and price. Additionally, efforts should be made to minimize rejections and security deposit requirements, while avoiding blacklisting in favor of rewarding good performance. Reducing bureaucratic delays and conflicts of interest, along with improving payment transparency, were also emphasized. Finally, removing the lowest price condition and introducing negotiation options to prioritize quality over price were suggested.

Survey participants highlight the need to reform evaluation criteria, lower financial entry barriers, clarify technical specifications, and simplify procedures as key steps to improve access to public procurement. They emphasize the importance of a more transparent, balanced, and inclusive system that values quality alongside cost and promotes fair competition.

Gap analysis

There are perceptions that the procurement process favors certain suppliers due to political connections or past relationships, even though there may be no concrete evidence to support this.

Tender specifications may be written in a way that favors specific suppliers or technologies, limiting fair competition by excluding other potential bidders.

Price is often the dominant evaluation criterion, leading to a preference for low-cost solutions at the expense of quality, innovation, and long-term value.

Especially SMEs face challenges in preparing competitive bids due to a lack of technical expertise and administrative capacity. They also struggle to secure financing and meet financial guarantee requirements, limiting their participation in procurement opportunities.

Recommendations

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It is recommended to where appropriate, standardize technical specifications across similar tenders to avoid excluding potential bidders due to overly specific requirements.
It is necessary to encourage the inclusion of non-price criteria, such as quality, innovation, sustainability, and long-term value, in the evaluation process and use of performance-based contracts to emphasize the sustainability and overall impact of projects.
It is recommended to ease access to low-interest loans to assist SMEs in securing the necessary funds for participation in large-scale projects.
Additionally, providing training programs on procurement procedures, technical specifications, and bid preparation can help enhance the administrative and technical capabilities of SMEs.
Furthermore, establishing a continuous feedback loop through public forums, consultations, and surveys would be beneficial for regularly gathering input from stakeholders and evaluating the effectiveness of the procurement system.

Sub-indicator 10(c)
Key sectors and sector strategies

Assessment criterion 10(c)(a):
Key sectors associated with the public procurement market are identified by the government.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

No detailed market analyses are mandated under the legal framework, nor was the assessment team able to identify any such analyses that were conducted on identified key sectors for public procurement.

Gap analysis

No detailed market analyses are mandated under the legal framework, nor was the team able to identify any such analyses that were conducted on identified key sectors for public procurement.

Recommendations

It is recommended that the Authorized Body undertakes such an exercise to identify key sectors and to conduct in depth market analyses for those sectors to allow for more targeted and effective/efficient procurement going forward.

It would also be recommended that needs analyses and market analyses be made mandatory as part of the procurement planning exercise in Armenia by all of the MDAs.

Assessment criterion 10(c)(b):
Risks associated with certain sectors and opportunities to influence sector markets are assessed by the government, and sector market participants are engaged in support of procurement policy objectives.

Conclusion: Substantive gap

Red flag: No

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Qualitative analysis Similar to sub-indicator 10(c)(a) above, no detailed sector analyses have been conducted, hence, no risk/opportunity analyses have been carried out either.
Gap analysis Similar to sub-indicator 10(c)(a) above, no detailed sector analyses have been conducted, hence, no risk/opportunity analyses have been carried out either.
Recommendations It is recommended that as part of such detailed market analyses for critical sectors for public procurement, risk and opportunities are also undertaken.

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Pillar IV. Accountability, Integrity, and Transparency of the Public Procurement System

Indicator 11. Transparency and civil society engagement strengthen integrity in public procurement

Sub-indicator 11(a) Enabling environment for public consultation and monitoring
Assessment criterion 11(a)(a): A transparent and consultative process is followed when formulating changes to the public procurement system.
Conclusion: Minor gap
Red flag: No
Qualitative analysis The MoF has several ways of consulting with the various stakeholders, which include government counterparts, the private sector, and members of civil society. It can use a system called “e-drafts” which is an online platform where draft laws and decrees are posted open to the public to enable anyone to provide comments. Additionally, they share circulars to government bodies on any proposed changes to the law to allow for comments and questions and, finally, they also engage in consultative meetings with various stakeholders like government counterparts and the private sector.
Gap analysis It appears that the consultative meetings have not been systemized, but rather intermittent. However, consultative meetings have been had. For example, in 2019 discussions were organized regarding the procurement legislation reforms and private sector and CSOs were encouraged to present their suggestions on this issue. In May 2023 public discussion of the draft of the technical task of the new e-procurement system was held with participation of NGOs (and later in June 2023 with private sector), where stakeholders had an opportunity to propose questions, observations, and suggestions about the project. During 2024 several meetings with private sector have been held regarding changes in procurement system, existing challenges, and possible ways of overcoming them (e.g., meetings with ‘Partners Business Club’, ‘Mantashyants’ business club).
Recommendations It is recommended that the consultative process with civil society and private sector stakeholders adopt a more systematic approach. Establishing regular forums or mechanisms for dialogue could enhance collaboration and lead to more effective and inclusive policies that reflect the needs and concerns of the community. Additionally, it may demystify the procurement process to some stakeholders in civil society who may not understand the procurement process well or fully but still put out statements in the media that may be counterproductive to the entire procurement agenda. Inclusiveness always leads to optimal outcomes in the long run.
Assessment criterion 11(a)(b): Programmes are in place to build the capacity of relevant stakeholders to understand, monitor and improve public procurement.

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Conclusion: Substantive gap

Red flag: No

Qualitative analysis

For the time being, as described under indicator 8 above the training has predominantly focused on the PL and Procurement Regulations and the recipients of such training have been the procurement coordinators and to a lesser degree the private sector bidders.

Gap analysis

Discussions with the Audit Chamber (AC) indicated that they have not received detailed training on how to conduct procurement audits (compliance or performance). They have some procurement coordinators who have received the basic training to obtain the license from MoF to be a procurement coordinator, but specific training on conducting procurement audit has not taken place, nor do they have a procurement audit manual. The same applies for the State Supervision Service of Armenia under the office of the Prime Minister. Finally, the internal (IA) function is also one that lacks such training and where the current set-up allows the IA function to be subcontracted to the private sector, which will be discussed with in greater detail below under indicator 14. The Anti-Corruption Committee (ACC) and the Corruption Prevention Commission (CPC) of Armenia have also not received detailed training on how to monitor and audit procurement.

By extension civil society has therefore also not been trained on procurement or how to conduct a social audit on the procurement process. In fact, it has been reported that there are quite a few misunderstandings on the procurement process by civil society.

Recommendations

It is recommended to include training of oversight institutions such as external audit, the corruption prevention office, anti-corruption committee, and members of civil society, in the “capacity building” sub-section of the MoF procurement reform program.

Assessment criterion 11(a)(c):
There is ample evidence that the government takes into account the input, comments and feedback received from civil society.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

There is occasional evidence that the government considers the input, comments and feedback received from civil society. Notably, on October 10, 2019, the government adopted Decree 1422-N (for amending Decree 526-N), which introduced new qualification criteria alongside stricter application requirements. The most concerning

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aspect was the initial requirement to provide a qualification bank guarantee for 100% of the bid price, which posed significant challenges for private sector, particularly for SMEs. In response to negative reaction from public/CSOs and private sector, the government revised this requirement, reducing the bank guarantee to 15% for contracts up to AMD 80 million and 30% for those above that threshold. Additionally, for procurement lots under AMD 25 million, the bank guarantee requirement was eliminated altogether, except for construction projects. In addition, analyses and publications made by CSOs and media are sometimes being considered by authorized body (e.g., Transparency International Anti-Corruption Center (TIAC) Armenia, National Center of Public Policy Research NGO, Hetq media).

Gap analysis

While there are instances where the government/MoF has considered input, comments, and feedback from civil society, such occurrences remain infrequent. This limited engagement suggests that there is still significant room for improvement in fostering a more consistent and inclusive dialogue between the government/MoF and CSOs.

Recommendations

As in the case of Assessment criterion 11(a)(a), it is recommended that this process takes a more systematic approach. This would ensure that feedback is consistently gathered, considered, and integrated into decision-making. A structured approach would also help build trust between the government/MoF and civil society, fostering a more transparent and responsive governance framework.

Sub-indicator 11(b) **Adequate and timely access to information by the public**
Assessment criterion 11(b)(a): Requirements in combination with actual practices ensure that all stakeholders have adequate and timely access to information as a precondition for effective participation.
Conclusion: No gap
Red flag: No
Qualitative analysis The laws, regulations, and policies governing public procurement are published and easily accessible to the public at no cost as elaborated on under the first indicator of this report. The website is: (https://gnumner.minfin.am/en/) The procurement process primarily takes place on an e-portal, where all information, except for legally protected confidential data, is publicly accessible. This information is available through a centralized online portal, ensuring transparency. Announcement of procurement opportunities are all passed through the e-GP system with open access to all interested parties.

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Gap analysis

No gap.

Recommendations

No recommendations.

Sub-indicator 11(c)
Direct engagement of civil society

Assessment criterion 11(c)(a):
The legal/regulatory and policy framework allows citizens to participate in the following phases of a procurement process, as appropriate:
• the planning phase (consultation)
• bid/proposal opening (observation)
• evaluation and contract award (observation), when appropriate, according to local law
• contract management and completion (monitoring).

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

Article 5.1 of the PL makes a provision for "public control" within the scope of implementation and management of the contract. It states:

"*Public control exercised within the scope of implementation and management of the contract*

1. The below-mentioned persons shall be entitled to exercise public control within the scope of implementation and management of the contract:
(1) in case of procurement not containing state secret — both the bidders having submitted bids for participation in the given procurement process and the non-governmental organizations ***having received state registration*** *in the Republic of Armenia and persons carrying out media activities;*
(2) in case of procurement containing state secret — the bidders having submitted bids for participation in the given procurement process.

2. The person (the representative) may not participate in the process where he or she has a close kinship or in-law relationship (parent, spouse, child, brother, sister, as well as spouse's parent, spouse's child, spouse's brother or spouse's sister), the organization founded by them or by him/her or the organization wherein those persons or he or she hold a share (unit) is a party to the contract. The person (the representative) shall sign a notice on absence of COI, which shall be published by the contracting authority in the bulletin.

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3. Within the scope of the process, the person shall act on behalf of the unit of the contracting authority, performing the function of implementation and management of the contract, jointly with the latter, provided that the position submitted by the person is of advisory nature. The contracting authority shall obligatorily discuss the positions received, by making the party to the contract a participant in the process. The summary sheet for discussion shall be published in the bulletin. Where no position is submitted, a relevant note shall be made thereon in the document justifying the takeover of the outcome of implementation of the contract.

4. Public control within the scope of implementation and management of the contract shall be mandatory in case of contracts with the price exceeding the base unit of procurement.

5. The terms for participation in the process and the time limits for applying shall be established by the notice on the concluded contract considering that the time limit for applying may not be less than three calendar days.

6. Where the position submitted by the person within the scope of the same contract is not justified at least twice, the person shall be deprived of powers to exercise public control within the scope of the given contract, whereon the contracting authority shall publish a notice in the bulletin."

Gap analysis

Article 5.1 of the PL only covers the aspect of implementation and contract management, not the aspects of planning, bid opening, evaluation, and contract award. The language also implies that a non-governmental organization needs to be registered first before it can participate in a "public control".

Additionally, we were informed that while this clause was in the law with the intention of it being used, it actually has not been put into proper practice yet. In the past 3 years only approximately 15 requests have been made by CSOs for conducting public audits.

To enhance the implementation of public oversight, the government initiated changes to procurement secondary legislation in May 2024. Specifically, Clauses 50 and 50.1 of Procurement Regulations were updated, and two new clauses (50.2 and 50.3) were added. These updates provide additional details regarding the implementation of the process, aiming to clarify procedures for public control. In addition, the changes propose that MoF should maintain a list of NGOs and journalists, the inclusion of which will mean that the latter will no longer need to apply to the procuring entities for each contract. According to Clause 50.2, in order to be included in the list, NGOs that have received RA state registration and persons carrying out media activities should submit a letter to an authorized body, stating activity implementation and electronic postal addresses, telephone numbers; as well as name, surname, public service number, e-mail address of individuals nominated to be involved in the acceptance process of contract results (up to ten persons). In addition, they should attach a statement about the obligation not to participate in the process in case of a COI, as well as copies of the state registration certificate and a valid identity document of the nominated persons. MoF includes CSOs and media, as well as individuals nominated by them, on the list within three working days, providing the latter with an appropriate certificate.

Recommendations

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It is recommended that if the intention under the procurement was to have a form of social audit (referred to as public control in the act), then it ought to also be implemented in reality, which we concluded during the interviews has not been the case. And that the language is clarified and the need for a pre-registration removed from the language to make it a true open social audit. It would be recommended to also train the CSO bodies expressing interest in conducting social audits on the aspects of procurement to enable and empower them to do so. And finally, to expand CSO's involvement in other aspects of the procurement process as requested in this indicator.

Assessment criterion 11(c)(b):
There is ample evidence for direct participation of citizens in procurement processes through consultation, observation, and monitoring.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

As was already mentioned, the legal framework allows participating bidders, NGOs, and media to participate in contract management phase through monitoring of the contract execution (Article 5.1 of PL).
According to the information published in the official procurement webpage section on public monitoring (https://gnumner.minfin.am/hy/page/2021_tvakan_hanrayin_hskoxutyany_veraberox_nyuter/), there has been 15 cases of public monitoring implemented since the implementation of this mechanism in 2021.

In November 2023, a program titled "Promotion of Public Control and Accountability in Public Procurement" was launched with collaboration of the MoF, CSOs and international partners. This initiative aims to enhance transparency, strengthen oversight, and foster greater accountability in the public procurement process, ensuring that stakeholders have a more active role in monitoring and evaluating procurement activities.

Beyond these enabling provisions and initiatives, the direct evidence of actual participation is limited: only 15 public-monitoring cases have been recorded since the mechanism's introduction (between 2021 and 2024), and the assessment's review of 96 procurement cases found no instance of direct external-stakeholder involvement at the contract-implementation stage.

Gap analysis

Although the legislation allows for direct participation of citizens in the procurement process through oversight, this participation is limited to the contract management stage. Article 5.1 of the PL provides no equivalent opportunity at the planning, bid evaluation, or contract award stages, so other stages of the procurement process currently lack public oversight. Moreover, even within the single stage where it is permitted, the implementation of this procedure remains inefficient. Only 15 cases of public monitoring have been recorded since the mechanism was introduced in 2021, and none of the 96 sampled procurement cases showed direct involvement of external stakeholders at the contract implementation stage. Various challenges may hinder effective engagement of the public, such as lack of awareness, insufficient resources, or bureaucratic obstacles. As a result, both the narrow scope of the mechanism and its limited use in practice restrict opportunities for transparency and accountability throughout the entire procurement cycle.

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Pillar IV. Accountability, Integrity, and Transparency of the Public Procurement System

Recommendations

To enhance public engagement, it is recommended to address potential obstacles that may hinder participation, such as a lack of awareness, insufficient resources, and bureaucratic barriers. Increasing awareness through outreach and education can empower citizens to participate more actively. Additionally, providing adequate technical resources and support to CSOs can facilitate their involvement. In particular, technical assistance can be provided to help stakeholders understand complex procurement regulations, use digital tools, teach practical techniques for evaluating procurement processes, such as how to spot irregularities, assess compliance with procurement laws and contract terms, and engage in meaningful oversight.
As in the case of previous assessment criterion 11(c)(a), it is recommended to provide training for CSOs and media interested in conducting oversight or monitoring of procurement procedures. This may include not only contract implementation stage but also expand to other stages like planning and bid evaluation. Training would empower them with the necessary skills and knowledge to effectively carry out their oversight or monitoring roles.

Indicator 12. The country has effective control and audit systems

Sub-indicator 12(a) **Legal framework, organization, and procedures of the control system** The system in the country provides for:
Assessment criterion 12(a)(a): laws and regulations that establish a comprehensive control framework, including internal controls, internal audits, external audits, and oversight by legal bodies
Conclusion: Minor gap
Red flag: No
Qualitative analysis The country's system includes laws and regulations that create a comprehensive control framework, which encompasses internal controls, IA, external audit, and oversight by legal authorities. While the procurement legislation lacks explicit provisions on internal and external control and audit, these aspects are addressed in other applicable laws. Financial management and control are governed by a range of laws to set out the management organizational structures and accountability mechanisms, such as the Laws on the Budget System, the Treasury System, Public Sector Accounting, the Civil Service, etc. However, there is no specific legal framework for financial management and control, despite the fact that its development was part of the PFM Strategy 2019-2023. The Law on Treasury System (July 27, 2001) sets out the pre-approval control of the financial activities of public institutions and the execution of state and community budgets. The system establishes controls to ensure that financial commitments can only be made when both the budget and available funding are in place. The budget implementation process is prescribed in the GoA Decree 706-N (June 15, 2018), which sets out how payments and deadlines are to be taken into account. The above-mentioned regulations prescribe rules for all budgetary

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organizations providing guidance for financial management that focus on risk assessment and the identification of effective control measures.

The Law on Internal Audit (December 22, 2010) defines the principles, nature, scope, system of IA in public entities, the main rights, and responsibilities of IA participants, and also regulates the main relations related to the organization and activity of IA (Article 1). All state and local self-government bodies, as well as institutions and non-profit organizations funded by state and community budgets and organizations with more than fifty percent state or community participation are required to undergo IA (Article 2). All functions related to the financial management and control of the organization's activities are subject to IA (Article 4).

For external audit, the Supreme Audit Institution (SAI), the Audit Chamber (AC), is established under the Constitution, which governs its functions, powers, and formation procedures (Articles 198 and 199). The powers, operational rules, and guarantees for the AC's activities are laid down in the Law on Audit Chamber (January 16, 2018). The law distinguishes between audit and inspection. It mandates that all state and local self-government bodies, as well as institutions funded by state and community budgets, undergo audit. Meanwhile, legal entities established by these bodies that perform public functions or receive credits, grants, or subsidies from them are subject to inspections (Article 8).

The Law on State Supervision Service (March 23, 2018) regulates the relations related to the implementation of state control by the State Supervisory Service, its powers, structure, special rules of conduct of its employees and other relations related to its operation (Article 1). This body is subordinate to the Prime Minister and provides for the implementation of the oversight powers vested in the Prime Minister by the Constitution and other laws. It has a dedicated Procurement process oversight department and has developed a procedure for risk assessment and determination of priorities in procurement processes (August 31, 2023).
According to Article 5.1.7 of the Law on State Supervision Service, within the framework of state control and in the manner defined by the law the body conducts studies for legal entities that have received funds from the state, community, state, community non-commercial organizations, organizations with more than fifty percent share of the state, communities in the form of donations or grants for the purpose of monitoring compliance with the requirements of the legislation regulating the procurement process.

The Law on Corruption Prevention Commission (June 9, 2017) regulates the procedure for formation and operation of the CPC, guarantees for its independence, functions and powers, requirements for members, as well as relations related to the analysis of declarations and the conduct of proceedings (Article 1). The body was established in 2019 and is responsible for analyzing and publishing declarations, detecting conflicts of interest, investigating integrity violations, and imposing administrative sanctions. While undertaking declaration analysis and upon discovering inconsistencies, the body can initiate proceedings to investigate potential incidences of corruption. Functions and powers of the body are defined under Articles 23 and 24 of the above-mentioned law.

The Law on the Anti-Corruption Committee (March 24, 2021) regulates the procedure and conditions for the formation and activity of the ACC, service in the Committee, the classification of positions and class ranks, the rights, duties and responsibilities of employees, legal and social guarantees, and other relations with regard to the service in the Committee. The ACC is a newly created structure in the system of law-enforcement bodies, and it was formed and has been operating since October 23, 2021. The body organizes and carries out pre-trial criminal proceedings on alleged corruption crimes under its authority in accordance with the RA Criminal

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Procedure Code. Thus, it investigates corruption cases, including those related to public procurement, and refers them to prosecutors.

Gap analysis

According to Article 5.2 of the Law on Internal Audit, the IA is carried out by the IA department/unit operating in the structure of the organization or invited persons, who are included in the list provided for in Article 13.4.5 of this law (list of qualified persons and organizations for audit).

Both options quoted above, however, bring with them an element of "perceived COI," because in both scenarios the auditor has to report, and is being paid by, the same entity which it is audited, and this is generally not a good practice.

Recommendations

It is recommended that Armenia adopts a system of independent IA. That is to say that there is a state body responsible for IA for the government where internal auditors report to this centralized body for IA and not to the ministry where they are posted. That such auditors are selected and posted on a rotational basis by this central body, and that the central body also provides them with the relevant training. This would provide the level of independence of the internal auditors while at the same time remaining within the sphere of the government. Subcontracting external audit to the private sector would be discouraged because there are elements of state secrets that ideally should not be open to private sector eyes.

Assessment criterion 12(a)(b):
internal control/audit mechanisms and functions that ensure appropriate oversight of procurement, including reporting to management on compliance, effectiveness, and efficiency of procurement operations

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

According to Point 1 of Minister of Finance Order 165-N on Establishing the Main Requirements for the Internal Audit Department and Internal Audit Committee, in order to ensure the implementation of the IA system within the terms set by the GoA, the audit department/unit is to be established in RA public administration bodies and communities. If lacking such divisions, entities should consider outsourcing this function. Ministries need to have IA units of at least three staff members, and other public organizations should have IA units of at least two staff members. Communities with 15 000 and more inhabitants need to have two staff members and other communities need to have one staff member or, by mutual agreement, the IA functions can be performed by the IA unit of the parent body or another community.

The Law on Internal Audit somehow ensures the functional independence of the IA function, which reports directly to the head of the budget organization. However, its financial independence is not guaranteed.

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According to Article 10 of the Law on Internal Audit, IA planning is based on risk assessment, and it is carried out on the basis of three-year strategic and annual plans, which are developed by the IA unit (more detailed information regarding plans is in IA Manual, Chapters 2200 and 2300). The MoF is responsible for conducting an external evaluation every five years. However, this evaluation has not been implemented so far.

Overall, procurement legislation does not specifically address internal control or audit mechanisms to ensure proper oversight of procurement activities. Procurement audit issues are referenced in the Minister of Finance Order 143-N on Approving Guidelines for Development of Public Sector Internal Audit Manuals and Regulation (February 17, 2012). According to Point 23 of this order, an audit task assigned for assurance services is implemented by a systematic approach through compliance audit and performance audit or the combination of these two types. In case of procurement audit, within the scope of control for procurement made during the given year, through the assurance services, audit is conducted for at least 30% of procurement, where the price is not exceeding twenty-fold of the procurement base unit (AMD 1million) (AMD 20million or USD 50,000) and procurement containing state, service and banking secrecy carried out through the procedures outlined in Article 21 of PL, as well as for all procurement exceeding twenty-fold of the procurement base unit. Based on the results of the audit, a written report on the conducted audit is presented to the head of the organization:

1) on the procurement procedure within two months from the date of approval of the protocol of the procurement procedure. The audit is carried out by evaluating the protocols (documents) of the procurement procedures and the information contained in them.

2) on the implementation of the contract within four months from the date of acceptance of the result of the implementation of the contract. The audit of the execution of the contract is carried out by evaluating the fulfillment of the obligations undertaken by the parties in accordance with the contract.

All contracts signed by the budget entity are registered in the Treasury system (Client Treasury) by the Treasury staff, thus available and allocated funds are checked and verified. When a payment request is being made, there are different persons checking, signing, and approving. For payments, two persons sign the order, belonging to the Accounting and Finance Administration departments of the budget organizations, ensuring the four-eye principle. Once the contractual payments are registered in Client Treasury, the system will automatically limit the funds to the contracted volume.

Gap analysis

According to PEFA Report for Armenia (May 2024), despite the progress in IA, the function is still not regarded as fully operational and efficient. This is primarily due to challenges associated with the implementation of the financial management and control system, as well as the limited capacity of internal auditors. The IA mainly focused on reviewing the compliance of transactions. Additionally, concerns about independence highlighted the need for improvements in IA legislation and a restructuring of the current IA model.

The outsourced IA service was first implemented in 2020. Over the three years of using this model, there have been conflicting views on its efficiency and effectiveness. Some ministries believe that an in-house function is more beneficial due to its sector-specific knowledge, while others argue that the outsourced model is more cost-effective and produces higher-quality IA reports.

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The interviews with the sampled ministries show the majority of the ministries, 56%, are not fully satisfied with the quality of the outsourced IA service (PEFA).

Recommendations

It is strongly recommended that Armenia adopts a system of independent IA. That is to say that there is a state body responsible for IA for the government where internal auditors report to this centralized body for IA and not to the ministry where they are posted. That such auditors are selected and posted on a rotational basis by this central body and that they also offer the relevant training. This would provide the level of independence of the internal auditors while at the same time remaining within the sphere of the government. Outsourcing IA to the private sector would be discouraged because there are elements of state secrets that ideally should not be open to private sector eyes.

Assessment criterion 12(a)(c):
internal control mechanisms that ensure a proper balance between timely and efficient decision-making and adequate risk mitigation

Conclusion: Minor gap

Red flag: No

Qualitative analysis

Internal auditors follow a comprehensive IA manual, which emphasizes risk-based planning and encourages systems-based auditing. This manual includes a variety of template documents, such as audit charters, plans, and working papers, to assist staff in their tasks. It is integrated with a locally developed automated information system (AIS) that features a register of the audit universe and incorporates risk scores. The AIS connects the audit plan, work program, working papers, and audit reports, enabling the PFM Methodology Department to oversee IA activities across all public institutions. However, observations made in SIGMA Baseline Measurement Report of the Principles of Public Administration of Armenia (2017) reveal that in practice, auditors often view the AIS as inflexible and find working with paper more practical. For instance, if the audit plan needs to be updated during the year, the entire plan must be deleted and replaced with a new one.

Minister of Finance Order 974-N on Approving the Methodology Instructions of Applying the Internal Audit Professional Activities Standards of the RA (December 8, 2013) defines guidelines regarding quality of reports requiring that the report of internal auditors be accurate, objective, clear, concise, constructive, complete and timely, also mentioning that the deadline for submission of the assignment report should exclude unnecessary delay (Chapter 2420). In addition, Chapter 4200 of IA manual states reporting requirements, which among other qualities require the reports to be timely- “when the submitted reports, depending on the nature of the problem, lead to the implementation of appropriate corrective actions by the head of the audited unit.

In the event of material disclosures and risks, auditors may arrange informal or interim meetings to expedite decisions and actions by management of the audited entity. In order to meet the requirements of the standards, some time may be required for the preparation and verification of the final report. However, it should include all significant findings and all steps taken by the head of the audited entity that were (are) performed prior to the

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issuance of the report. Final reports should be provided during the period when they are still relevant from the point of view of the assessment of the control system.

Gap analysis

The internal control mechanisms addressed by this criterion are substantially in place: internal auditors apply a comprehensive, risk-based IA manual and standard templates (audit charters, plans, working papers), supported by AIS that maintains a risk-scored register of the audit universe and links the audit plan, work programme and working papers. The deficiencies identified do not concern the adequacy of these mechanisms but their legislative and informational housekeeping: the IA legislation is spread across too many separate acts, with some provisions repeated between them, and the IA section of the MoF website is not regularly updated and links to static PDF copies rather than to the Arlis legal database that holds the current versions. These are clarity, consolidation and maintenance issues rather than failures of internal control, and each is readily correctable.

Recommendations

It is recommended that the IA legislation is revised to adopt the recommendations of the previous two sub-indicators immediately mentioned above (i.e., its full independence) and that it is made less convoluted at the same time. Similarly, it is recommended that the MoF under its website creates a link directly to Arlis rather than placing a PDF file; this would ensure that it always refers to the latest versions of the law without a need for double checking regularly.

Assessment criterion 12(a)(d):
independent external audits provided by the country's Supreme Audit Institution (SAI) that ensure appropriate oversight of the procurement function based on periodic risk assessments and controls tailored to risk management

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

The SAI in Armenia is represented by the AC. As outlined in Article 2 of the Law on Audit Chamber, it operates as an independent state entity responsible for conducting external public audit. It should consist of seven members: the Chairperson and six members. The purpose of the AC's activity is to present professional and impartial information to the public and the NA regarding the maintenance of legality and efficiency in the field of public finances and property through the conduct of audits (Article 3).

The legislative amendments initiated from 2018 significantly increased the independence of the AC. The recent ones made to the Law on Audit Chamber (May 22, 2024) have brought significant changes by introducing new terms and articles, as well as revising the existing provisions. The term audit gained more comprehensive interpretation in new edition, stating that audit is assessment of compliance with the standards and requirements set by the legal acts regulating the subject of the audit and (or) transactions concluded within the framework of civil-law relations and (or) other standards selected in accordance with the audit methodology and

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(or) guidelines of the AC and follow-up of the implementation of the recommendations presented as a result of the audit. If previously the NA was approving the annual program of the AC's activities, then after amendments, the annual program of activities is approved by the AC.

The chairman and members are elected by the NA on the recommendation of the competent NA standing committee, with at least three-fifths of the votes of the total number of deputies, for a period of 6 years.
One of the key features of the expansion of functional powers was the requirement for online access to electronic databases related to the state and municipal budget funds, received loans and credits, and the use of state and municipal property belonging to the audited entities. These amendments laid ground for the implementation of professional standards such as the risk-based methodology, ethical guidelines, the quality management system methodology, etc.

The AC is empowered to carry out financial, compliance and performance audits (Article 23 of the Law on Audit Chamber). It undertakes targeted audits on a quarterly basis of government expenditures (for three, six and nine months) together with the annual budget execution report. The audit opinion on the implementation of the state budget is presented to the NA one month after the submission of the GoA's report on the execution of the state budget (Article 24). Based on the results of the quarterly audit, the AC submits interim opinion to the NA, the GoA, as well as the audited entities within four months after the end of the period covered by the audit (Article 25). According to Article 26 an audit report is drawn up based on the results of the thematic audits. The thematic financial audit report includes one of the opinions outlined in Article 24, the thematic compliance audit report provides a summary of compliance with the principle of legality, and the thematic performance audit report includes summary on the creation of value for money (maintenance of the principles of economy and (or) efficiency and (or) effectiveness).

Overall, majority of expenditures (70-80%) are annually audited by the AC applying ISSAIs and AC's auditing methodologies based on the ISSAIs. Several guidelines have been developed, including financial, compliance and performance audit methodologies, risk-based methodology underlying the drawing-up of the activity program, quality management system function implementation methodology, etc.

Gap analysis

In the meetings held with the SAI of Armenia, it was mentioned that to date they had not carried out any procurement specific audits and that they had not received any training on procurement other than the mandatory license for procurement coordinators which two of their staff obtained from MoF. It was also ascertained that no performance audits were carried out in the field of procurement and that no procurement audit manuals existed.

Recommendations

It is recommended that the SAI of Armenia obtains the necessary training to conduct procurement audits and that it carries those out. Special procurement audit manuals should be created in this regard. The SAI ought to also carry out performance audits and not only compliance audit when it comes to PFM audits.

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Assessment criterion 12(a)(e): review of audit reports provided by the SAI and determination of appropriate actions by the legislature (or other body responsible for public finance governance)
Conclusion: Substantive gap
Red flag: No
Qualitative analysis As already mentioned, the AC undertakes targeted audits on a quarterly basis of government expenditures together with the annual budget execution report. In accordance with the Law on the Budget System and the Law on the Rules of Procedure of the National Assembly, the government submits the annual budget execution report to the legislature by May 1st, following the end of the financial year. The budget execution report is then forwarded to the AC for the preparation of its opinion, and later it is approved together with noting the AC opinion on the report. The law governing the legislature's procedures stipulates that hearings on audit reports are conducted in public, except in cases involving national security. The hearings are held by the Financial, Credit, and Budgetary Issues Committee and are reported to the National Assembly. Committee hearings are published on YouTube, and the minutes of the hearings are made available on the parliamentary website. However, according the observations presented in Armenia: PEFA Report (May 2024), hearings on audit findings are selective. The legislature makes recommendations on actions that the executive should take in response to audit findings on the annual budget execution report. However, while the legislation elaborates on mechanisms for follow-up on audit findings, there is no clear mention regarding this for the legislature (or other body responsible for public finance governance). In addition to the points mentioned above, every year, before June 1, the AC presents to the NA an annual report containing summary information on its activities of the previous year (annual communication on its activities). It is discussed in the NA without adopting a decision (Article 30 of the Law on Audit Chamber).
Gap analysis While the legislation outlines mechanisms for addressing audit findings, it does not explicitly specify procedures for follow-up by the legislator or other entities responsible for public finance governance. This lack of clear procedures can hinder the implementation of audit recommendations and the overall effectiveness of the audit process.
Recommendations It is recommended to amend the legislation to include clear and detailed procedures for the legislature or other relevant public finance governance bodies to follow up on audit findings. This should encompass timelines, responsible entities, and mechanisms for tracking the implementation of recommendations.

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A structured framework for monitoring and reporting the implementation of audit recommendations should be developed, detailing progress and any challenges encountered. The involvement of CSOs in the audit process could also bring greater transparency, accountability, and public trust.

Assessment criterion 12(a)(f):
clear mechanisms to ensure that there is follow-up on the respective findings.

Conclusion: No gap

Red flag: No

Qualitative analysis

The recent amendments to the Law on Audit Chamber (May 22, 2024) introduced the new term "follow-up," which is interpreted as “receiving information on the implementation of measures arising from the recommendations presented as a result of the audit (including from the auditee), followed by analysis and summarization”. According to Article 27 of the Law on Audit Chamber, the drafts of the opinion on the implementation of the state budget and interim opinion are submitted to the GoA, as well as, as necessary, to the heads of the auditees, and the draft of the audit report to the head of the auditee specified in the audit task, who can submit written comments (objections and explanations) on the facts, recommendations and other information presented in the draft within 10 working days after receiving the draft. According to Article 29, after approval, opinion on the implementation of the state budget and interim opinion are submitted to the NA and the GoA, and the audit report to the head of the auditee, as well as, as necessary, to the heads of other bodies related to the audit object.

Heads of the auditees within 30 days after receiving the above-mentioned documents and recommendations presented in them, are obliged to provide the AC with a program of measures for the implementation of the recommendations addressed to them, which should contain information on the person responsible for the implementation of each measure and the deadline. In addition, heads of auditees are obliged to submit information on the implementation of the recommendations and the plan of measures provided within the period proposed by the AC. According to Article 21, in case the implementation of the thematic audit included in the activity program is not completed in a given year or is planned for more than one year, these topics are included in the next year's activity program.

If as a result of audit, the AC arrives at a conclusion that a committed act contains prima facie elements of crime, the relevant materials shall, upon decision of the AC, be sent to the RA Prosecutor's Office. The AC may terminate the public audit to that extent (Article 8.4). The Prosecutor's Office informs the AC in writing about the decisions made on the basis of the materials received in accordance with the above-mentioned article. It also examines the annual and interim opinions; audit reports published by the AC and cooperates with the body in case of identifying features of crime in them. (Article 57.3).

Gap analysis

No gap.

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Recommendations

No recommendations.

Sub-indicator 12(b)
Coordination of controls and audits of public procurement

Assessment criterion 12(b)(a):
There are written procedures that state requirements for internal controls, ideally in an internal control manual.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

Article 3 of the Law on Internal Audit defines that IA should be carried out in accordance with IA standards, rules of conduct for internal auditors and the principles of independence, objectivity, capability, impartiality, and confidentiality.

There are several legal acts regulating this process. The GoA Decree 1233-N on Organizing the Internal Audit Process, Determining the Authorized Body Provided by the RA Law on Internal Audit (August 11, 2011), defines standards for IA professional activity, which are grouped in 3 categories of attribute, performance, and implementation standards (Clause 3).

The Minister of Finance Order 974-N on Approving the Methodology Instructions of Applying the Internal Audit Professional Activities Standards of the RA (December 8, 2013) and Minister of Finance Order 143-N on Approving the Development Guidelines of the Internal Audit Manuals and Internal Audit Regulations for the Public Sector of the RA (IA Manual) elaborate on the requirements for quality control and assurance.

The GoA Decree 896-N on Approving the Procedures of the Organization's Internal Audit System Evaluation by Persons not Related to the Organization's Activities for the Purpose of Ensuring the Quality of the Organizations' Internal Audit, as well as of Co-operation of Internal Audit with Inspecting Bodies and External Audit Body (August 8, 2013) regulates the quality control within IA units and the external quality assurance by the PFM Methodology Department. The standards emphasize the importance of quality in IA work, requiring each IA unit to implement a quality program that includes ongoing supervision, periodic internal quality assessments, and periodic independent external assessments.

The Minister of Finance Order 1096-N on Approving the Template of Internal Audit Regulation and the Characteristics of Its Composition (December 12, 2012) states that the methodology for defining the IA environment and describing the functions of the organization's units subject to IA is defined by the authorized body (MoF) (Clause 14). Clause 15 of this order states that in terms of organizing the procurement process, it is essential that the procurement coordinator submits the procurement procedure protocol to the IA department in writing on the working day following its approval. Additionally, the responsible unit must provide the delivery-acceptance act/protocol, and in the case of goods, also the copies of the warehouse entry order. Overall, the IA manual is a comprehensive document that includes the key provisions of the aforementioned legal acts.

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Point 24 of the IA Manual defines that compliance audit, or legal audit is designed to examine the compliance of the organization's activities with laws, other legal acts, as well as other conditions related to the organization's activities (contracts, departmental normative acts, etc.). In this case, the emphasis is not only on evaluating the effectiveness of various internal control processes, but also on providing assurance to the management regarding the compliance of the organization's activities with laws, other legal acts, and other conditions.

Point 25 further elaborates on performance audit, which is designed to evaluate processes in terms of economy, utility, and effectiveness. A performance audit examines service delivery in terms of these three attributes. It may also include comparing services with services provided by similar organizations in terms of quality and cost.

According to Point 291 of IA Manual, reports related to the audit task are interim, preliminary, and final.
In case of urgent issues arising during the audit and due to their high risk, the internal auditors must prepare interim reports to present the problems to the head of the organization and the IA committee.
Interim reports must be made in writing, but due to urgency, internal auditors can verbally inform the head of the organization and the IA committee before making the report. Such verbal communication must be documented and subsequently included in the IA report (Chapter 65).
The IA unit also submits an annual report related to its activities.
According to Article 12 of the Law on Internal Audit, the head of the IA unit prepares the annual report on the implementation of IA, which includes:

1) a description of the performance of strategic and annual plans;
2) audits conducted, the limitations in scope during their implementation, and the reasons for failure to implement the plan;
3) key conclusions regarding the financial management and control systems within the organization, along with recommendations for improving the organization's operations;
4) actions taken to implement the recommendations;
5) instances of violations of legal requirements and signs of fraud;
6) proposals for the development of the organization's IA.

The annual report is submitted to the head of the organization and the IA committee.

Gap analysis

Despite the fact that there are written standards and procedures for the IA unit (or function) to perform both compliance and performance audits, there are **no specific ones for procurement**.

Recommendations

It is recommended to establish detailed and tailored standards and procedures for IA of procurement. These should cover both compliance and performance audits, focusing on procurement-specific risks, legal adherence, and process efficiency.

Assessment criterion 12(b)(b):
There are written standards and procedures (e.g., a manual) for conducting procurement audits (both on compliance and performance) to facilitate coordinated and mutually reinforcing auditing.

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Conclusion: Substantive gap

Red flag: No

Qualitative analysis

As already mentioned, procurement audit issues are mentioned in the Minister of Finance Order 143-N (IA manual). According to Point 23 of this order, an audit task assigned for assurance services is implemented by a systematic approach through compliance audit and performance audit or the combination of these two types.

In case of procurement audit, within the scope of control for procurement made during the given year, through the assurance services, audit is conducted for at least 30% of procurement, where the price is not exceeding twenty-fold of the procurement base unit (AMD 1million) (AMD 20million or US$50,000) and procurement containing state, service and banking secrecy carried out through the procedures outlined in Article 20.5.1, as well as for all procurement exceeding twenty-fold of the procurement base unit.
Based on the results of the audit, a written report on the conducted audit is presented to the head of the organization:

1) on the procurement procedure within two months from the date of approval of the protocol of the procurement procedure. The audit is carried out by evaluating the protocols (documents) of the procurement procedures and the information contained in them.
2) on the implementation of the contract within four months from the date of acceptance of the result of the implementation of the contract. The audit of the execution of the contract is carried out by evaluating the fulfillment of the obligations undertaken by the parties in accordance with the contract.

The GoA Decree 896-N outlines the procedure of co-operation of IA with inspecting bodies and external audit body. In particular, the decree defines external audit bodies, which are state bodies that carry out inspections in public entities according to the law and external audit body - the AC. It states that the IA unit, on the instructions of the head of the organization, should support the audit/inspection bodies, provide information, and cooperate with them in accordance with the procedure established by the RA legislation.
In departments or institutions where an audit is scheduled according to the annual or strategic IA programs, as well as the plans submitted by the audit/inspection bodies, the audit should be planned in such a way as to avoid duplication of efforts. To prevent this, the IA should be carried out, as directed by the head of the organization, either before the audit/inspection by the audit/inspection bodies or after its completion.
Within 10 working days after receiving the act drawn up on the results of external audit/inspection the IA unit together with the management of the audited (inspected) unit, based on the procedure established by the IA legislation, should draw up an action plan for the correction of recorded violations (deviations) and submit it to the head of the organization for approval. A copy of the approved plan must be provided to the audit/inspection bodies. The IA unit must be consistent with the implementation of the measures planned by the program. The head of the auditee is responsible for eliminating the detected violations (deviations).
The head of the IA unit supervises the activities carried out by the program in accordance with the procedure established by the IA legislation. The head of the audited department must submit a report to the IA unit on actions aimed at eliminating violations. The head of the IA unit should submit the report (template provided by

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this decree) on the implementation of each of the actions defined in the action plan schedule to the audit/inspection body and upload it to the IA information system, if available.

In addition, Chapters 2400 of IA Manual named Coordination of annual and strategic plans with other structures implementing control states that during the preparation of the annual and strategic plans, it is necessary to take into account the audit/inspections carried out or to be carried out by other bodies in the organization, so that it is possible to avoid repeating the same functions, as well as in the assessment, adjustment and planning stages, it is necessary to take into account the results of the audit/inspections carried out by other bodies. In the course of planning, it is also necessary to take into account the dates of implementation of observations (monitoring) and external evaluations of the authorized body (MoF), the works to be performed and the results of the evaluations.

Gap analysis

There are no manuals for procurement audit. Neither for IA, nor for external audit. There also does not appear to be any coordination between the two functions.

Recommendations

It is recommended that procurement audit manuals are created for both bodies and that these focus on both compliance and performance. Additionally, as recommended above GoA should consider creating an independent IA authority to manage the IA function on behalf of government and that this body works closely with the external audit authority in coordinating their audit plans annually and sharing important information between each other.

Assessment criterion 12(b)(c):
There is evidence that internal or external audits are carried out at least annually and that other established written standards are complied with.*

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

As already mentioned, according to Article 12 of the Law on Internal Audit, the head of the IA unit prepares the annual report on the implementation of IA, which is submitted to the head of the organization and the IA committee. The head of the IA unit prepares and, through the head of the organization, submits the annual summary report of the previous year's IA to the authorized body/MoF by March 1 each year.
According to Public Sector Internal Audit Report 2023 prepared by MoF in 2024, in the reporting year, annual summary reports on IA were submitted by 50 public bodies, including 38 public and territorial administration bodies and 12 local self-government bodies.
Among those 50 bodies, 32 have outsourced the implementation of IA activities to organizations that are qualified to conduct IA in the public sector, as stipulated in Article 13.4.5 of the Law on Internal Audit.

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IA was not performed in 10 bodies due to the dissolution of the IA units and failure of tenders for acquiring IA services, or the unfilled positions within the IA units.
In 2023, an audit of the procurement processes was also conducted within the scope of other types of audits, covering both procurement procedures and contract execution. A total of 1,767 operations were reviewed, among which, 222 operations had values exceeding twenty-fold of the base unit; 1543 operations had values not exceeding twenty-fold of the base unit and 2 operations involved state, service, and banking secrets.
As regards the external audit, according to Article 21 of the Law on Audit Chamber, at least 30 days before the start of the budgetary year the AC approves its annual activity program, which includes also thematic audits. According to Article 26, based on the results of the thematic audits (financial, compliance and performance) an audit report is drawn up.
According to the Annual Report on Activities in 2023 (prepared in compliance with Article 30), the AC conducted 54 audits under the 2023 activity program, of which 12 were conducted using the risk-based methodology. The interim reports/current conclusions approved by the AC based on the results of these 12 audits were presented to the NA, the GoA, and the respective audited entities within the legally prescribed timeframe. Additionally, these conclusions were published on the official AC website (www.armsai.am).
During the reporting period, 1 financial audit, 7 performance audits, and a combination of financial and compliance audits were applied for 4 audits. Procurement documents were reviewed as part of these audits and issues of non-compliance and non-adherence were identified, however, they were not explicitly categorized as procurement audits and cannot be identified as such. Thus, it becomes difficult to perform analyses or provide statistical insights based on procurement-related audit data.

Quantitative analysis

** Recommended quantitative indicator to substantiate assessment of sub-indicator 12(b) Assessment criterion (c):*
- number of specialized procurement audits carried out compared to total number of audits (in %).
- share of procurement performance audits carried out (in % of total number of procurement audits).
Source: Ministry of Finance/Supreme Audit Institution.

The number of audits carried out by the IA units, categorized by type

Types of audits actually performed	2023	2022	2021
1. System evaluation audit	480	401	354
2. Performance audit	53	81	24
3. Financial audit	83	269	165
4. Information technology audit	-	-	-
5. Compliance or legal audit	321	302	301
6. Procurement audit, including	234	209	148
6.1. Audit of procurements with value exceeding twenty-fold of the procurement base unit	48	77	30
6.1.1. Audit of procurement procedure	30	46	26
6.1.2. Audit of contract performance	18	31	4
6.2. Audit of procurements with value not exceeding twenty-fold of the procurement base unit	185	130	47
6.2.1. Audit of procurement procedure	48	71	19

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6.2.2. Audit of contract performance	137	59	28
6.3. Audit of procurements containing state, service, and bank secrecy	1	2	71
6.3.1. Audit of procurement procedure	1	2	14
6.3.2. Audit of contract performance	0	0	57
Total	1171	1262	992

Based on the data presented in the MoF IA report, number of specialized procurement audits conducted in 2021, 2022, and 2023 were 148, 209, and 234, respectively, representing approximately 15%, 17%, and 20% of the total IAs.
These figures indicate a growing emphasis on procurement audits, both in terms of absolute figures and as a percentage of overall IAs conducted.
Number of procurement performance audits (contract performance) carried out in 2021, 2022, and 2023 were 89, 90 and 155 respectively, accounting approximately 60%, 43% and 66 % of total number of procurement audits conducted.
The data indicates that while the absolute number of contract performance audits has generally increased, there have been variations in their share of total procurement audits. The increase in 2023, both in absolute terms and as a percentage of total audits could indicate a renewed focus on ensuring proper execution of contracts, possibly due to rising concerns about performance issues or the complexity of procurement processes.

Gap analysis

It appears that annual summary reports on IA were not submitted by all public bodies to the MoF.
The absence of IA activities in at least 10 public bodies highlights a substantial gap in the auditing system. The challenges these bodies face regarding IA activities stem from systemic issues such as the dissolution of IA units, ineffective procurement processes, and unfilled staffing positions.
While procurement documents were audited as part of external audits by the AC, they were not distinctly categorized as procurement audits and cannot be identified as such.

Recommendations

It is recommended to conduct a comprehensive assessment to identify and address systemic issues affecting IA functions with a focus on finding sustainable solutions to reinstate and strengthen IA capacities. A standardized framework needs to be implemented across all public bodies to ensure consistent IA activities and effective implementation.
It is recommended to clearly define the role of the AC in relation to procurement audits and establish a dedicated procurement audit function to specifically review and assess procurement processes. While procurement documents are currently included in external audits, they should be explicitly categorized and examined through specialized procurement audits to ensure a focused and thorough evaluation. It is crucial to develop and enforce detailed guidelines for procurement audits and provide AC staff with specialized training to enhance their capacity to conduct procurement audits effectively.

Assessment criterion 12(b)(d):
Clear and reliable reporting lines to relevant oversight bodies exist.

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Conclusion: No gap

Red flag: No

Qualitative analysis

Chapter 64 of the Minister of Finance Order 974-N defines in detail the peculiarities of provision of sensitive information within and outside the common reporting chain. It states that for special disclosures, some links in the normal chain of accountability may be bypassed in accordance with the provisions for such cases under relevant legislation and accepted practice. Disclosure of adverse information to anyone within the organization outside the normal chain of IA accountability is considered internal whistleblowing, and disclosure of adverse information to government agencies or other bodies outside the organization is considered external whistleblowing. In some situations, laws and other legal acts require public sector employees to report illegal incidents and unethical practices to the appropriate authorities as required by law. The law protects the rights of citizens who disclose specific types of inappropriate actions. These types of activities include criminal offenses and other violations of the law; actions that are considered unfair; actions that endanger the health and safety of individuals; actions that are harmful to the environment; and actions that mask or conceal any of the above actions.

In addition, Chapter 4500 of the IA manual defines that in the course of their activities IAs may discover sensitive information for the organization, which may lead to significant consequences. That information may relate to embezzlement, corruption, abuse, fraud, or other wrongdoing. In such a case, the internal auditor should submit that information to the appropriate law enforcement agencies. The internal auditor may be faced with the dilemma of whether information should be disclosed to persons outside the normal chain of accountability or even outside the organization. The normal chain of accountability can be bypassed when some sensitive information comes to light, even when the head of the organization, the IA committee, and the head of the IA unit agree on what action to take. In making this decision, the auditor may obtain legal or other professional advice, if necessary.

The AC cooperates with relevant oversight bodies and law enforcement agencies. Article 8.4 of the Law on Audit Chamber states that if in result of audit the AC arrives at a conclusion that a committed act contains prima facie elements of crime, the relevant materials shall, upon decision of the AC, be sent to the RA Prosecutor's Office. The AC may terminate the public audit to that extent. Article 57.3 further elaborates that the Prosecutor's Office informs the AC in writing about the decisions made on the basis of the materials received in accordance with the above-mentioned article. The Annual Report of the AC provides detailed information of the number of cases that have been referred to law enforcement agencies, including the number of subsequent convictions.

Gap analysis

As described above the reporting lines are clearly defined in the laws.

Recommendations

No recommendations.

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Sub-indicator 12(c)
Enforcement and follow-up on findings and Recommendations

Assessment criterion 12(c)(a):
Recommendations are responded to and implemented within the time frames established in the law.*

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

According to Article 8.3.1 of the Law on Internal Audit, the head of the IA unit should submit reports to the head of the organization and IA committee, which among other things contain information on the audit results, identified issues, recommendations made, and actions taken to improve the organization's activities.
In addition, Article 10.5 states that the annual IA plan should include the assessment of the quality and timeliness of the implementation of recommendations provided as a result of previously conducted IAs.
As regards the external audit, according to Article 29 of the Law on Audit Chamber, after approval, the conclusion on the execution of the state budget and the current conclusion are presented to the National Assembly and the GoA, while the audit report is submitted to the heads of the audited entities and, as necessary, to the heads of other bodies related to the subject of the audit. The heads of the audited entities, who are the recipients of the recommendations presented in the documents, are obligated to submit an action plan for the implementation of the recommendations addressed to them to the AC within 30 days after receiving the documents. This plan must contain information on the responsible person for each measure and the deadline for its completion. The heads of the audited entities, are required to provide the AC with information on the progress of the implementation of the recommendations and the action plan, within the timeframe proposed by the AC.
Overall, there is a lack of systematic and comprehensive statistics on follow-up processes.

Quantitative analysis

** Recommended quantitative indicator to substantiate assessment of sub-indicator 12(c) Assessment criterion (a):*
- Share of internal and external audit Recommendations implemented within the time frames established in the law (in %).
Source: Ministry of Finance/Supreme Audit Institution.

As per the MoF's Public Sector Internal Audit Report 2023, the details of audits carried out by the IA units and the inconsistencies identified are summarized in the following table:

Year	2023	2022	2021
Number of recommendations in final reports	4826	4279	4176
Total number of measures in the action plans (based on audit tasks), including:	5497	4569	3407
Number of measures implemented within the set timeframe	3561	1540	1964
Number of measures implemented after the deadline	123	298	19
Number of measures not implemented as planned	85	201	8

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Number of measures still within the set timeframe	1728	2530	1416

There is a lack of clear statistics on the implementation of IA recommendations. However, data on the implementation of measures outlined in the action plan, show that the number of measures completed within the set timeframe in 2021, 2022, and 2023 were 1964, 1540, and 3561, respectively. These figures correspond to 58%, 34%, and 65% of the total measures planned for each year.
While there has been an improvement in the timely completion of measures from 2022 to 2023, the overall implementation rate remains inconsistent, indicating a need for more effective tracking and reporting mechanisms to ensure timely execution of action plans.
According to the AC's Annual Report on Activities in 2023, a total of 59 recommendations have been submitted to the GoA, audited and inspected entities, as well as other stakeholders with a purpose of elimination and prevention of cases containing identified inconsistencies, misstatements and risks, as well as for increasing the efficiency of processes, which can be divided into three types according to their characteristics:

- System-oriented-22
- Result-oriented-17
- Problem-oriented-20

While interim reports/current conclusions provide information on follow-up processes, there is a lack of systematic and comprehensive statistics on this matter. A preliminary review of the published reports shows that most of the inconsistencies and misstatements identified during the external audit were in the process of being resolved, with very few marked as either resolved or unresolved.

Gap analysis

There is a lack of structured and comprehensive data on follow-up processes, particularly concerning external audits.
Although the implementation rate of measures outlined in the IA action plan has improved, the overall implementation process remains inconsistent.

Recommendations

It is recommended to improve the collection, management, and reporting of data on follow-up activities, particularly concerning external audits.
Additionally, it is recommended to ensure that relevant stakeholders are actively engaged and held accountable for the timely implementation of audit recommendations. Regular updates and reviews should be conducted to ensure adherence to established timelines.

Assessment criterion 12(c)(b):
There are systems in place to follow up on the implementation/enforcement of the audit Recommendations.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

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Chapter 67 of the Minister of Finance Order 974-N defines the review process for IA. Chapter 4800 of IA manual also elaborates on this providing more details. It states that on the basis of the action plan drawn up by the results of the IA, the measures to be implemented to correct the violations identified during the IA task should be approved by the order of the head of the organization. The control over the schedule approved by the mentioned order is carried out by the IA unit. The audited unit is obliged to eliminate the deviations and omissions recorded in the order and inform the IA unit about it in writing.

Internal auditors should assess the adequacy, effectiveness and timeliness of corrective actions taken by the management of the audited entity to implement the presented recommendations. They should also determine the level of residual risk in accordance with this manual. Other corrective actions can also be planned, including as part of the audit work to be carried out during the next year, which is included in the IA strategic plan, or as a separate task if no other work is planned in the given area.

Based on the recommendation materiality criteria (defined in points 285 to 291 of the manual), internal auditors should spend more time reviewing the implementation of major recommendations than the implementation of minor recommendations. The head of the organization orders the implementation of all jointly agreed recommendations. The head of the IA unit presents to the head of the organization information about the implementation of the defined actions one week before the deadline for the implementation of each recommendation. If it takes more than a year to implement the recommendations, the IA unit should assess the progress made, rather than waiting until the agreed time period has expired. For this purpose, the department responsible for the implementation of actions must report on each stage, and in the event that the work cannot be divided into stages, then transfer the information with the data of each quarter to the IA unit in the manner and within the time limits established by the IA regulations.
As already mentioned, the recent amendments to the Law on Audit Chamber introduced follow-up procedures.

According to Article 29.2 of the Law on Audit Chamber, heads of the auditees within 30 days after receiving the audit opinions and recommendations presented in them, are obliged to provide the AC with an action plan for the implementation of the recommendations addressed to them, which should contain information on the person responsible for the implementation of each measure and the deadline. They are obliged to submit information on the implementation of the recommendations and the action plan provided within the period proposed by the AC.

Gap analysis

The legislation on internal and external audit lacks clear mechanisms for enforcing audit recommendations and imposing penalties for non-compliance.

Recommendations

It is recommended that the legislation on internal and external audit be revised to include specific provisions for the enforcement of audit recommendations. This could involve establishing a formal process for tracking the implementation of recommendations, setting deadlines for their completion, and introducing penalties or other consequences for failure to comply.

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Pillar IV. Accountability, Integrity, and Transparency of the Public Procurement System

Sub-indicator 12(d) Qualification and training to conduct procurement audits
Assessment criterion 12(d)(a): There is an established programme to train internal and external auditors to ensure that they are qualified to conduct high-quality procurement audits, including performance audits.*
Conclusion: Substantive gap
Red flag: No
Qualitative analysis As previously mentioned, in particular for external audit, procurement audits are not mandated by law, and as such, there are no specialized procurement auditors overall in the system. As a result, there is no established program for auditors to ensure that they are qualified to conduct high-quality procurement audits, including performance audits. In practice, some auditors hold qualifications as procurement coordinators based on the specific needs and requirements of auditing certain procurements. However, this is not a mandatory legal requirement. Meetings with the AC revealed that no procurement audits have been conducted so far, and that auditors have not received any specialized training in procurement auditing.
Quantitative analysis ** Recommended quantitative indicator to substantiate assessment of sub-indicator 12(d) Assessment criterion (a):* *- number of training courses conducted to train internal and external auditors in public procurement audits.* *- share of auditors trained in public procurement (as % of total number of auditors).* *Source for all: Ministry of Finance/Supreme Audit Institution.* Unfortunately, there is no data available for these quantitative indicators.
Gap analysis Procurement audits are not explicitly specified by law, especially within the context of external audits. The qualification of auditors in this area is not mandated by legislation and is largely driven by specific, situational needs, with some auditors obtaining procurement qualifications as required. There is no formal program in place to ensure that auditors are adequately qualified to conduct high-quality procurement audits, including performance audits.
Recommendations It is recommended that legal provisions be introduced to formally require procurement audits, especially in the context of external audits. These provisions should mandate that auditors meet minimum qualifications tailored to procurement, including specialized certifications and ongoing training in procurement law, processes, and performance audits.
Assessment criterion 12(d)(b):

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The selection of auditors requires that they have adequate knowledge of the subject as a condition for carrying out procurement audits; if auditors lack procurement knowledge, they are routinely supported by procurement specialists or consultants.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

Both internal and external audit legislation lack specific mention of the knowledge requirements needed for conducting audits on procurement. However, general requirements for possessing knowledge are outlined in both legislations.

Article 2 of the Law on Internal Audit defines the term of competence - internal auditors' possession and application of relevant knowledge, skills, experience, and other abilities necessary to perform their duties. The Minister of Finance Order 974-N (Chapter 9) and IA manual (Chapter 1820) provide more details on this. In order to carry out the IA activities effectively, the head of the IA unit must ensure that the persons involved in the IA process possess certain knowledge and skills for the implementation of the tasks before them. Several general competency requirements for internal auditors are defined among which are that internal auditors are required to demonstrate the ability to apply standards, procedures and methods while performing their work and have knowledge of fundamental principles in areas such as accounting, economics, commercial law, tax, finance, analytical, quantitative methods, and IT. Internal auditors must be able to understand the existence of a problem and determine what further investigation or support is needed. The general knowledge and skills of IA unit employees should be assessed at least once a year. IA unit employees must ensure the continuous development of professional knowledge in order to maintain the necessary level of competence.

The head of the IA unit can receive support from other experts outside the organization, which will allow us to fully implement those areas of work where the ability of auditors is not sufficient. Several IA legislative acts contain provisions regarding involvement of experts or consultants in IA works. Chapter 10 of the Minister of Finance Order 974-N defines an expert as a person or organization independent of the given organization, which during at least two years prior to the period subject to audit, did not carry out works of the audited unit or did not manage these works; possesses the necessary professional knowledge and skills; and has relevant necessary experience in the studied field. The head of the IA unit must ensure that the expert possesses the knowledge and skills required for the performance of the given work, as well as the independence of the expert. The requirements for expert’s competences are also defined by legislation.

Article 39 of the Law on Audit Chamber defines the system of positions for the employees of the AC, and Article 49 stipulates that they must possess the required professional qualifications and practical skills among other features. Article 2 defines the term of expert as a person with special knowledge in the relevant field, involved in audit process on a contractual basis. According to Article 32 of the Law on Audit Chamber AC has the right to engage an expert in the audit process in accordance with the law and the procedure established by the AC. During public audit, the expert shall be entitled to exercise the rights and duties for public auditors established by the law.

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Gap analysis

While the different legislative documents elaborated on immediately above do imply the need for such required knowledge in procurement for conducting procurement audits, it was observed that procurement audits are not clearly specified and mandated in legislation. Although IA legislation includes some provisions related to procurement audits, it does not specify the required knowledge or qualifications for conducting these audits.
. Most of the procurement processes which are audited are done so on a compliance basis and not on a performance basis. Meetings with the SAI/AC also confirmed that no procurement audits have taken place to date and that no specific training has been received for conducting procurement audits.

Recommendations

It is recommended that procurement audits are undertaken by the SAI/AC and that the relevant skills are obtained through the necessary training and obtaining of certifications to conduct the same.
Additionally, it is recommended that the IA legislation be updated to require auditors to have specialized expertise in procurement auditing, including mandatory certifications and training.

Assessment criterion 12(d)(c):
Auditors are selected in a fair and transparent way and are fully independent.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

Article 9 of the Law on Internal Audit defines the requirements for the head of the IA units and internal auditors. According to it, the head of the IA unit and the internal auditors in state bodies and local self-government bodies are public servants, and in subordinate institutions of state bodies and local self-government bodies, they are contract workers, who are included in the list of qualified individuals for internal auditors. A person who is not included in this list may be appointed as a trainee auditor for a period of up to three years (only once).

Chapter 1 of the Minister of Finance Order 516-N on Approving the Procedure for Internal Auditors' Qualification and Continuous Professional Training Procedure, Basic Requirements for Persons Invited to Conduct Internal Audit in the Public Sector (December 28, 2023) states that internal auditors are required to be qualified in order to be included in the list of qualified individuals and organizations. The MoF manages account of these persons/firms and publishes the list on its official website, which consists of two parts:

1) a list of qualified individuals for internal auditors, including:
a. persons who have passed the exam under the conditions set forth in this order and received the qualification of the internal auditor of the RA public sector;
b. persons with auditor qualifications issued by other structures, acceptable in the field of internal audit in the RA (defined by point 6 of this order);
c. persons with the qualification of an internationally recognized auditor, acceptable in the RA (defined by point 5 of this order)

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2) a list of organizations with the right to conduct IA in the public sector, which includes organizations that meet the requirements set forth in this order.

Chapter 3 states that those RA citizens who have a higher education and meet the requirements of this order, who have submitted an application to an authorized body in accordance with the requirements defined in this order, can participate in the examination. Eligible for exam is the person who has not been recognized by a court as incapable or limited in ability; who does not have a conviction for intentional crimes; who has not been deprived of the right to hold a position or engage in activities in the field of implementation of financial and economic relations by court order; whose application submitted for participation in the examination in accordance with this procedure during the previous 3 years was not rejected by the authorized body. The exam is held at least once a month, if there is at least one application that meets the requirements. The announcement of the date, time and place of the examination is published on the official website of the MoF at least 15 working days before the exam. The acceptance of applications is stopped 5 working days before the scheduled date of the exam. The exam tests are made on the day of the exam, immediately before the exam, using a computer program based on the principle of random selection. The exam consists of 50 questions and the duration of the exam is two hours (Chapter 4).

Listed internal auditors remain qualified as long as they participate in continuing professional training programs prescribed by the authorized body and successfully complete these programs every third year following the year of qualification (Chapter 5). The total duration of training courses and practical sessions should be at least 30 hours per year, and at least 30 percent of each topic in the structure of the training course should contain practical sessions. An internal auditor is considered to have failed the training, and his qualification is terminated if he does not attend at least 80 percent of the total duration of the training course (Points 38 and 43).

The second part of the Minister of Finance Order 516-N is elaborating on basic requirements for persons/organizations invited to perform IA in the public sector. The audit organizations should have at least 3 years of experience in internal and/or external audit activities and at least three employees who meet the following requirements: have the qualification of internal auditor of the RA public sector; have at least 3 years of experience in audit (internal and/or external); do not at the same time work in other organizations providing internal and external audit services. The limitations on obtaining audit services from organizations included in the list are also specified and are related to affiliation matters.

The issue of the independence of internal auditors is addressed in several legislative acts related to IA. Article 2 of the Law on Internal Audit defines the term "independence" as the separate execution of the IA function from other functions within the organization. It is the first principle of IA mentioned in law (Article 3). According to Chapter 1810 of IA manual the head of the organization should take measures to uphold the independence of internal auditors and ensure appropriate actions regarding the scope of the audit authority and the implementation of audit recommendations. The IA committee should also ensure the independence of the IA. Potential threats to the independence of internal auditors, along with practical examples and possible mitigating actions, are also outlined. If experts are temporarily involved in the audit work, they should not be assigned to audit the works that were performed by them at least one year prior to the audit period. Internal auditors must demonstrate independence by completing a declaration of auditor independence, a sample form of which is presented in the manual.

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Article 5 of the Law on Audit Chamber sets out the qualification and experience requirement to get elected as a member of the AC, including to the position of the Chairperson of the Chamber. The chairman (member) of the AC can be elected a person meeting the requirements for the deputy of the NA, anyone with a higher education and an auditor's qualification established by the Law on Audit Activity, who has at least five years of work experience as an auditor, of which at least three years are the work experience of an auditor responsible for conducting an audit in an audit organization, or at least five years of work experience in the AC, of which at least three years in the positions specified in parts 4 and (or) 5 of Article 39 of this law, or a minimum of seven years of work experience in finance, of which at least five years in a managerial position, or a minimum of seven years of work experience in public service, of which at least five years in a managerial position.

The Chairperson (member) of the AC is elected by the NA with at least three-fifths of the total number of deputies' votes for a period of six years. The same person cannot be elected as a member of the AC, including the Chairperson, more than twice in a row. Article 39 defines the system of positions of employees (including public auditors) of the AC. Article 40 outlines the main requirements for AC employees. A RA citizen can hold the position of an employee of the AC if he/she has a higher education, knows Armenian, meets the requirements for the position provided for by the Constitution and this law, and there are no restrictions for the appointment of the position established by this law.

A person cannot be appointed to the position of an AC employee, who has been recognized as incompetent or limited in ability by a court order; who was deprived of the right to hold a position in the public service by a legally effective court act; who has been convicted of a crime, regardless of whether the conviction has been extinguished or eliminated; against whom a criminal prosecution has been initiated; against whom the criminal prosecution was terminated, or criminal prosecution was not initiated on a non-justifiable basis; who has a disease or a physical defect that prevents the exercise of powers in the case of holding a public service position, provided for in the list approved by the government; who, being an auditor, was deprived of the right to perform audit activities for a certain period of time by a legally effective court act; who, being an auditor, signed an audit report that was recognized as unreliable; whose auditor qualification has been revoked.

Article 41 outlines the conditions/requirements for appointing a position in the AC. Service positions in the AC (except for autonomous positions) are filled based on the results of the competition held in the order and conditions established by the AC, except for the recruitment of service positions by transfer.
If the vacant position is not filled by transfer, or before the vacant position is filled by the competitive procedure, it may be filled by a fixed-term employment contract, but for a period not exceeding one year. The contract is concluded with the person who satisfies all the requirements for the position.
Employees of the AC (except for those holding autonomous positions and the head of the IA unit) are appointed and dismissed by the Chairperson of the AC (Article 43.1).
The AC is functionally independent from bodies and organizations subject to public audit during the exercise of its powers and the expenditures of the AC are a constituent part of the expenditures of the State Budget.

Gap analysis

While legislation promotes the independence of internal auditors in Armenia, their actual independence can be influenced by other factors like the source of financing. As far as IA function relies on funding controlled by the

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management of the entity being audited, it could create a COI or limit the auditor's ability to operate autonomously.
Recommendations To safeguard independence, it is crucial to establish mechanisms that ensure the IA function is adequately and independently financed, free from undue influence. This could be done by centralizing IA funding, which is shifting the responsibility for financing IA functions from individual entities to a centralized authority, such as the MoF or a dedicated public audit body. This approach would eliminate the dependence of internal auditors on management-controlled budgets.

Indicator 13. Procurement appeals mechanisms are effective and efficient

Sub-indicator 13(a) **Process for challenges and appeals**
Assessment criterion 13(a)(a): Decisions are rendered on the basis of available evidence submitted by the parties.
Conclusion: No gap
Red flag: No
Qualitative analysis Since the abolition of the extrajudicial component of the procurement appeals system on June 1, 2022, all appeals are currently reviewed solely by the first instance civil courts of general jurisdiction. This process is governed by the Civil Procedure Code, which mandates that judicial acts, or court decisions, must be justified (Article 8) and reasoned (Article 9). This means that decisions must be grounded in the evidence presented, with the court's reasoning and conclusions clearly outlined. Additionally, Chapter 8 of the Code (Articles 57-92) provides detailed regulations regarding the use of evidence during trials. In practice, court decisions are made based on the evidence submitted by the parties involved.
Gap analysis Decisions are based on evidence received.
Recommendations No recommendations.
Assessment criterion 13(a)(b): The first review of the evidence is carried out by the entity specified in the law.
Conclusion: Minor gap

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Red flag: No

Qualitative analysis

As per the law the complaints procedure is directed directly to the courts, and this is the practice that is in place and was confirmed by all the stakeholders we met in Armenia (including the judges).

Gap analysis

Whilst the practice of first review is indeed at the level of the courts as specified under the law, it is not common practice that the first complaint should go straight to the courts as the nature of the complaints may be a simple administrative one (a simple administrative error on behalf of the procuring entity). While the previous administrative review system faced several issues, as highlighted in the SIGMA report titled "The Principles of Public Administration of Armenia," particularly concerning the independence of the reviewing body, which was financed by the MoF, partners did not advocate for its complete abolition.

Going directly to the courts is not the most efficient system as the court system usually takes an exceedingly long time. Even though the first review by the courts must be made in 30/40days according to Article 234.5.2 of Civil Procedure Code, the complainant reserves the right to appeal and then the appeals court can take up to 180 days to make a ruling. And finally, there is one more step thereafter which is cassation court which has no time limit. Add to this the fact that if the court of first appeal considers the complaint to be substantive and accepts the heading then the procurement process is automatically stopped/suspended (Article 234.11 of Civil Procedure Code). So, the needs of the government may be delayed by years if the process goes all the way to the court of appeals and cassation. This is not efficient and common practice.

Recommendations

It is recommended that the GoA adopt an appeals mechanism whereby the first complaint would be raised at the level of the procuring entity, followed by an independent complaints review board (and appeals mechanism/board/panel) in second and final instance.

Assessment criterion 13(a)(c):
The body or authority (appeals body) in charge of reviewing decisions of the specified first review body issues final, enforceable decisions. *

Conclusion: No gap

Red flag: No

Qualitative analysis

Since the review of procurement appeals is conducted at the court level, the process and regulations governing such reviews are subject to the provisions of judicial legislation. Article 13 of the Judicial Code of Armenia elaborates on the binding nature of judicial acts, stating that judicial acts that have entered into legal force are binding upon those to whom they are addressed. Failure to comply with a judicial act that has entered into legal force shall result in liability as prescribed by law. Article 14 addresses the right to appeal judicial decisions and

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the procedures for reviewing such decisions. In cases and under the procedure provided by law, judicial acts of the courts of first instance can be reviewed through the appeal process, and judicial acts of the court of appeal can be reviewed through the cassation procedure. This also includes non-final decisions of courts of first instance of general jurisdiction and appeal.

Quantitative analysis

*// Minimum indicator // * Quantitative indicator to substantiate assessment of sub-indicator 13(a) Assessment criterion (c):*
- number of appeals.
Source: Appeals body.

** Recommended quantitative indicator to substantiate assessment of sub-indicator 13(a) Assessment criterion (c): number (and percentage) of enforced decisions.*
Source: Appeals body.

According to the analysis presented in the Monitoring Report of the Procurement Complaint System (2023) by TIAC Armenia, between June 1 and December 31, 2022, 72 complaints were submitted to the Yerevan Court of First Instance of General Jurisdiction against the actions (inaction) and decisions of the procuring entities and the evaluation committees. During the mentioned period, final decisions were issued in 40 cases (55%). Additionally, six cases were appealed to the Court of Appeal of which only one was reviewed and a final decision (rejection) was issued.

Gap analysis

No gap

Recommendations

No recommendations.

Assessment criterion 13(a)(d):
The time frames specified for the submission and review of challenges and for appeals and issuing of decisions do not unduly delay the procurement process or make an appeal unrealistic.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

According to Article 10.5 of PL, the contracting authority shall conclude the contract, where no bidder appeals against the decision on conclusion of a contract within a standstill period specified by the law, which should be at least 10 calendar days (Article 10.3). This is the time to challenge decisions before the contract is formally concluded.

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Going directly to the courts is not the most efficient system as the court system usually takes an exceedingly long time. Even though the first review by the courts must be made in 30 days (with possible extension by up to 10 calendar days) according to Article 234.5.2 of Civil Procedure Code, the complainant reserves the right to appeal and then the appeals court can take up to 180 days to make a ruling. And finally, there is one more step thereafter which is cassation court which has no time limit. Add to this the fact that if the court of first appeal considers the complaint to be substantive and accepts the heading then the procurement process is automatically stopped/suspended.
While the timeframes for filing and reviewing appeals are generally acceptable (in case of extrajudicial review body it was 20 days with possible extension by up to 10 calendar days), the process is often extended, which can cause undue delays in the procurement process, as far as the court's decision to take up a case automatically suspends the procurement process until the day the final judicial act rendered by the court of first instance enters into force.
Although recent legal amendments have significantly reduced the time for courts to examine cases, there are still instances where the process of admitting or reviewing complaints is prolonged. Despite the requirement for the court to decide on whether to accept the claim within 3 days of its submission, this process can be followed by multiple resubmissions, which further delays the procedure.
As a result, the issuance of final decisions is delayed, which, in turn, impacts the procurement process.

Gap analysis

The procurement process is halted/suspended as soon as a case is accepted by the courts of first instance. Despite the fact that legal amendments have significantly reduced the time for courts to examine cases, there are still instances where the process of admitting or reviewing complaints is prolonged.
The current process lacks a mechanism to effectively address delays caused by resubmissions or procedural issues, which results in prolonged timelines for final decisions. This gap in the system not only extends the resolution of disputes but also continues to disrupt the procurement process.

Recommendations

It is recommended that the GoA adopt a system involving an independent appeals mechanism, whereby the first complaint would be raised at the level of the procuring entity within the standstill period. And if not happy with the answer of the procuring entity then the next level would be an independent complaints review board (and appeals mechanism/board/panel) for which appropriate timelines need to be included in the legal framework (i.e. timelines to proceed to the next steps in the appeals mechanism). And that decision would be final, with the final option to go to the courts as per the national constitution.

Sub-indicator 13(b)
Independence and capacity of the appeals body
The appeals body:

Assessment criterion 13(b)(a):
is not involved in any capacity in procurement transactions or in the process leading to contract award decisions

Conclusion: No gap

Red flag: No

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Qualitative analysis

The appeals body, in this case the courts of Armenia, are fully independent and not involved in the procurement process.

Gap analysis

No gap.

Recommendations

Regardless of the fact that the courts are fully independent, the recommendation remains that the GoA adopt a system involving an independent appeals mechanism, whereby the first complaint would be raised at the level of the procuring entity. And if not happy with the answer of the procuring entity then the next level would be an independent complaints review board (and appeals mechanism/board/panel). And that decision would be final, with the final option to go to the courts as per the national constitution.

Assessment criterion 13(b)(b):
does not charge fees that inhibit access by concerned parties

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

The law on State Duty adopted January 21, 2022 states:

Points	Type of Dispute	State Duty Amount
9.1	Disputes related to procurements (except specific cases under 9.2-9.5)	1% of purchase price, but no more than 10,000-fold of the base duty
9.2	Disputes under Article 15.6 of PL	100-fold of the base duty
9.3	Disputes under Article 46.1.2 of PL	60-fold of the base duty
9.4	Appeal of decisions under Article 6.2 of PL	50-fold of the base duty
9.5	Unilateral rescission of procurement contract	30-fold of the base duty
10.1 (Sub-point l)	Disputes related to procurements (except specific cases under m-p)	2% of purchase price, but no more than 10,000-fold of the base duty
10.2 (Sub-point m)	Procurement processes (Article 15.6 of PL)	200-fold of the base duty
10.3 (Sub-point n)	Disputes under Article 46, Part 1, Point 2 of the PL	90-fold of the base duty
10.4 (Sub-point o)	Appeal of decisions under Article 6, Part 2 of the PL	75-fold of the base duty
10.5 (Sub-point p)	Unilateral rescission of procurement contract	60-fold of the base duty
11.1 (Sub-point k)	General disputes (except specific cases under l-o)	2% of purchase price, but no more than 10,000-fold of the base duty
11.2 (Sub-point l)	Procurement processes (Article 15, Part 6)	200-fold of the base duty
11.3 (Sub-point m)	Disputes under Article 46, Part 1, Point 2 of the PL	90-fold of the base duty
11.4 (Sub-point n)	Appeal of decisions under Article 6, Part 2 of the PL	75-fold of the base duty

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11.5 (Sub-point o)	Unilateral rescission of procurement contract	60-fold of the base duty

The base duty rate is set at AMD 1,000.

"**Article 1.** Part 1 of Article 9 of the Law HO-186 "On state duty" of December 27, 1997

(1) shall be supplemented with points 9.1-9.5 which read as follows:

"(9.1)	for disputes envisaged by Chapter 27.2 of the Civil Procedure Code of the Republic of Armenia, except for the cases provided for by points 9.2-9.5 of this part:	in the amount of one per cent of purchase price, but not more than 10000-fold of the base duty
(9.2)	for disputes envisaged by Chapter 27.2 of the Civil Procedure Code of the Republic of Armenia regarding the procurement processes provided for by part 6 of Article 15 of the PL:	in the amount of 100-fold of the base duty
(9.3)	for disputes envisaged by the ground of point 2 of part 1 of Article 46 of the PL:	in the amount of 60-fold of the base duty
(9.4)	for disputes related to the appeal of decisions envisaged by part 2 of Article 6 of the PL:	in the amount of 50-fold of the base duty
(9.5)	for disputes related to unilateral rescission of procurement contract:	in the amount of 30-fold of the base duty";

(2) point 10 shall be supplemented with sub-points "l"-"p" which read as follows:

"l.	for disputes envisaged by Chapter 27.2 of the Civil Procedure Code of the Republic of Armenia, except for the cases provided for by sub-points "m"-"p" of this point:	in the amount of two per cent of purchase price, but not more than 10000-fold of the base duty
m.	for disputes envisaged by Chapter 27.2 of the Civil Procedure Code of the Republic of Armenia regarding the procurement processes provided for by part 6 of Article 15 of the PL:	in the amount of 200-fold of the base duty
n.	for disputes envisaged by the ground of point 2 of part 1 of Article 46 of the PL:	in the amount of 90-fold of the base duty
o.	for disputes related to the appeal of decisions envisaged by part 2 of Article 6 of the PL:	in the amount of 75-fold of the base duty
p.	for disputes related to unilateral rescission of procurement contract:	in the amount of 60-fold of the base duty";

(3) point 11 shall be supplemented with sub-points "k"-"o" which read as follows:

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"k.	for disputes envisaged by Chapter 27.2 of the Civil Procedure Code of the Republic of Armenia, except for the cases provided for by sub-points "l"-"o" of this point:	in the amount of two per cent of purchase price, but not more than 10000-fold of the base duty
l.	for disputes envisaged by Chapter 27.2 of the Civil Procedure Code of the Republic of Armenia regarding the procurement processes provided for by part 6 of Article 15 of the Law "On procurement":	in the amount of 200-fold of the base duty
m.	for disputes envisaged by the ground of point 2 of part 1 of Article 46 of the PL:	in the amount of 90-fold of the base duty
n.	for disputes related to the appeal of decisions envisaged by part 2 of Article 6 of the PL:	in the amount of 75-fold of the base duty
o.	for disputes related to unilateral rescission of procurement contract:	in the amount of 60-fold of the base duty".

Gap analysis

As described above there are fees that the courts prescribe for each level of the review mechanism which goes contrary to the principle of internationally accepted procurement appeals mechanism which ought to be free of charge or a minimal administrative fee at most. Court fees especially for high-value procurement cases are quite higher than those previously imposed by the extrajudicial review body, which may unduly limit access to appeal mechanism.

Recommendations

It is recommended that the GoA establish an independent appeals body (complaints review board) to address procurement complaints, with the courts reserved as the final step in the process.

Assessment criterion 13(b)(c):
follows procedures for submission and resolution of complaints that are clearly defined and publicly available

Conclusion: No gap

Red flag: No

Qualitative analysis

Article 46 of the PL entitled “RIGHT TO APPEAL” states:

“1. Every interested person shall have the right to appeal against the actions (inaction) and decisions of the contracting authority, the evaluation commission, as prescribed by the Civil Procedure Code of the Republic of Armenia. Every person shall have the right to appeal — by the deadline for submission of bids and as prescribed by the Civil Procedure Code of the Republic of Armenia — against the descriptions of the subject of procurement, the requirements for the prequalification notice or those of the invitation.

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2. Relations pertaining to the procurement shall not be regarded as administrative relations and shall be regulated by the legislation of the Republic of Armenia regulating civil law relations.

3. The damages caused as a result of an action or inaction of the contracting authority; the evaluation commission shall be compensated as prescribed by the Civil Code of the Republic of Armenia.

4. *The time limit prescribed by part 3 of Article 10 of this Law shall be a term for the statute of limitations for appealing against the actions (inaction) and decisions of the contracting authority, the evaluation commission, except for the disputes related to the appeals against the decisions and unilateral rescission of the contract provided for by part 2 of Article 6 of this Law, in case whereof the term for the statute of limitations shall be thirty calendar days.*"

Article 27 of the PL, covering "notifications of procurement" also mandates to add information in the notification of a procuring opportunity on the right to appeals under sub-clause 27.2.10.

Article 28 of the PL on the contents of the invitation also includes such mandatory information regarding the rights to appeal, the process, and timelines, under sub-clause 28.1.17.

Chapter 27.2 of the Civil Procedure Code of Armenia covers "proceedings on procurement disputes." It states:

"***Article 234.5. Procurement disputes examined under special adversary proceedings and time limit for the settlement thereof***
1. The court shall, as prescribed by this Chapter, examine and settle disputes — prescribed by part 1 of Article 46 of the PL — related to appealing against acts (omissions) and decisions of the contracting authority and the evaluation commission.
2. Procurement disputes shall be examined and settled within thirty days after taking the statement of claim into proceedings. Upon a reasoned decision of the court, the time limit provided for by this part may be extended once, for up to ten calendar days.

Article 234.6. Taking the statement of claim into proceedings and the actions of the court thereafter
1. The court shall decide on the issue of taking the statement of claim into proceedings within a period of three days following its submission.
2. By taking the statement of claim into proceedings, the court shall concurrently render a decision on requiring from the respondent all the evidence in regard to the procurement process under the possession of the respondent.
3. The decision on requiring evidence shall be executed within a period of five days following the receipt by the respondent of the decision.

In case of failure to comply with the decision on requiring evidence from the respondent within the time limit provided for by this part, the case shall be examined based on the evidence available therein, and the facts invoked by the claimant to be confirmed by the evidence under the possession of the respondent, shall be deemed as confirmed.
4. The court shall join under single proceedings the cases concerning the same procurement process and pending in its proceedings, related to disputes envisaged by this Chapter.

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5. The decision on taking the statement of claim into proceedings shall be immediately forwarded to the official e-mail address of the authorized body defined in the PL. The authorized body shall immediately publish the decision provided for by this part in the journal envisaged by point 14 of part 1 of Article 2 of the PL, with a reference to the suspension date.

Article 234.7. Time limit for responding to the statement of claim

1. A response to the statement of claim shall be submitted within a period of five days following the receipt of the decision on taking the statement of claim into proceedings.

Article 234.8. Peculiarities of the procedure for court notification

1. Participants of the proceedings and their representatives shall be notified on the time and venue of the court session, as well as on performing specific procedural actions as provided for by this Code, by receiving subpoenas and other documents through means of electronic communication to the e-mail address mentioned in the statement of claim, in the procedure prescribed by Article 97 of this Code.

Article 234.9. Procedure for examination of cases

1. The court shall examine cases related to disputes envisaged by this Chapter and render judgments and decisions thereon through a written procedure, except for cases where the court, upon motion of the person participating in the case or on own initiative, has come to the conclusion that it is necessary to examine the case in the court session.

2. A motion on examining the case in a court session may be presented by a person participating in the case prior to expiry of the time limit prescribed for responding to the statement of claim.

3. The court shall render a decision on examining the case in a court session within a period of three days upon expiry of the time limit prescribed for responding to the statement of claim.

4. The issue of examining the case in a court session may also be resolved by the decision on taking the statement of claim into proceedings.

Article 234.10. Rules on distribution of burden of proof under a procurement dispute

1. The burden of proof as to the circumstances underlying the disputed acts (omissions) and decisions, and as to having observed the procedure established by law, other legal acts based on which such acts (omissions) have been committed and decision has been adopted, shall be borne by the respondent.

2. The respondent may submit evidence justifying the lawfulness of the disputed acts (omissions) and decisions only during the execution period of the decision on requiring evidence, except for the cases where the respondent justifies the impossibility of submitting evidence due to reasons beyond his or her control.

Article 234.11. Suspension of procurement process

1. Appealing against acts (omissions) and decisions of the contracting authority and the evaluation commission (except for decisions provided for by part 2 of Article 6 of the PL) shall automatically suspend the procurement process for a period comprising the day of publishing the decision provided for by part 5 of Article 234.6 of this Code and until the day of entry into force of the final judicial act rendered by the court of first instance based on results of examination of the dispute.

2. Where it is necessary to continue the procurement process due to public interests or defense and national security interests, the court shall render a decision on cancelling the suspension of the procurement process based on the written motion of heads of bodies established by part 1 of Article 2 of the PL, and in case of legal entities –

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the written motion of the head of the executive body. The court shall immediately forward the decision provided for by this part to the official e-mail address of the authorized body defined in the PL on the very day of rendering the decision. The authorized body shall immediately publish such decision in the journal envisaged by point 14 of part 1 of Article 2 of PL.

Article 234.12**. **Entry into legal force of judgments rendered with regard to procurement disputes
1. The final judicial act of the court with regard to disputes related to appealing against acts (omissions) and decisions of the contracting authority and the evaluation commission shall enter into force from the date of its promulgation.
2. The concluding part of the court judgment or another final judicial act with regard to the disputes related to appealing against acts (omissions) and decisions of the contracting authority and the evaluation commission shall be forwarded to the official e-mail address of the authorized body defined in the PL on the date of its promulgation. The authorized body shall immediately publish the concluding part of the court judgment or another final judicial act in the journal envisaged by point 14 of part 1 of Article 2 of the PL.

Gap analysis

No gap.

Recommendations

No recommendations.

Assessment criterion 13(b)(d):
exercises its legal authority to suspend procurement proceedings and impose remedies

Conclusion: No gap

Red flag: No

Qualitative analysis

As already referred to above, once the court of first instance accepts that a procurement complaint is legitimate (within 3 days of receiving the complaint), then the procurement process is suspended.

Gap analysis

No gap.

Recommendations

None other than the recommendation already made above that an independent appeals body (complaints review board) be established.

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Assessment criterion 13(b)(e):
issues decisions within the time frame specified in the law/regulations*

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

The appeal body/court is mandated to adhere to clearly defined and publicly accessible procedures for the submission and resolution of complaints. The procedures for handling procurement complaints are outlined in Chapter 27.2 of the Civil Procedure Code. According to Article 234.5.2, procurement complaints must be reviewed and resolved within 30 days after the court accepts the claim for proceedings. This period can be extended once, by up to 10 calendar days, through a reasoned decision by the court. Additionally, Article 234.6.1 stipulates that the court must decide on accepting a claim for proceedings within three days of its submission.

Quantitative analysis

Quantitative indicator to substantiate assessment of sub-indicator 13(b) assessment criterion (e):
• appeals resolved within the time frame specified in the law/exceeding this time frame/unresolved (Total number and in %).
Source: Appeals body.

The legal requirement for reviewing and resolving procurement complaints stipulates that the process should be completed within a maximum of 40 working days. According to the analysis presented in the Monitoring Report of the Procurement Complaint System (2023) by TIAC Armenia, between June 1 and December 31, 2022, at least 15 cases, or 38% of the 40 completed cases, were resolved beyond the maximum timeframe of 40 working days specified by law. Additionally, at least 27 cases, or 68% of the 40 completed cases, took longer than the 30 working days stipulated by law for the resolution process.

Gap analysis

Despite the legal requirements, the actual practice often deviates, with delays frequently occurring in the process. In addition, applicants/bidders frequently fail to comply with basic requirements for submitting appeals, resulting in their return for correction and subsequent resubmission. More problematic is the occurrence of multiple returns for the same claims, causing significant delays in the process. In some instances, this leads to the failure to resubmit corrected claim/complaint, resulting in the closure of cases without resolution.

Recommendations

It is recommended to create comprehensive and user-friendly guidelines for applicants/bidders on the proper preparation and submission of appeals. These guidelines should detail key requirements and common errors. Providing pre-submission checks or advisory services through helpdesk could also reduce errors and improve compliance. Another solution is to utilize online platforms to enable electronic submission and validation of

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complaints, which can automatically flag missing or incorrect information before final submission, thus reducing errors and minimizing delays.

Additionally, it is recommended to establish mechanisms to monitor and evaluate the efficiency of the complaints resolution process, including reasons for delays and case closures and to use these insights to make continuous improvements.

Assessment criterion 13(b)(f):
issues decisions that are binding on all parties

Conclusion: No gap

Red flag: No

Qualitative analysis

The decisions of the courts are binding. There is a right to appeal rulings of the court of first instance. Cassation is possible on limited grounds. Any decision by cassation is the final ruling.

Gap analysis

No gap.

Recommendations

No recommendations.

Assessment criterion 13(b)(g):
is adequately resourced and staffed to fulfil its functions.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

While the courts system is adequately staffed and resourced with 9 judges presiding over procurement complaints, the judges did state in our meetings with them that they did not consider the system of first appeals directly going the courts a good one and that it has overburdened them. The timelines of ruling in first instance (court of first instance) within a mandatory 30 days limit was also not a very efficient one and could put quality of the review at risk.

Gap analysis

As stated above, the system is not efficient and puts a strain on the judges which may impact the quality of hearing due to being overburdened with complaints and the strict time limits which they have to adhere to.

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Recommendations

It is recommended that the appeals mechanism described above be established: an independent appeals body (complaints review board), institutionally separate from the authorized body and from contracting authorities, with recourse to the courts as a last resort

Sub-indicator 13(c)
Decisions of the appeals body
Procedures governing the decision making process of the appeals body provide that decisions are:

Assessment criterion 13(c)(a):
based on information relevant to the case.

Conclusion: No gap

Red flag: No

Qualitative analysis

According to the Civil Procedure Code, decisions are issued based on the evidence provided by the complainant and the procurement case file. The rationale behind each decision is documented in the decision protocol, which is publicly accessible at DataLex system (www.datalex.am).

Gap analysis

No gap.

Recommendations

No recommendations.

Assessment criterion 13(c)(b):
balanced and unbiased in consideration of the relevant information.*

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

According to the Civil Procedure Code (Article 13.2), the court, while maintaining independence and impartiality, conducts the trial and, if necessary, during the examination of the case, clarifies the rights and responsibilities of the parties involved, warns about the consequences of performing or not performing procedural actions, and creates conditions for clarifying the factual circumstances of the case, as well as for comprehensively, fully, and objectively examining the evidence.

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Quantitative analysis

Recommended quantitative indicator to substantiate assessment of sub-indicator 13(c) Assessment criterion (b):
- share of suppliers that perceive the challenge and appeals system as trustworthy (in % of responses). Source: Survey.
- share of suppliers that perceive appeals decisions as consistent (in % of responses).
Source: Survey.

The survey results show that most of the respondents (53.3%) were not perceiving the appeals system as trustworthy. This suggests that the system faces credibility issues and may not be meeting public expectations, especially in areas of fairness, transparency and predictability.
Consistent pattern further reveals that the majority of respondents who have filed complaints (70.6%) feel that the complaints system is neither reliable nor fair. This indicates a serious gap in public trust regarding the effectiveness of the complaints process in public procurement.
The data shows that 53% of respondents who have made complaints believe that the decisions of the review bodies or courts were not clear or coherent with similar cases.
In addition, a significant portion of respondents (64.5%) expressed dissatisfaction with the decision to centralize the appeals process within the courts.
The majority of respondents strongly advocate for simplifying, institutionalizing, and ensuring neutrality in Armenia's public procurement complaint system. Key suggestions include reinstating the extrajudicial mechanism, introducing an intermediate appeal stage, and creating a fair, transparent system that is more accessible to suppliers. There is a clear call to reduce administrative hurdles, streamline the process, and make it more predictable, with some respondents also recommending structural reforms within the MoF to enhance the system's efficiency.

Gap analysis

There is a considerable gap between the expectations set forth in the Civil Procedure Code and the current public perception of the procurement complaints system. Public trust is undermined by concerns over impartiality, transparency, and predictability.
The survey reveals that a large number of respondents view the complaints system as neither reliable nor fair, with over half of those who filed complaints pointing to a lack of transparency and clarity in the decision-making process.
The survey results highlight dissatisfaction with the decision to centralize procurement complaints within the courts, indicating that the shift has not met expectations in terms of accessibility, fairness, or efficiency.

Recommendations

It is recommended to establish feedback mechanisms for suppliers and users of the procurement complaints system to evaluate public perception, identify concerns, and utilize the gathered data for continuous improvements.
Additionally, as previously suggested, it is recommended to establish an independent appeals body responsible for handling procurement complaints, with the courts serving as a final step in the process.

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Assessment criterion 13(c)(c):
result in remedies, if required, that are necessary to correcting the implementation of the process or procedures.*

Conclusion: No gap

Red flag: No

Qualitative analysis

The decision protocol published in the centralized judicial information system/DataLex (www.datalex.am) outlines the court's ruling on procurement complaints, including case details, the decision outcome, reasoning, and any remedies or actions required. Final parts of the decisions are also being published in the official procurement website: (https://gnumner.minfin.am/hy/page/datakan_kargov_boxoqarkumner_2024_am/).

Quantitative analysis

** Recommended quantitative indicator to substantiate assessment of sub-indicator 13(c) Assessment criterion (c): - outcome of appeals (dismissed; decision in favor of procuring entity; decision in favor of applicant) (in %). Source: Appeals body.*

According to Monitoring Report of the Procurement Complaint System (2023) by TIAC Armenia, in 2022, between June 1 and December 31, out of 72 complaints submitted to the court, 11 were satisfied, including partial satisfaction (15% of all submitted cases, decision in favor of the applicant/supplier), 29 were rejected (40% of all submitted cases, decision in favor of the procuring entity), and for the remaining cases, the claim was either returned or the review was not completed. During the same period, 6 cases were appealed to the Civil Review Court, and only one of those cases had its review completed, with a final decision issued (rejected). According to data from MoF, in 2023 out of 210 complaints submitted to the court, 92 were satisfied, including partially (44%) and 118 were rejected (56%).

Gap analysis

No gap.

Recommendations

No recommendations.

Assessment criterion 13(c)(d):
decisions are published on the centralized government online portal within specified timelines and as stipulated in the law.*

Conclusion: Minor gap

Red flag: No

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Pillar IV. Accountability, Integrity, and Transparency of the Public Procurement System

Qualitative analysis

All information regarding procurement complaint decisions issued by the current appeals body/court is published on the Datalex system (http://www.datalex.am). Additionally, the decision to accept the claim for proceedings in court, as well as the final part of the court decision or other final judicial act related to procurement procedures, should be immediately published on the official procurement website (Articles 234.6 and 234.12 of Civil Procedure Code) (https://gnumner.minfin.am/hy/page/datakan_kargov_boxoqarkumner_2024_am/).

Quantitative analysis

*// Minimum indicator // *Quantitative indicator to substantiate assessment of sub-indicator 13(c) Assessment criterion (d):*
- share of appeals decisions posted on a central online platform within timelines specified in the law (in %).
*Source: Centralized online portal.**

The observation confirmed that all appeal decisions were published on the official procurement website. However, despite the legal requirement for immediate publication, in 2024, a total of 90 court decisions (final parts) were posted within approximately five working days.

Gap analysis

The Civil Procedure Code mandates the publication of information regarding the decision to accept claims for court proceedings, as well as the final decision, on the procurement website. However, as previously noted, observations reveal that bidders often encounter challenges in submitting appeals. These issues frequently result in claims being returned multiple times, and in some instances, they are not resubmitted, leading to case closure without resolution. Unfortunately, no information or statistics on such cases is available on the procurement website.
In addition, observations show that final parts for court decisions are posted on the official procurement website not immediately as required by Civil Procedure Code.

Recommendations

It is recommended that the procurement website publish comprehensive data and statistics on all procurement complaint cases, including those returned for corrections, resubmissions, and cases closed without resolution. Additionally, establishing a tracking mechanism to record and monitor the status and outcomes of each case, including the reasons for returns and closures, would significantly enhance transparency and accountability in the complaint resolution process.
To ensure full compliance with the Civil Procedure Code, it is recommended that the authorized body implement stricter internal controls and monitoring mechanisms to guarantee the immediate publication of final court decisions.

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Pillar IV. Accountability, Integrity, and Transparency of the Public Procurement System

Indicator 14. The country has ethics and anticorruption measures in place

Sub-indicator 14(a) **Legal definition of prohibited practices, conflict of interest, and associated responsibilities, accountabilities, and penalties** The legal/regulatory framework provides for the following:
Assessment criterion 14(a)(a): definitions of fraud, corruption, and other prohibited practices in procurement, consistent with obligations deriving from legally binding international anti-corruption agreements.
Conclusion: Substantive gap
Red flag: No
Qualitative analysis The PL does not define nor make mention of fraud and corruption or other generally prohibited practices in procurement. Bribery is covered under Article 6.1(3) in the context of eligibility to participate in a bidding process. It states that one would be ineligible if convicted of giving or receiving a bribe within the past five years but does not go into defining what is a bribe or under which law/regulation/decree the topic of bribes are covered in Armenia. The Procurement Regulations likewise do not make mention of fraud or corruption, nor other terms such as collusion and coercion. Overall, amendments initiated in 2017 and 2018 were targeted to promote integrity and prevent corruption in the public service, which included the new Law on Whistleblowing System, Law on Public Service and Law on Corruption Prevention Commission. The Law on Whistleblowing System of June 9, 2017 does cover the topics of corruption with regards to whistleblowing, but this law also does not include any other terminology on prohibited practices. The Law on Public Service of March 23, 2018 makes reference to ethics and behavior in public service as well as declarations of COI and refer to the CPC as being the body that sets all the rules and regulations on such matters. It also includes rules related to the receipt of gifts and benefits, including a maximum value threshold (Articles 29, 30), the obligation for public officials and senior civil servants to disclose/declare property, income, interest, and expenses (Chapter 6). Article 29 defines that persons holding public positions and public servants must not accept, or agree to accept in the future, any gift if it is connected with the performance of their official duties. In addition, they must take measures so that their family members and other persons related to them do not accept a gift or express their consent to accept it in the future if there is a possible or real connection with the official (service) duties and the gift received. Within the meaning of this Article, the concept of “gift” shall imply any advantage related to property interests that would not reasonably be granted to a person not holding the position in question. It shall also include ceded claims, surrender of claims without compensation or at an apparently disproportionately low price, property transferred without compensation or property sold at an apparently disproportionately low price, services rendered, or work carried out at an apparently disproportionately low price, as well as preferential loans, gratuitous use of another’s property, and other actions, as a result of which a person derives benefit or advantage, etc. Articles 29 and 30 elaborate on the rules for registration, evaluation, and handover of gifts.

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Pillar IV. Accountability, Integrity, and Transparency of the Public Procurement System

The Law on Corruption Prevention of June 9, 2017 makes mention of corruption prevention throughout the law. It is the main objective of the law – to prevent corruption. The CPC has created codes of conduct and works on the code of ethics as well. However, this law also makes no mention of any of the other prohibited practices and does not define corruption either.

Neither the Civil Code of Armenia, nor the Law on Corruption Prevention Commission of Armenia make mention of prohibited practices in procurement such as fraud, coercion, collusion, bribes, and money laundering.

On May 5, 2021, the NA adopted a new Criminal Code, which came into effect on July 1, 2022, replacing the previous version from 1998. Although the new Code, like its predecessor, does not define corruption, it includes a list of articles classified as corruption crimes (Annex 1, Articles 218-549). Chapter 43 defines the crimes directed against the interests of public service, including receiving, giving, and soliciting bribes. Fraud is addressed in Article 255 and money laundering in Article 296. These are also included in the list of corruption crimes, thus making them kind of manifestation of corruption (Annex 1, corresponding Articles 255, 296, 435-437).

Gap analysis

The legal framework for procurement is silent on prohibited practices.

Recommendations

It is recommended that the PL and regulations clearly state what prohibited practices are and define them in the definitions section. The law should also clearly establish them as prohibitive and either mention the sanctions or refer it to the appropriate other laws that will hand out the sanctions accordingly. The prohibitive practices should also lead to debarment and ineligibility to participate in procurement processes.

Assessment criterion 14(a)(b):
definitions of the individual responsibilities, accountability and penalties for government employees and private firms or individuals found guilty of fraud, corruption, or other prohibited practices in procurement, without prejudice of other provisions in the criminal law.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

In the Criminal Code, fraud, corruption, and other prohibited practices perpetrated by public officials are criminalised. However, there is no mention of such offenses specifically in procurement legislation. The PL has limited mention on this stating that the unlawful acts by the contracting authority and the bidder within the scope of the procurement process shall lead to liability prescribed by law. Where an unlawful act within the framework of the procurement process is detected, which is committed by the bidder or a representative of management body thereof, the contracting authority shall, on the day of its emergence, notify law enforcement bodies about that in writing (Article 12).

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Article 28.9 of the Law on Public Service mentions that violation of the rules of conduct may entail disciplinary action. Provisions on disciplinary action shall not apply to persons holding political positions.
Provisions on disciplinary action may apply to persons holding autonomous positions in the cases prescribed by law.

Gap analysis

Armenian legislation lacks provisions specifically addressing corruption and other prohibited practices in procurement and thus there are no clear definitions regarding the responsibilities, accountability, or penalties for government employees, private firms, or individuals found guilty of fraud, corruption, or other prohibited practices in procurement.

Recommendations

It is recommended that the PL and regulations should include definitions of prohibited practices as well as individual responsibilities, accountabilities and refer to the sanctions provided for by the relevant laws.

Assessment criterion 14(a)(c):
definitions and provisions concerning conflict of interest, including a cooling-off period for former public officials.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

The PL does not have a definition for COI. It does, however, make some provisions for COI in particular to the members of an evaluation commission in that they must sign a COI statement if they sit on such a commission (Article 33). But that is as far as the law goes on the subject.

According to Article 28.2.2.b, the bidders are required to disclose the beneficial owners of a company in their bid. The information provided by the selected bidders and COI statements by tender evaluation commission members and secretary are published in Procurement Bulletin[2]. However, this provision mainly applies in the case of tenders, price quotation and E-Auction procurement procedures. For companies involved in single-source procurement there is no explicit requirement for beneficial owners' disclosure.

The regulations likewise only make mention of COI with regards to the evaluation commission and the bidders. To the extent that they must sign a COI statement to show they do not have any. Again, there is no definition of COI in this decree. It should be mentioned that Procurement Regulations introduce a broader concept of affiliated persons for bidders, and this approach is not reflected in the PL. The Law does not provide a general definition of affiliated persons and limits its scope to a closed set of relationships applicable mainly to evaluation commission members.

[2] https://gnumner.minfin.am/hy/page/irakan_shaharuneri_tvyaneri_masin_haytararutyun/

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In particular, Part 6 of Article 33 states that a member or the secretary of the evaluation commission may not participate in the activities of the evaluation commission, where at the bid opening session it appears that the organization founded thereby or the organization wherein he or she holds a share, or the person with whom they are linked by kinship or in-law relationships (parent, spouse, child, brother, sister as well as parent-in-law, spouse's child, spouse's brother and spouse's sister), or the organization founded by that person or the organization wherein that person holds a share has submitted a bid to participate in the procedure concerned. Meanwhile, Clause 119 of Procurement Regulations states that:

1) natural persons shall be deemed affiliated, if they are members of the same family or run a common house or a joint business activity or act in accord based on common economic interest;
2) natural persons and legal entities shall be deemed affiliated, if they have acted in concord based on common economic interests or if the natural person concerned or the member of his/her family is a holder in the legal entity concerned disposing more than ten percent of the shares; a person who can predetermine the decisions of the legal entity in other ways not prohibited by the RA legislation; is the chair of the board, the vice-chair of the board, member of the board, chief executive officer, his/her deputy, chair, member of the collegial body performing functions of an executive body in the legal entity concerned; and such employee of the legal entity who works under immediate supervision of the chief executive officer or has material influence in decision-making by the governance bodies of the legal person.

Definition of family members is presented in Point 120 of Decree and is alike PL (father, mother, spouse, spouse's parents, grandfather, grandmother, sister, brother, children, spouse or children of the sister or brother). Thus, the definition of affiliated persons is broader in the Decree than in the PL. However, since the law takes precedence[3], there is a risk that procuring entities may bypass this requirement by referring to the provisions of the law.

The Law on Whistleblowing System does cover COI in regard to it being part of the prohibited practices that can be reported by a whistleblower, but also does not define the concept under this law.

The Law on Public Service, under Article 33 defines COI. It states:
"A conflict of interests is a situation where the private interests of a person holding a position influence or may influence the unbiased and objective performance of official duties of the latter.
2. The private interest of a person holding a position shall include any privilege to him or her or a person affiliated with him or her, as well as persons or organizations, with which he or she or the person affiliated with him or her has business, political or other practical or private relations. Business relations include any economic, business, or transactional relation, which leads or may lead to gaining benefits for the participants or any of the participants of the relations. Political relations include relations arising by virtue of involvement with any political party or in business with other members of that political party or other business or personal connections with them.
3. The case where the action (inaction) or a decision of a person applies universally or to a wide range of persons may not be deemed as motivation by his or her personal interests or personal interests of a person affiliated with him or her, except for the cases where it is obvious that the decision or action (inaction) is aimed at

[3] Article 40.1.1 of the Armenian Law on Normative Legal Acts provides that in the case of legal conflicts (collisions) the norm of normative legal act, having higher hierarchy (legal force) shall apply.

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providing a privilege to a person holding a position, a person affiliated with him or her or a commercial or non-commercial organization having joined the latter.

4. A person holding a position must avoid the occurrence of a COI situation, refrain from taking action (inaction) that leads to a conflict of interests and must refrain from performing an action or adopting a decision in a situation of COI, including from involvement in the preparatory works aimed at making a decision (drafting documents, organizing discussions, forming task forces that influence the decision-making process, etc.) or otherwise involving in decision-making process.

5. Where performance of an action (inaction) or adoption of a decision by or with the participation of a person holding a position having a superior or an immediate supervisor within the scope of his or her powers can lead to occurrence of a situation of COI, the person holding the position shall, within a period of ten days, be obliged to submit a written statement on the circumstances related to the COI to his or her superior or immediate supervisor, which shall be subject to immediate consideration.

6. The superior or immediate supervisor of the person holding a position shall, on the basis of examination of the written statement, take or suggest taking one or several of the steps simultaneously to resolve the situation:

(1) restrict the access of the person holding a position to certain information;

(2) assign the power to consider and solve the matter concerned to another person holding a position, if it is not prohibited by law;

(3) set a deadline for eliminating the COI upon the consent of the person holding a position;

(4) restrict the powers, the scope of discretion of the person holding a position in the given case, if it is not prohibited by law;

(5) refrain from making a decision in collegial bodies, unless otherwise provided by the law regulating the relevant relation;

(6) continue or resume the unbiased and objective performance of duties in the case of absence of the COI.

7. In the cases provided for by part 5 of this Article a person not having a superior or an immediate supervisor or holding a political position shall be obliged to submit a written statement thereon to the CPC which shall suggest taking steps aimed at resolving the situation, including making a statement about the existence of interests in a particular situation.

8. Prior to receiving the written consent of the superior or the immediate supervisor or the proposal of the Corruption Prevention Commission, a person should refrain from taking action or making a decision on the matter, except for the cases, where taking an immediate action or making a decision is conditioned by the need to protect the life, health, rights, freedoms or lawful interests of persons, state security, public order, health and morals, by informing the parties to proceedings, his or her superior or immediate supervisor, and in case of the absence of a superior or immediate supervisor, the CPC thereon.

9. The conclusion of the CPC on the existence of a COI with regard to a person holding a position who does not have a superior or immediate supervisor or holds a political position or the decision on instituting proceedings on an administrative offence shall be published on the official website of the Commission within a period of three days. A person not having a superior or an immediate supervisor or holding a political position shall be obliged to submit a public clarification in connection with the conclusion of the CPC which, within a period of three days upon receipt, shall be published on the website of the body where he or she holds office.

10. In the cases provided for by the law, the violation of the provisions defined in this Article gives rise to administrative or disciplinary liability.

The provisions on disciplinary liability are not applicable to persons holding political positions.

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The provisions on disciplinary liability may apply to persons holding an autonomous position in cases provided for by law.
11. Within the meaning of this Article, affiliated persons shall be:
(1) the spouse of the person holding a position, the child (including the adopted children), the parent (including the adopter), the sister, the brother of the person holding a position or that of his or her spouse;
(2) persons tied with kinship and non-kin close personal relations with a person holding a position, including persons living together, persons under actual care, persons sharing common economic interests;
(3) the organization, based on the participation in which and (or) the contract concluded with which, the person holding a position or the person affiliated with him or her has a right, as prescribed by legislation, to directly or indirectly control (including through purchase and sale, joint activity contract, commission, power of attorney or other transactions) more than half of the authorized capital or unit share of the organization, predetermine the decisions taken by the organization (including conditions of conducting entrepreneurial activities) and (or) to give binding assignments related to its main activities on behalf of that organization.
12. The provisions of this Article shall apply to persons holding a state position (except for a deputy), persons holding positions of heads, deputy heads of communities, heads, deputy heads of administrative districts of Yerevan community, as well as public servants. Parts 5, 6, 7, 8, 9 and 10 of this Article shall not apply to a judge, a member of the Supreme Judicial Council."

The Law on Corruption Prevention Commission also covers the aspects of COI and the code of conduct of civil servants.

Post-employment restriction (cooling-off period for former public officials) is outlined in Article 32.1.7 of the Law on Public Service, which states that persons holding public positions and public servants within one year following the release from their offices shall be prohibited from being employed by an employer or becoming an employee of an organization over which they have exercised immediate supervision in the last year of their tenure.

Gap analysis

The procurement legislation has limited discussion on a potential COI mainly concentrated on defining the scope of affiliated persons for evaluation commission members and secretary. Overall, the legal framework does not appear to recognize the various forms of COI that may arise at different stages of the procurement process and during the implementation of a contract, involving different actors both within and outside of the procuring entity. Additionally, the procurement system lacks an effective mechanism to verify the beneficial ownership of participants in the competitive procurement process or the parties to whom contracts are awarded. For companies involved in single-source procurement procedure there is no explicit requirement of beneficial owners' disclosure.
Procurement Regulations introduce a broader concept of affiliated persons and this is not reflected in the PL, which does not provide a general definition and limits affiliation to a closed list of relationships for evaluation commission members. These inconsistencies result in a fragmented framework that is not fully aligned with the broader concept of affiliation and influence established under the Law on Public Service, potentially leaving certain COI situations unidentified or insufficiently addressed.

Recommendations

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It is recommended that the procurement legislation be amended to include an explicit requirement for the disclosure of beneficial owners for companies involved in single-source procurement procedures. Additionally, it would be useful to align the PL with the broader concept of affiliated persons in the Procurement Regulations and the Law on Public Service to ensure a consistent definition that captures ownership, control, and indirect influence for effective management of COI risks.

Sub-indicator 14(b)
Provisions on prohibited practices in procurement documents

Assessment criterion 14(b)(a):
The legal/regulatory framework specifies this mandatory requirement and gives precise instructions on how to incorporate the matter in procurement and contract documents.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

As mentioned under indicator 14(a) above, the legal framework for procurement is silent on most of the prohibited practices in procurement such as:

1. Corruption
2. Fraud
3. Coercion
4. Collusion
5. Bribes
6. Money laundering

Gap analysis

Article 6 defining eligibility for participation in the procurement indicates particularly that the following persons are not eligible: those who have been declared bankrupt as of the day of submitting the bid; those who have been convicted within five years prior to submission of the bid — for financing of terrorism, child exploitation or a crime involving human trafficking, creation of a criminal association or participation therein, receiving a bribe, giving a bribe or mediation in bribery and crimes against economic activity provided for by law, except for cases when the conviction is expired or eliminated as prescribed by law; in respect of those an administrative act setting up liability for anti-competitive agreements, abuse of dominant position or unfair competition in the procurement has become unappealable within the three years preceding the date of submission of the application, and in case of appeal, has been left unchanged; those who have been included in the list of bidders ineligible to participate in the procurement process, published according to the legislation on procurement of the member states of the Eurasian Economic Union, as of the day of submitting the bid. The term provided for by this point does not apply to the procurement financed out at the of funds provided for by the international agreements; those that have been included in the list of bidders ineligible to participate in the procurement process as of the day of submitting the bid.

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While this section does cover some prohibited practices, the law is largely silent on the aforementioned prohibited practices.

Recommendations

It is recommended that the legal framework for procurement is updated to clearly include those prohibited practices in the law, regulations, guidelines, SBDs and make their inclusion mandatory in all procurement documents.

Assessment criterion 14(b)(b):
Procurement and contract documents include provisions on fraud, corruption, and other prohibited practices, as specified in the legal/regulatory framework.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

The standard form contract document (sample contract document) repeats the language of eligibility as per Article 6 of the law (presented in 14(b)(a) above), and do not include any further language on prohibited practices.

Gap analysis

Sample contract documents do not include prohibited practices such as corruption, fraud, coercion, collusion, bribes, and money laundering.

Recommendations

It is recommended that the sample form contract documents include all of the above-mentioned prohibited practices as was recommended to also update the PL and regulations to cover these same aspects.

Sub-indicator 14(c)
Effective sanctions and enforcement systems

Assessment criterion 14(c)(a):
Procuring entities are required to report allegations of fraud, corruption and other prohibited practices to law enforcement authorities, and there is a clear procedure in place for doing this.

Conclusion: No gap

Red flag: No

Qualitative analysis

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Article 12.2 of PL provides that where an unlawful act within the framework of the procurement process is detected, which is committed by the bidder or a representative of management body thereof, the contracting authority shall, on the day of its emergence, notify law enforcement bodies about that in writing.

In general, allegations of fraud, corruption, and other prohibited practices, including those in procurement, can also be reported through the whistle-blower mechanism established by the Law on Whistleblowing System. The term “whistle-blowing” is defined as a written or oral reporting — by a whistle-blower to an authorized person or body provided for by this Law — of information regarding a case of corruption or a violation in respect of COIs, or rules of ethics or incompatibility requirements, or other restrictions or declaration, or other harm to public interests or the threat thereof within state and local self-government bodies, state institutions and organizations, as well as within public organizations (Article 2).
Article 4 of this law defines 3 types of whistleblowing: internal, external and to the public. External whistleblowing is considered as submission of a report to the competent authority. Publications in the mass media regarding a violation of a corruption case or a COI or code of conduct or incompatibility requirements or other restrictions or declarations are considered whistleblowing to public, which, according to the RA Code of Criminal Procedure and the Law on Corruption Prevention Commission (Article 27), can be an occasion or a basis for initiating appropriate proceedings. Chapter 4 of the Law on Whistleblowing System is dedicated to external whistleblowing and its proceedings and Chapter 4.1 to the whistleblowing to public.
Article 8 elaborates on the unified electronic platform for whistleblowing (https://azdararir.am/en/) through which the whistleblower may anonymously submit information about a crime. The platform shall ensure accessibility to the RA Prosecutor's Office.

Gap analysis

No gap.

Recommendations

No recommendations.

Assessment criterion 14(c)(b):
There is evidence that this system is systematically applied, and reports are consistently followed up by law enforcement authorities.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

The Law on Whistleblowing System defines the term “competent body” as a RA state and local self-government body, state institution and organization, public organization, which is obliged, by ensuring the guarantees prescribed by the Law, to process the whistleblowing. According to Article 7.3 external whistleblowing shall commence with submission of a report by a whistle-blower to the competent authority. The latter shall ensure prompt record-keeping of the report, but no later than within one working day; institute, within its competence,

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proceedings within three working days following record-keeping of the report in case of existence of grounds; and in case of detecting prima facie elements of crime while verifying the authenticity of the report, promptly inform the Prosecutor's Office thereon. Failure to fulfil the above-mentioned obligations shall entail liability prescribed by law.

According to the statistics presented in the unified electronic platform for whistleblowing, in 2023, 116 whistleblowing reports were received, of which 99 were anonymous. Whistleblowing proceedings were initiated in 22 cases, and criminal proceedings were initiated in 3 whistleblowing cases.

However, among articles of RA Criminal Code mentioned in these statistics only one was related to corruption (abuse of official powers) (Article 441.2.2), but there is no further clarification and details on this. The annual report on corruption crime investigations published by the Prosecutor's Office, which presents the most comprehensive statistics on corruption crimes and their investigation in Armenia, includes statistics referenced to specific articles of the Criminal Code. However, since the Code does not contain a specific article on corruption related to public procurement, the statistics on corruption crimes within procurement were not explicitly presented in the report.

Following recent amendments in the Law on Public Service and related legislation, the CPC was entrusted with the function of monitoring the restrictions on the acceptance of gifts, as well as the authority to carry out proceedings on administrative offenses in connection with these violations.
According to 2023 annual activity report of CPC, 3 proceedings were initiated based on the violation of the restrictions on accepting gifts and administrative penalties have been applied. However, in this case there is also no mention regarding procurement.

According to the published information, in the first half of 2024, the State Supervision Service observed a total of 5,678 procurement procedures, among which 13 additional observations were carried out and summarized, as a result of which the facts of apparent violations were transferred to the Prosecutor's Office.
It should be noted that increasing the effectiveness of detecting corruptive economic offenses is one of the directions of the RA Anti-Corruption Strategy 2023-2026. It recognizes the importance of continuously building the capacities of officials responsible for managing public procurement, overseeing the process, and detecting economic offenses. The relevant institutions include the Prosecutor Office, the ACC, the Investigative Committee, the AC, the State Supervision Service, and the Competition Protection Commission. Additionally, it is proposed to develop guidelines for identifying and categorizing economic corruption offenses/crimes.

Gap analysis

There is no legal act in Armenian legislation (including Criminal Code), which specifically defines and sanctions manifestations of corruption or other prohibited practices in public procurement. Thus, it is difficult to identify and report statistics on those within the procurement process.

Recommendations

It is recommended that Armenian legislation be amended to include a specific article addressing corruption and other prohibited practices related to public procurement o and maintain separate reporting/statistics related to

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public procurement with reference to corresponding articles of Criminal Code or other legislative acts. This would enable more accurate identification, reporting, and tracking of such crimes and furthermore, it would provide a clearer legal framework for prosecuting procurement-related offenses.

Assessment criterion 14(c)(c):
There is a system for suspension/debarment that ensures due process and is consistently applied.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

The PL has a system of suspension/debarment which is referred to as an "ineligibility list." Under Article 6 of the PL on eligibility to participate it states:

"*1. Except for the cases of carrying out procurement under the procedure provided for by points 1, 3, 4 and 5 of part 1 of Article 23 of this Law, the following persons shall not be eligible to participate in procurement:*
(3) those who have been convicted or a representative of the executive body whereof has been convicted — within five years prior to submission of the bid — for financing of terrorism, child exploitation or a crime involving human trafficking, creation of a criminal association or participation therein, receiving a bribe, giving a bribe or mediation in bribery and crimes against economic activity provided for by law, except for cases when the conviction is expired or eliminated as prescribed by law;
(4) an administrative act in relation thereto prescribing responsibility for anti-competitive agreement, abuse of a dominant position or unfair competition in the field of procurement has become inappealable within three years preceding the day of submitting the bid, whereas in case of being appealed against, it remained unchanged.
(5) those who have been included in the list of bidders ineligible to participate in the procurement process, published according to the legislation of member states of the Eurasian Economic Union on procurement, as of the day of submitting the bid. The term provided for by this point does not apply to the procurement processes to be carried out at the account of funds provided for by the international agreements;
(6) those that have been included in the list of bidders ineligible to participate in the procurement process as of the day of submitting the bid. The bidders shall be included in the indicated list, where:
a. they have violated the obligation provided for by a contract or assumed within the procurement process, which resulted in unilateral rescission of the contract by the contracting authority or termination of further participation of the bidder concerned in the procurement process and the bidder has not paid the amount of the bid security, contract security and (or) qualification security within the time limit prescribed by the invitation and (or) by the contract;
b. they have refused to conclude a contract as a selected bidder or are deprived of the right to conclude a contract;

2. The authorized body shall maintain and publish, including in Russian, the list referred to in point 6 of part 1 of this Article. The authorized body shall include the bidder in the list of bidders ineligible to participate in the procurement process based on a reasoned decision of the head of the contracting authority. The head of the contracting authority shall make the decision mentioned in this part within ten days following the day of declaring the procurement procedure as not having taken place or publishing the notice on the contract having

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been concluded or unilaterally rescinding the contract. It shall — on the day after making the decision — be provided to the authorized body and the bidder. The authorized body shall include the bidder in the list of bidders ineligible to participate in the procurement process within five days following the fortieth day after the receipt of decision, and in case there is an instituted and not completed judicial case regarding the appeal against the decision by the bidder as of the fortieth day after the receipt of decision – within five days following the day of entry into force of a final judicial act with regard to the judicial case, where the opportunity of enforcing the decision has not been eliminated based on the result of the court examination. A bidder shall be included in the indicated list for a time limit of two years following the day of his or her inclusion."

Gap analysis

Circumstances under Article 6.1, are by and large acceptable as grounds for exclusion or debarment. However, some of the grounds under Article 6.1.6 may benefit from further clarification to ensure proportionality, predictability, and alignment with international good practice.

In particular, Article 6.1.6(a) may be excessive where debarment for two years follows from failure to submit or pay the required security within the prescribed timeframe. This may be especially burdensome for SMEs, which may face practical difficulties in obtaining securities, such as bank guarantees, within short deadlines. Such cases do not necessarily indicate bad faith, integrity risks, or serious non-performance, and therefore may not always justify a two-year exclusion from participation in public procurement.

Article 6.1.6(b) also requires further clarification. Where a selected bidder refuses to conclude a contract or is deprived of the right to conclude a contract, the legal framework does not clearly define the relationship between debarment and the financial consequence linked to bid security. As a result, there may be uncertainty as to whether debarment is intended to apply in addition to bid security in all such cases, or only in more serious circumstances, such as where the bidder fails to comply with the bid security requirement, where no bid security is available, where the conduct demonstrates bad faith or serious misconduct, or in other clearly defined cases. This creates a risk of cumulative and potentially disproportionate consequences.

Article 6.1.3 introduces a five-year limitation period on conviction-based exclusions, under which economic operators or their representatives previously convicted of serious offences such as terrorism financing, child exploitation, or human trafficking may regain eligibility to participate in public procurement once that period has elapsed. This time-based limitation applies irrespective of the gravity of the offence or the reputational and integrity risks involved and does not allow for differentiated or extended exclusion measures for the most serious prohibited practices. As a result, this represents a substantive gap in the legal and regulatory framework, as the suspension and debarment system may inadequately protect the public procurement system from high-risk actors and is not fully aligned with good international practice.

Recommendations

While a debarment system exists, is operational, and is published, the grounds and consequences for debarment are not fully aligned with international good practice.

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The legal framework should distinguish more clearly between administrative or procedural failures, failure to comply with security requirements, and serious misconduct. In particular, failure to submit or pay a required security within the prescribed timeframe should not automatically lead to two-year debarment where the circumstances do not indicate bad faith, intentional non-compliance, or material harm to the procurement process. Consideration could be given to more proportionate measures, such as allowing a short cure period, applying bid security as the primary consequence, or reserving debarment for repeated or intentional failures.

The framework should also clarify the relationship between bid security and debarment where a selected bidder refuses to conclude a contract or is deprived of the right to conclude a contract. The current wording may create uncertainty as to whether refusal by a selected bidder to conclude a contract may trigger both forfeiture/payment of the bid security and debarment for two years. To avoid potentially cumulative and disproportionate consequences, the legal framework could more clearly distinguish between cases where bid security is available and enforceable, and cases where debarment is justified.

At the same time, exclusion for certain serious criminal offences appears to be limited to a maximum period of five years, regardless of the gravity of the offence or the integrity risk involved. For the most serious offences, the framework should follow a more risk-based approach and allow for differentiated or, where justified, longer exclusion periods, taking into account the nature and severity of the misconduct and the risks posed to the procurement system.

It is recommended that the new law revise the debarment regime to ensure that it is proportionate, risk-based, and aligned with international practice. The framework should clearly distinguish between lesser procurement-related violations and grave criminal offences, establish differentiated exclusion periods accordingly, and link debarment grounds to clearly defined prohibited practices in Armenian legislation, while ensuring due process and clear conditions for reinstatement.

Assessment criterion 14(c)(d):
There is evidence that the laws on fraud, corruption and other prohibited practices are being enforced in the country by application of stated penalties.*

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

There is evidence that the laws on fraud, corruption, and other prohibited practices are being enforced in Armenia, but their full implementation faces some challenges.

Armenia has adopted anti-corruption laws that prescribe strict penalties for fraud, corruption and other economic crimes. Since the 2018, the government has introduced various reforms, leading to investigations into former officials and business leaders. However, corruption continues to be a persistent issue, and the slow pace of legal proceedings can sometimes hinder the timely application of penalties.
Corruption cases are investigated by the ACC, and a specialized department was established within the Prosecutor's Office to oversee pre-trial procedures. This Department of Supervision ensures that corruption

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investigations conducted by the ACC are carried out legally. Judicial investigations and hearings related to corruption offences are handled by the Anti-Corruption Court, which operates as the first instance court. The Anti-Corruption Court of Appeal has the authority to review the decisions of the first instance courts, while the Anti-Corruption Chamber of the Court of Cassation oversees all appeals related to corruption cases following decisions made by the appellate criminal court.

Quantitative analysis

** Recommended quantitative indicator to substantiate assessment of sub-indicator 14(c) Assessment criterion (d):*
- Firms/individuals found guilty of fraud and corruption in procurement: number of firms/individuals prosecuted/convicted; prohibited from participation in future procurements (suspended/debarred).
Source: Normative/regulatory function/anti-corruption body.
- Government officials found guilty of fraud and corruption in public procurement: number of officials prosecuted/convicted.
Source: Normative/regulatory function/anti-corruption body.
- Gifts to secure public contracts: number of firms admitting to unethical practices, including making gifts in (in %).
Source: Survey.

Based on the data provided in the 2023 Report on Corruption Crime Investigation published by the Prosecutor's Office, the following table illustrates the number of corruption-related criminal cases, the individuals involved, and the outcomes for 2022 and 2023.

Category	2023	2022
Total corruption-related criminal cases	149	99
Total individuals involved	249	197
Cases led to convictions	97	67
Total individuals sentenced, including	140	132
Imprisonment	25	30
Fines	39	63
Other main punishments	3	0
Suspended	73	39
Supplementary penalties applied	9	8

According to the same source, a total of 152 officials were prosecuted for corruption-related crimes in criminal cases investigated by the ACC in 2023, compared to 63 in 2022.
In addition, several former and current officials have been prosecuted for corruption-related crimes in criminal cases investigated by the Investigative Committee and the Investigative Department of the National Security Service.
While the Report on Corruption Crime Investigation provides general data and mentions some cases related to procurement corruption, it lacks a specific focus or detailed breakdown of corruption crimes in the procurement sector. As a result, it is difficult to present accurate statistics on the prosecution and conviction of firms/individuals/officials, as well as the penalties or sanctions imposed for corruption offenses in public procurement.

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As of the end of 2024, the list of participants debarred from (or ineligible for) public procurement did not include anyone excluded due to a conviction for corruption offenses.
Survey data indicates that 21.2% of respondents believe companies are expected to provide a gift or bribe to secure contracts in public procurement. However, only one respondent admitted to having done so.

Gap analysis

Despite Armenia's adoption of anti-corruption laws and reforms, a gap remains in the effective and timely enforcement of these laws. Although investigations into former officials and business leaders have taken place, the ongoing issue of corruption is worsened by slow legal proceedings, which delay the imposition of penalties and reduce the overall effectiveness of anti-corruption efforts.
Additionally, there is a gap in statistics related to corruption offenses in public procurement, hindering a comprehensive understanding of the scope and consequences of such crimes.
Furthermore, the list of participants debarred from (or ineligible for) public procurement does not include any individuals who have been excluded due to a conviction for corruption offenses, which points to a potential gap in the enforcement of accountability measures in public procurement.

Recommendations

It is recommended that legal proceedings be streamlined to facilitate faster resolution of cases, especially those involving corruption. This would ensure the timely imposition of penalties, strengthen the overall effectiveness of anti-corruption efforts, and enhance public trust in the system.
Additionally, the government should improve data collection and reporting on corruption offenses in public procurement, ensuring that specific statistics are provided to better understand the scope and consequences of such crimes.
Moreover, the list of participants debarred from public procurement should be revised to include individuals who have been excluded due to a conviction for corruption offenses. This would strengthen accountability and prevent those with a history of corruption from engaging in future public procurement activities.

Sub-indicator 14(d)
Anti-corruption framework and integrity training

Assessment criterion 14(d)(a):
The country has in place a comprehensive anti-corruption framework to prevent, detect and penalize corruption in government that involves the appropriate agencies of government with a level of responsibility and capacity to enable its responsibilities to be carried out.*

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

Since 2019 Armenia has implemented a number of reforms, which resulted in the formation of specialized anti-corruption structures.
Based on the monitoring and evaluation results of the Anti-corruption Strategy and Its Action Plan for 2019-2022, good progress has been achieved in several directions, including:

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Pillar IV. Accountability, Integrity, and Transparency of the Public Procurement System

- ✓ The establishment of the CPC (November 2019) as a specialized autonomous corruption prevention body with relevant independence safeguards and significantly expanded scope of powers and tools, including for conducting integrity checks in cases outlined by law.
- ✓ The Commission is authorized to initiate proceedings on administrative offenses, violations of the incompatibility requirements and other restrictions, violations of rules of conduct, and situational COIs defined by the Law on Public Service. The CPC can also initiate disciplinary proceedings as per the Constitutional Law "Judicial Code of the RA".
- ✓ The establishment of the ACC (October 2021) as an investigative body specializing in proceeding of corruption offenses, conducting operational intelligence activities within its jurisdiction and having independence safeguards. This body also collaborates with various government agencies and state administration institutions, fully executing the designated tasks.
- ✓ The establishment of the Anti-Corruption Court (July 2022), appointment of judges in the Criminal and Civil Courts of Appeal, to examine the appealed court decisions regarding corruption offenses and anti-corruption civil cases, and further the establishment of the Anti-Corruption Chamber within the Court of Cassation and the Anti-Corruption Court of Appeal (June 2023).
- ✓ The adoption of the new Criminal Code (May 2021), which revised the corpus delicti for corruption offenses, aiming to increase the effectiveness of corruption crime detection and to improve anticorruption measures. The new Criminal Code also introduced the concept of criminal liability for legal entities.
- ✓ The amendments to the Law on Public Service and related laws (2022) led to the improvements in the legislative regulations of COI and incompatibility requirements. Additionally, the issues related to the receipt of gifts by public officials and public servants during the performance of their official duties and the oversight tools for gift registration have been regulated by the law.
- ✓ The adoption of legislative acts mandating widespread disclosure of beneficial owners of legal entities and establishing regulations for an open and publicly accessible, in order to increase transparency in the private sector. From January 2023, all legal entities are obliged to declare their beneficial owners. Criminal and administrative liability measures are set in case of failing to implement or properly fulfill the declaration requirement. At the same time, the electronic register of beneficial owners of legal entities was launched.
- ✓ The amendments to legislation on economic competition, which among other things allowed to improve the process and define specific features of administrative proceedings by the Commission for Protection of Economic Competition (CPEC), set the rights and responsibilities of the participants in the proceedings, and plan the mechanisms of cooperation with operational intelligence bodies and provision of operative data concerning economic competition by these bodies to CPEC.

The enhancement of the legal mechanisms for the whistleblowing system and expansion of whistleblowing types to include a new type of whistleblowing called "whistleblowing to the public." Currently the electronic whistleblowing platform (azdararir.am) provides a possibility to report conflicts of interest, violations related to the code of conduct, incompatibility requirements, and other restrictions, as well as violations of declaration requirements. The scope of whistleblowing has been expanded to include the private sector and community institutions. Furthermore, whistleblower protection mechanisms have been elaborated. Additionally, the Human Rights Defender was designated to collect the relevant statistics from the state bodies with subsequent publication of this data. In addition, Human Rights Defender has been assigned the responsibility for monitoring the enforcement of whistleblower protection, collecting data on whistleblower protection, and other duties.
In addition, Armenia has engaged in various public education campaigns aimed at raising awareness about corruption and cultivating an early understanding of the importance of good governance and ethical behavior.

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Quantitative analysis

**Recommended quantitative indicator to substantiate assessment of sub-indicator 14(d) Assessment criterion (a):*
- percentage of favorable opinions by the public on the effectiveness of anti-corruption measures (in % of responses).
Source: Survey.

The majority of respondents (63.6%) rated the e-procurement system as quite effective, indicating that most people perceive it to be beneficial in reducing corruption, though not perfect. Additionally, 12.1% found it to be very effective, suggesting that some respondents believe the system has a significant impact. A smaller portion of respondents (around 24.2%) feels that the e-procurement system either does not significantly reduce corruption (21.2% - Not really effective) or is not effective at all (3%). This group might believe that the system does not address deeper structural issues or that it may still be vulnerable to manipulation.
While more than half of respondents (54.6%) think that providing information and training is at least somewhat effective, it appears that there is less enthusiasm for this measure compared to the e-procurement system. The complete lack of respondents rating it as "very effective" might suggest a belief that while helpful, training alone may not be sufficient to address systemic corruption issues.
The largest group of respondents (42.4%) feel the measure is “not really effective”, indicating skepticism about its actual impact in practice. Combined with those who believe it is “not effective” (9.1%), over half (51.5%) of respondents view the reporting channel as ineffective or weakly effective in reducing corruption.
This suggests that while a reporting system may be useful in principle, confidence in its strong impact remains low and its actual impact depends on various factors such as enforcement, anonymity protections, and overall trust in the system.
A significant majority of respondents (60.6%) believe that the declaration forms for suppliers to affirm their compliance with anti-corruption rules are either not effective or only have a limited effect on reducing corruption. This suggests that while some respondents see value in this measure, a significant portion feels that it alone cannot address the systemic issues related to corruption in public procurement.
Survey results indicates that respondents generally view the disclosure of beneficiary ownership as moderately effective in combating corruption in the public procurement system in Armenia.
The majority view (60.6%) that it is at least quite effective, which is a positive sign that transparency in beneficiary ownership is seen as a crucial measure for ensuring that procurement processes are fair and free from corruption. However, 39.4% of respondents are either skeptical or believe that the measure alone will not be sufficient to reduce corruption significantly, suggesting that some may perceive it as ineffective without strong enforcement or other complementary measures.
The respondents generally view the declaration of property/income and personal interests of public officials as moderately effective in combating corruption. The majority view (60.6%) believes that such declarations are a useful tool for enhancing transparency and holding public officials accountable, but the negative perception from 39.4% of respondents indicates that there are concerns about the measure’s impact.
The respondents view the strong law enforcement system as fairly effective in combating corruption within the public procurement system.

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The majority view (69.7%) is that law enforcement is quite effective or very effective, which reflects the broad consensus that a robust legal framework and enforcement mechanisms are critical to tackling corruption. Concerns from 30.3% of respondents suggest that while law enforcement is important, some respondents may have doubts about the implementation capacity, integrity, or independence of law enforcement agencies in effectively enforcing anti-corruption measures.
Half of the respondents (50%) view the Code of Conduct for public and private entities as a positive measure for reducing corruption, however negative view also shows that many respondents are doubtful about the real impact of such codes in preventing corruption, likely due to concerns about enforcement, compliance, and the effectiveness of these measures in environments where corruption is entrenched.
The survey results highlight a comprehensive strategy for addressing corruption in public procurement, which involves structural reforms, improved oversight, enhanced technical skills, stronger legal enforcement, and a shift in cultural attitudes. Key suggestions include bolstering oversight mechanisms, increasing transparency, distancing procurement from political interference, strengthening the legal framework, and implementing reporting platforms for misconduct.

Gap analysis

Although Armenia has established a robust anti-corruption legal framework, the enforcement of these laws remains inconsistent. Political will remains a crucial factor in determining the success of anti-corruption efforts. Corruption remains entrenched in some sectors, and high-profile corruption cases have sometimes resulted in little or no legal consequences, which undermines public confidence in the system.
While anti-corruption institutions have been strengthened, they still face limitations in terms of resources and expertise. Adequate funding, staffing, and training are necessary to ensure their effectiveness.
Despite legal frameworks and institutional structures, public trust in the effectiveness of anti-corruption measures is often not sufficient.
The survey results reveal that most of anti-corruption measures in RA public procurement system are seen as moderately effective, with skepticism about their enforcement and compliance.

Recommendations

It is recommended to strengthen law enforcement by establishing clear guidelines for prosecution and independent oversight to ensure laws are enforced fairly and consistently.
It is important to enhance campaigns focused on raising public awareness about the significance of anti-corruption measures and the crucial role citizens play in reporting misconduct. The protection of whistleblowers needs to be emphasized to ensure individuals can report issues without fear of retaliation.
Resources and expertise for anti-corruption institutions need to be increased by allocating adequate resources/funding, improving staffing and providing continuous training. In particular, specialized training programs for law enforcement and anti-corruption officers could be useful to enhance their investigative skills, legal expertise, and understanding of new corruption schemes.
In addition, closer cooperation among anti-corruption agencies, civil society, and the private sector can be fostered to share information and collaborate on investigations. Civil society involvement can be promoted also through supporting and empowering them to engage in advocacy for stronger anti-corruption measures.

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Anti-corruption institutions need to regularly engage with the public through forums, discussions, and media outreach to explain their work, build confidence, and ensure that the public sees tangible results in the fight against corruption.
It is recommended that adherence to a Code of Conduct be made mandatory and legally enforceable for both public officials and private sector contractors, with clearly defined penalties for non-compliance.

Assessment criterion 14(d)(b):
As part of the anti-corruption framework, a mechanism is in place and is used for systematically identifying corruption risks and for mitigating these risks in the public procurement cycle.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

The importance of improving anti-corruption mechanisms in public procurement for comprehensive and effective fight against corruption is recognized by the RA Anti-corruption Strategy for 2023-2026. However, there is still no special mechanism in place and used for systematically identifying and mitigating corruption risks specifically in the public procurement cycle.

Gap analysis

There is no special mechanism in place and used for systematically identifying and mitigating corruption risks specifically in the public procurement cycle.

Recommendations

It is recommended to develop a risk-based monitoring system that uses data analytics and risk profiling to monitor procurement processes continuously. This should help identify high-risk procurement activities that require more detailed scrutiny or intervention. Overall, a dedicated anti-corruption framework for public procurement should be developed, which could enable the establishment of a comprehensive and tailored mechanism specifically designed to identify and address corruption risks within the procurement process. In addition, this framework should include risk assessment tools, guidelines for detecting vulnerabilities, and measures to prevent corruption at every stage of procurement. It is also important to provide training for procurement officers and other relevant stakeholders on anti-corruption policies, legal framework, and best practices, which could help to build awareness of potential corruption risks and equip officials with the tools to mitigate them.

Assessment criterion 14(d)(c):
As part of the anti-corruption framework, statistics on corruption-related legal proceedings and convictions are compiled and reports are published annually.

Conclusion: Substantive gap

Red flag: No

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Qualitative analysis

As already mentioned, according to the statistics presented in the unified electronic platform for whistleblowing, in 2023, from 116 whistleblowing reports received, whistleblowing proceedings were initiated in 22 cases, and criminal proceedings were initiated in 3 whistleblowing cases. However, among articles of RA Criminal Code mentioned in these statistics only one was related to corruption (abuse of official powers) (Article 441.2.2), but there is no further clarification and details on this.

The annual report on corruption crime investigations published by the Prosecutor's Office, which presents the most comprehensive statistics on corruption crimes and their investigation in Armenia, includes statistics referenced to specific articles of the Criminal Code. However, since the Code does not contain a specific article on corruption related to public procurement, the statistics on corruption crimes within procurement were not explicitly presented in the report.

According to 2023 annual activity report of CPC, 3 proceedings were initiated based on the violation of the restrictions on accepting gifts and administrative penalties have been applied. However, in this case there is also no mention regarding procurement. According to the published information, in the first half of 2024, the State Supervision Service observed a total of 5,678 procurement procedures, among which 13 additional observations were carried out and summarized, as a result of which the facts of apparent violations were transferred to the Prosecutor's Office.

Gap analysis

Corruption crimes in procurement are not specified, and, thus, it is difficult to identify and report statistics on such crimes within the procurement process. There is a lack of detailed statistics at least in the annual reports on the work of investigators and prosecutors who specialize in the investigation of corruption crimes. Separate statistics are necessary for high-level corruption offenses, the cases that have been detected and sent to the court, cases where sanctions were applied, dismissed proceedings, etc.

Recommendations

It is recommended that Armenian legislation be amended to include a specific article addressing corruption and other prohibited practices related to public procurement or maintain separate reporting/statistics related to public procurement with reference to corresponding articles of Criminal Code or other legislative acts. This would enable more accurate identification, reporting, and tracking of such crimes.

Assessment criterion 14(d)(d):
Special measures are in place for the detection and prevention of corruption associated with procurement.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

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Pillar IV. Accountability, Integrity, and Transparency of the Public Procurement System

In Armenia special measures in place to detect and prevent corruption in procurement include:

- Enforcing transparency requirements-mandatory publication of procurement plans, contracts, and related documents to ensure public access to information (PL and regulations).
- Conducting monitoring/audit-oversight by responsible bodies of procurement processes to identify irregularities (oversight by IA, AC, State Supervision Service, etc.).
- Implementing conflict of interest policies-regulations requiring disclosure of potential conflicts to prevent biased decision-making (declaration of assets, income, interests and expenses, CPC).
- Establishing and implementing whistleblowing mechanisms/channels-system enabling individuals to report suspected corruption anonymously (e.g., unified electronic platform for whistleblowing).
- Establishing legal framework- provisions for penalizing corrupt practices, supported by anti-corruption legislation and enforcement mechanisms (Criminal Code, legislative amendments for enforcement bodies like ACC, Prosecutor General's Office).

In addition, the Anti-Corruption Strategy Implementation Action Plan for 2023-2026 include series of targeted activities/goals aimed at detecting and preventing corruption within the procurement process.

	Goal/ Activity	Responsible state body
4.10.	Improve mechanisms for conflict of interest and anticorruption in public procurement.	MoF
4.11.	Improve screening software to detect violations in procurement competitions and develop guidelines for using these tools.	CPEC
4.12.	Modernize and improve the procurement planning system	MoF
4.13.	Continuously improve the systems of transparency and publicity of the public procurement process.	MoF
4.14.	Enhance and improve public procurement accountability mechanisms to foster public and private sector confidence in the procurement process.	MoF
4.15.	Continuously develop and enhance institutional structures and mechanisms to increase the effectiveness of detecting corruptive economic offenses.	MoJ

Gap analysis

Despite the existence of measures to detect and prevent corruption associated with procurement, several challenges persist in Armenia. Among the challenges is limited institutional capacity, evidenced by insufficient resources and inadequate training for officials to effectively implement and enforce anti-corruption practices. Another significant challenge pertains to transparency gaps, including incomplete procurement data, such as the absence of information on paper-based procurements, and the publication of data in non-machine-readable formats, which hinder accessibility and reduce accountability in procurement processes.

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Analysis of the legislation governing public service and public office reveal that varying approaches are frequently applied in the interpretation and enforcement of legal norms related to corruption (provisions on COI, gift acceptance, rules of conduct, etc.). Additionally, there is a need for a comprehensive methodology and set of guidelines to support the detection and investigation of corruption-related crimes.

Recommendations

It is recommended to enhance institutional capacity by increasing resources allocated to procurement and anti-corruption bodies to ensure they are equipped to effectively implement and enforce anti-corruption measures. Targeted training programs for procurement officials and law enforcement personnel could also yield positive outcomes by enhancing their ability to detect, investigate, and prevent corruption. Improving transparency and data accessibility should be a key focus in the implementation of the new e-procurement system. Ensuring the inclusion of all procurement data, including paper-based procurements and transition to publishing procurement data in machine-readable formats will improve accessibility and enable stakeholders to track and monitor procurement processes more effectively.

It is recommended to harmonize legal framework by reviewing and aligning the application and regulation of provisions related to COI, limitations on gift acceptance, rules of conduct, incompatibility requirements, and other restrictions. The development of clear, standardized guidelines for the application and enforcement of these legal norms across all public service entities will ensure consistency, improve compliance, and strengthen the overall integrity of public service.

To ensure the effective detection and investigation of corruption-related crimes, it is essential to develop a comprehensive methodology and guidelines that cover the entire process, from the pre-trial stage to judicial examination. Specialized training for investigators and prosecutors to ensure the effective application of these methodologies can enhance their ability to conduct thorough and efficient corruption investigations, leading to more successful prosecutions. Additionally, given the specialized nature of anti-corruption law enforcement and the financial aspects of such cases, it is important to establish a mechanism for involving experts with economic, financial, and other relevant expertise as needed in their work.

Assessment criterion 14(d)(e):
Special integrity training programmes are offered, and the procurement workforce regularly participates in this training.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

According to Prime Minister Decree N 973-L, following the adoption of the Model Code of Conduct for Public Servants in 2022, the CPC, with support from the Council of Europe, organized a substantive training course in February 2023. This course aimed to equip 30 Integrity Officers with the knowledge and skills necessary to support the implementation of the Code and provide guidance to their colleagues within Armenian public institutions. The training focused on principles and rules of conduct, including loyalty to public interest, respect,

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good faith, objectivity, transparency, and accountability. It also addressed practical areas of corruption prevention, such as managing conflicts of interest, gift acceptance, use of public resources, and whistleblowing. Besides, there are no special integrity training programs offered to the procurement workforce, and the existing training for procurement specialists does not include a dedicated module on integrity issues.

Gap analysis

There are no special integrity training programs offered to the procurement workforce, and the existing training for procurement specialists does not include a dedicated module on integrity issues.

Recommendations

It is recommended to introduce targeted integrity training for the procurement workforce, incorporating specific modules on ethical conduct, COI, anti-corruption measures, as well as transparency, and accountability. This could be integrated into the existing training curriculum for procurement specialists to ensure that integrity issues are effectively addressed and managed in procurement process.

Sub-indicator 14(e)
Stakeholder support to strengthen integrity in procurement

Assessment criterion 14(e)(a):
There are strong and credible civil society organizations that exercise social audit and control.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

Only a limited number of CSOs and activists focus on procurement as part of their work. Among the most active are the Armenian chapter of Transparency International (TIAC Armenia), the National Center of Public Policy Research NGO, the Freedom of Information Center of Armenia, and Union of Informed Citizens. Various NGOs contribute to the activities outlined in the OGP Action Plan. There are also several independent media outlets, such as Hetq (operated by the Association of Investigative Journalists of Armenia) and Factor TV that are actively involved in investigating and reporting on procurement-related issues.

One of the reasons for the limited civil society engagement appears to be the challenge CSOs face in mobilizing resources for their work, partly due to limited capacity and a lack of interest from potential donors in the topic of procurement.

Gap analysis

There are few CSOs operating in the area of procurement and/or social audit and control. Limited civil society engagement in public procurement is primarily due to constraints in capacity and challenges in mobilizing resources for their activities.

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Recommendations

It is recommended to strengthen the capacity of CSOs by providing targeted support and training in procurement processes and social audits. Additionally, efforts should be made to create funding opportunities and partnerships that encourage donor interest in supporting CSOs' involvement in procurement oversight, thus promoting greater civil society engagement and accountability in public procurement.

Assessment criterion 14(e)(b):
There is an enabling environment for civil society organizations to have a meaningful role as third-party monitors, including clear channels for engagement and feedback that are promoted by the government.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

The government demonstrates an intention to engage with civil society and collect feedback by organizing discussions with CSOs on various topics, including procurement legislation reforms, and encouraging them to provide suggestions. However, to enhance effectiveness, fostering more active and transparent participation from civil society is recommended.

There are also digital platforms in Armenia providing participation opportunities and allowing the possibility of submitting opinions and suggestions by public. Among them the most comprehensive one is e-draft system- a unified website for publication of draft legal acts administered by the Ministry of Justice. The legislative drafts are published with detailed descriptions and justifications, and the platform enables the submission of proposals/comments/suggestions, which are made public alongside feedback from the responsible agency.

According to the CSO Meter 2023: Armenia Country Report[4], this platform is considered by CSOs as a good source for information, but often as simply an imitation of participation, as it allows government bodies to consider any draft legislation as having 'passed public consultation', even in cases when there are few views of the draft, no critical comments, or no comments at all. In addition, the CSO Meter 2022: Armenia Country Report[5] highlighted several shortcomings of the platform, such as the lack of publication of the revised versions of drafts, the absence or delay of feedback to proposals, insufficient justifications in case of rejecting proposals, and the period for providing proposals to extensive legal drafts being too short (15 days). The final adopted draft can differ significantly from the version posted for public comments, which means that CSOs occasionally need to provide feedback retroactively if they have serious concerns about the adopted drafts.
Another channel for CSO engagement is OGP, an initiative that aims to promote citizen participation in governance. Under the OGP framework, Armenia has developed national action plans that outline specific commitments to improve public sector integrity, enhance transparency (including in public procurement), and

[4] chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://csometer.info/sites/default/files/2024-01/Armenia%202023%20CSO%20Meter%20Country%20Report%20ENG__0.pdf
[5] chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://csometer.info/sites/default/files/2023-10/2022%20Armenia%20CSO%20Meter%20Country%20Report%20ENG_0.pdf

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ensure greater involvement of civil society in decision-making processes. The GoA engages with CSOs and other stakeholders to design and implement reforms, with the goal of fostering an inclusive and participatory approach to governance.

Following recent amendments in PL (March 3, 2021), public monitoring within the framework of contract execution and management was introduced. According to Article 5.1 of the PL participating bidders, CSOs and media are allowed to participate in the monitoring of the contract execution for procurements that exceed the procurement base unit (AMD 1million) and do not contain state secrets. The official procurement webpage features a dedicated section for publishing information and documents related to public monitoring and its outcomes[6]. According to the information published there, since the implementation of this mechanism in 2021, only 15 cases of public monitoring have been carried out.

Gap analysis

Despite the fact that the e-draft platform is a useful source of information and serves as a channel to provide suggestions from public/CSOs, there are several drawbacks such as the lack of publication of the revised versions of drafts, possibility of significant difference between the final adopted draft and the version posted for public comments, the absence or delay of feedback to proposals, insufficient justifications in case of rejecting proposals, and short period for providing proposals to extensive legal drafts (15 days).
The public monitoring outlined in Article 5.1 of the PL only covers the implementation and contract management phases, excluding other stages of procurement process.

Recommendations

It is recommended that the state utilize the available institutional mechanisms for participation and ensure meaningful engagement by involving CSOs in the early stages of policy development. This includes addressing the drawbacks of the e-draft platform, providing sufficient time for consultations, organizing more frequent face-to-face consultations (including in the regions), maintaining statistics on participation activities, and tracking the incorporation of comments by state bodies. Additionally, the government should consider and incorporate well-founded, evidence-based suggestions to the greatest extent possible. It is recommended to expand the scope of public monitoring under Article 5.1 of the PL to include also other stages of the procurement process.

Assessment criterion 14(e)(c):
There is evidence that civil society contributes to shape and improve integrity of public procurement.*

Conclusion: Minor gap

Red flag: No

Qualitative analysis

There is evidence that civil society's engagement in the procurement area has contributed to improved integrity in Armenia's procurement processes. Through their suggestions, findings and participation CSOs have played an

[6] https://gnumner.minfin.am/hy/page/2021_tvakan_hanrayin_hskoxutyany_veraberox_nyuter/

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important role in highlighting issues, proposing solutions, and contributing to reforms that enhance transparency and reduce corruption in procurement.
Their advocacy has contributed to the establishment of online procurement platforms in Armenia that allow public access to procurement data.

Quantitative analysis

** Recommended quantitative indicator to substantiate assessment of sub-indicator 14(e) Assessment criterion (c):*
- number of domestic civil society organizations (CSOs), including national offices of international CSOs) actively providing oversight and social control in public procurement.
Source: Survey/interviews.

In Armenia, several CSOs play an important role in improving the integrity of public procurement. Key organizations like the Transparency International Anti-Corruption Center, National Center of Public Policy Research, the Association of Investigative Journalists of Armenia and Armenian Lawyers Association actively monitor procurement processes, advocate for reforms, and conduct investigations into procurement irregularities. They promote transparency, accountability, and legal reforms, often providing recommendations for improvements. Additionally, these CSOs raise public awareness, facilitate citizen engagement, and collaborate with international bodies to enhance procurement practices in Armenia.
In addition to the key CSOs mentioned, there are several others that occasionally engage in procurement-related activities in Armenia (e.g. Freedom of Information Center NGO, NGO Center NGO).
However, it is difficult to specify the exact number of these CSOs.

Gap analysis

There is a need to foster more active involvement from CSOs to shape and improve integrity of public procurement.

Recommendations

It is recommended to raise public awareness about the role of civil society in public procurement and encourage greater participation from organizations. This can be achieved through awareness campaigns led by the government and international organizations, as well as through engaging communities and other stakeholders through workshops and public forums. These initiatives can emphasize the importance of procurement integrity and demonstrate how CSOs can contribute to enhancing it.

Assessment criterion 14(e)(d):
Suppliers and business associations actively support integrity and ethical behavior in public procurement, e.g., through internal compliance measures.*

Conclusion: Substantive gap

Red flag: No

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Qualitative analysis

While CSOs and international bodies actively advocate for procurement integrity in Armenia, the involvement of suppliers and business associations remains limited. This can be attributed to several factors, including reliance on informal networks, lack of incentives to promote ethical practices, fear of retaliation, and a focus on immediate business objectives.
Though suppliers and business associations may occasionally engage in discussions or consultations on procurement reforms (typically when invited by government or international organizations) such involvement is often sporadic rather than ongoing. Their contributions tend to focus on specific issues rather than driving comprehensive, systemic changes to procurement practices.

Quantitative analysis

** Recommended quantitative indicator to substantiate assessment of sub-indicator 14(e) Assessment criterion (d):*
- number of suppliers that have internal compliance measures in place (in %).
Source: Supplier database.

There is no publicly accessible data or research that provides a specific percentage of suppliers in Armenia who have internal compliance measures in place.

Gap analysis

Suppliers and business associations are less engaged in actively promoting integrity in procurement and supporting broader procurement reform efforts. Their involvement is often limited to addressing specific, immediate issues rather than pushing for comprehensive and long-term improvements.
There is a clear need for enhanced capacity-building within the private sector and more robust initiatives from business associations to foster integrity and transparency in public procurement.

Recommendations

It is recommended to encourage business associations to play a more active role in advocating for integrity and ethical practices in procurement. This can include organizing workshops, offering training programs, and providing guidelines for businesses to adopt best practices. It would be useful to offer targeted capacity-building initiatives for developing robust internal compliance mechanisms. Collaborations with international organizations or governmental bodies can provide the necessary resources and expertise.
It is also recommended to establish mechanisms to reward companies that demonstrate a commitment to ethical practices in public procurement, such as public recognition and certification programs.
Finally, it would be good to implement regular surveys or reporting systems to track the number of suppliers with internal compliance measures and to assess their procurement practices.

Sub-indicator 14(f)
Secure mechanism for reporting prohibited practices or unethical behavior

Assessment criterion 14(f)(a):

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There are secure, accessible, and confidential channels for reporting cases of fraud, corruption or other prohibited practices or unethical behavior.
Conclusion: No gap
Red flag: No
Qualitative analysis *This indicator is somehow similar to Assessment criterion 14(c)(a):* *Procuring entities are required to report allegations of fraud, corruption and other prohibited practices to law enforcement authorities, and there is a clear procedure in place for doing this.* In general, one of the most secure, accessible, and confidential channels for reporting cases of fraud, corruption or other prohibited practices or unethical behavior is the whistleblowing system, especially the unified electronic platform for whistleblowing[7] through which the whistleblower may anonymously submit information. Among the three types of whistleblowing provided by the Law on Whistleblowing System external and to the public ones can be considered more secure than internal one.
Gap analysis No gap
Recommendations No recommendations.
Assessment criterion 14(f)(b): There are legal provisions to protect whistle-blowers, and these are considered effective.
Conclusion: Minor gap
Red flag: No
Qualitative analysis There is a whistleblower law in Armenia entitled "Law of the Republic of Armenia on the System of Whistleblowing (hereafter Law on Whistleblowing System) - Adopted on June 9, 2017." There is an entire chapter (chapter 5) dedicated to the "protection of whistleblowers" It states: *"**Article 10. Right to protection of a whistle-blower and persons related thereto*** *1. A whistle-blower shall have the right to protection in conformity with this Law. The protection provided to the natural person acting as a whistle-blower shall extend to the legal person acting as a whistle-blower to the extent that the protection is applicable thereto by mutatis mutandis.*

[7] https://azdararir.am/en/

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2. A whistle-blower shall have the right to confidentiality of his or her personal data and protection from harmful actions and consequences thereof.
3. The whistle-blower, who has submitted a report or whose report has been forwarded to criminal prosecution bodies, shall be subject to protection as prescribed by the Criminal Procedure Code of the Republic of Armenia.
4. Each contract or a contract provision aimed at depriving a person of the right of whistleblowing or protection of a whistle-blower, or limiting it, shall be null and void.
5. The person related to a whistle-blower shall have the right to enjoy the means of protection provided to a whistle-blower, where he or she reasonably substantiates that harmful actions may be carried out against him or her due to his or her link to the whistle-blower.

Article 11. Protection of personal data of a whistle-blower when submitting anonymous report
1. When submitting an anonymous report, non-disclosure of personal data of a whistle-blower to both the competent authority and other persons shall be guaranteed, except for the cases when the whistle-blower discloses his or her personal data.
2. The competent authority shall not have the right to undertake measures to disclose the personal data of a whistle-blower having submitted an anonymous report.

Article 12. Judicial protection of a whistle-blower and persons related thereto
1. A whistle-blower against whom a harmful action has been initiated due to whistleblowing shall have the right to judicial protection.
2. A person related to a whistle-blower against whom a harmful action has been initiated due to the link to a whistle-blower, shall have the right to judicial protection.
3. The judicial protection of a whistle-blower and persons related thereto shall be carried out as prescribed by the legislation of the Republic of Armenia.

Article 13. Obligation of a whistle-blower to act in good faith
1. A whistle-blower shall act in good faith, where at the moment of whistle-blowing he or she has reasonable grounds for suspicion regarding a case of corruption or a violation in respect of COI, or rules of ethics or incompatibility requirements, or other restrictions or declaration, or other harm to public interests or the threat thereof, he or she believes the information is veracious, and where, prior to whistle-blowing, he or she had undertaken measures to verify the veracity and completeness of the information within the scope of his or her real opportunities.
2. A whistle-blower shall act in bad faith, where:
(1) the elements of acting in good faith provided for by part 1 of this Article are missing; or
(2) the whistleblowing has been committed unlawfully, including on the basis of information acquired by commission of a crime or by violation of the constitutional rights of a person; or
(3) he or she demands or gains any advantage for himself or herself, or another person; or
(4) intentionally provides false information in order to cause harm to another person."

Gap analysis

Legal provisions to protect whistle-blowers exist (the 2017 Law on Whistleblowing System), but their effectiveness is limited, as identified in the OECD's 2023 Fifth-Round Anti-Corruption review. First, "special protection" under the Criminal Procedure Code (Article 73) is, at least where requested by the Human Rights

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Defender, confined to cases involving an ongoing criminal proceeding, leaving reports outside that context without equivalent protection. Second, the term "competent authority" is defined very broadly (all state bodies, local self-government bodies and public organizations) and the same definition serves both as the recipient of reports and as the body deciding on special-protection applications, leaving whistle-blowers unclear on whom to report to or seek protection from. Third, the liability exemption in Article 10.3.3 applies only where the act of whistleblowing does not itself constitute a criminal offence, which is too broad and withdraws protection in cases such as the use of lawfully obtained classified information to report wrongdoing. The provisions therefore exist but are not yet fully effective.

Recommendations

It is recommended that the term competent authority is clarified further to not leave any room for misinterpretation on behalf of the whistleblowers to whom they need to report and from whom they may seek protection. Additionally, Article 10, part 3.3 ought to be amended to ensure that a whistleblower may not be subject to any liability when it used classified information in its whistleblowing report even when they did not obtain such classified information lawfully.

Assessment criterion 14(f)(c):
There is a functioning system that serves to follow up on disclosures.

Conclusion: No gap

Red flag: No

Qualitative analysis

There is some evidence that a functioning system serves to follow up on disclosures. In particular, the statistics presented on the unified electronic platform for whistleblowing show that about 57% of reports submitted through this platform were checked by operational-investigative actions and about 15% criminal cases were commenced out of these checked reports[8].

Gap analysis

No gap.

Recommendations

No recommendations.

Sub-indicator 14(g)
Codes of conduct/codes of ethics and financial disclosure rules

Assessment criterion 14(g)(a):

[8] https://azdararir.am/en/statistics

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Pillar IV. Accountability, Integrity, and Transparency of the Public Procurement System

There is a code of conduct or ethics for government officials, with particular provisions for those involved in public financial management, including procurement.*

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

Public officials in Armenia are generally required to adhere to ethical standards outlined in the Law on Public Service and the Law on Civil Service, which set the framework for the conduct of all public and civil servants, including those working in PFM and procurement.
These laws provide for three distinct codes of conduct:

- Code of Conduct for Public Officials: Defined in Articles 28.4-28.7 of the Law on Public Service.
- Code of Conduct for Civil Servants: A separate code specifically for civil servants.
- Model Code for Special Categories of Public Servants: This applies to members of Parliament, judges, prosecutors, and investigators. If these bodies do not create specific codes, the general provisions of the Law on Public Service are applied (Article 54.5).

These codes include principles of integrity, transparency, accountability, and conflict of interest prevention, which are crucial in the context of procurement and PFM.
The Law on Public Service clearly stipulates that violations of these codes of conduct can result in disciplinary sanctions (Article 28.9).
For handling violations related to conduct, conflicts of interest, incompatibility requirements, gifts, and other restrictions, ad hoc ethics commissions are formed. These commissions are set up for each specific case involving civil servants (Articles 33-36 of the Law on Civil Service) and are operated by ethics commissions within public bodies for other public servants (Articles 44-46 of the Law on Public Service).
Additionally, Integrity officers are responsible for advising on conflict of interest issues and initiating the formation of ethics commissions when there are grounds for disciplinary actions.

Quantitative analysis

** Recommended quantitative indicator to substantiate assessment of sub-indicator 14(g) Assessment criterion (a): - share of procurement entities that have a mandatory code of conduct or ethics, with particular provisions for those involved in public financial management, including procurement (in % of total number of procuring entities). Source: Normative/regulatory function.*
The Law on Public Service and Law on Civil Service establish ethical rules and guidelines that apply to all public servants, including those involved in PFM/procurement, however there does not appear to be a separate, specialized code exclusively dedicated to these officials.

Gap analysis

While the Law on Public Service and the Law on Civil Service set ethical guidelines and standards for all public servants, these provisions apply broadly to all public officials.
There does not appear to be a separate, specialized code exclusively dedicated to officials involved in PFM, including procurement.

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Recommendations

Given the unique challenges faced by PFM and procurement officials, it is recommended to either include specific provisions in the Law on Public Service and the Law on Civil Service or to create a specialized code of ethics specifically for officials in these areas.

Assessment criterion 14(g)(b):
The code defines accountability for decision making, and subjects decision makers to specific financial disclosure requirements.*

Conclusion: Minor gap

Red flag: No

Qualitative analysis

The Law on Public Service outlines the responsibilities and standards of conduct for individuals in public service, ensuring they are held accountable for their decisions and actions in the course of their duties.
Under Articles 34-43 of this law, public officials and senior civil servants are obligated to disclose their property, income, interests, and expenditures through mandatory declarations. This obligation applies to individuals in public positions, senior civil servants and those holding high-ranking positions in services such as the police, tax, customs, penitentiary, and judicial enforcement.

Quantitative analysis

** Recommended quantitative indicator to substantiate assessment of sub-indicator 14(g) Assessment criterion (b):*
- officials involved in public procurement that have filed financial disclosure forms (in % of total required by law).
Source: Normative/regulatory function.

According to the 2023 report on the activities of the CPC, 8,352 public officials submitted declarations detailing their property, income, interests, and expenditures. The report provides a general total number of submissions without specifying the role or sector of the officials. Thus, it does not distinguish between officials involved in public procurement and those in other sectors.
In addition, for the 2024 reporting year, income declarations are required to be submitted also by state and municipal employees, as well as RA citizens holding public office as of December 31, 2024, as defined by the Law on Public Service.
The process is still ongoing, and there are no reports available yet.

Gap analysis

The declarations cover a limited group of public officials, and the reporting does not provide a detailed breakdown of officials by sector or role. This results in a gap in understanding how declarations differ across sectors and roles, particularly in procurement-related positions.

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Recommendations

It is recommended that declarations expand the scope to include a broader range of public officials and categorize them by sector and role. Specifically, the reports should distinguish officials involved in public procurement from those in other areas, in order to help to identify potential risks, particularly related to conflicts of interest.

Assessment criterion 14(g)(c):
The code of conduct is mandatory, and the consequences of any failure to comply are administrative or criminal.

Conclusion: Minor gap

Red flag: No

Qualitative analysis

In general, public officials generally adhere to the ethical standards established by the Laws on Public Service and Civil Service, which provide a framework for professional conduct. The legislation envisages three different codes of conduct (Articles 28.4-28.7 and Article 54.5 of the Law on Public Service) for public officials, for civil servants and a model code of conduct for special categories of public servants, such as members of Parliament, judges, prosecutors, and investigators.

If the relevant authorities do not develop specialized codes of conduct, the general provisions outlined in the Law on Public Service are applied (Article 54.5). In alignment with this law and the Law on Corruption Prevention Commission, a Model Code of Conduct for Public Servants was adopted by the CPC on June 17, 2022. It serves as the foundation for creating similar codes of conduct tailored to specific types of public service. Relevant public authorities are responsible for developing these specialized codes, taking into account the unique characteristics and requirements of service within their respective bodies.

Subsequently, in 2023, the CPC introduced a Guide to the Interpretation of the Model Code of Conduct for Public Servants, which includes specific examples and cases related to PFM and procurement.
However, it was not possible to determine the exact share of procuring entities that have a mandatory code of conduct or ethics, particularly with provisions for those involved in PFM, including procurement.

The Law on Public Service clearly specifies that violations of the code of conduct may result in disciplinary sanctions (Article 28.9). The procedures related to violations of conduct rules, incompatibility requirements, other restrictions, conflicts of interest (COI), and gifts should be handled by an ad hoc ethics commission for civil servants, which is to be established for each specific case (Articles 33-36 of the Law on Civil Service). For other public servants, ethics commissions in public bodies are responsible (Articles 44-46 of the Law on Public Service). Integrity officers are tasked with advising on COI issues and initiating the formation of an ethics commission when there are grounds for disciplinary action.

Gap analysis

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The code of conduct is mandatory, and the legal framework does refer to administrative and criminal consequences for failure to comply; however, it does not specify what those consequences are — which administrative sanctions or criminal liabilities attach to which breaches. The consequences are therefore of the type the criterion requires, but they are insufficiently defined to be applied predictably. This is a matter of specification, correctable by defining the consequences within the code's framework.

Recommendations

It is recommended that the administrative and criminal consequences are clearly established in the framework of the code of conduct for failure to comply.

Assessment criterion 14(g)(d):
Regular training programmes are offered to ensure sustained awareness and implementation of measures.

Conclusion: Substantive gap

Red flag: No

Qualitative analysis

Article 46 of the Law on Civil Service specifies that integrity affairs organizers are responsible for identifying training needs related to integrity matters and developing training programs, as well as other initiatives to ensure compliance with integrity requirements. However, it was not possible to confirm whether these responsibilities are fully implemented in practice.

According to the 2023 report on the activities of the CPC, several training sessions were conducted, primarily aimed at integrity affairs organizers. These were organized in a Training of Trainers (ToT) format by the CPC in collaboration with the Ministry of Justice and the Civil Service Office. Despite these efforts, it appears that the scope of the training programs is limited, and a more comprehensive approach may be necessary to effectively address the broader integrity needs within the public sector.

Gap analysis

As mentioned above it would appear that such regular training is currently missing for the wider public and civil servants.

Recommendations

It is recommended that such training is offered to all public and civil servants on a regular basis.

Assessment criterion 14(g)(e):
Conflict of interest statements, financial disclosure forms and information on beneficial ownership are systematically filed, accessible and utilized by decision makers to prevent corruption risks throughout the public procurement cycle.

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Conclusion: Minor gap

Red flag: No

Qualitative analysis

Articles 34-43 of the Law on Public Service mandate public officials and senior civil servants to disclose their property, income, interests, and expenditures through a formal declaration process. This requirement extends to individuals holding public positions, senior civil servants, and those in senior roles within the police, tax, customs, penitentiary, and judicial enforcement services.

According to the report on the activities of CPC for 2023[9], 8352 public officials submitted declarations detailing their property, income, interests, and expenditures. However, the report does not specify whether this number meets the full legal requirement. These declarations are systematically filed and accessible to the public through the CPC's official website[10], which is responsible for their collection and verification.

Armenia has made notable progress in enhancing beneficial ownership transparency. Since 2021, the country has been collecting and publishing beneficial ownership data in a well-structured, open data format through a public Business Register. This data is made available in accordance with the Beneficial Ownership Data Standard (BODS), ensuring its interoperability, ease of reuse, and high quality. By 2023, Armenia expanded its disclosure requirements to cover the entire economy, launching the State Register of Legal Entities, a public beneficial ownership register that includes information on approximately 120,000 legal entities. This initiative greatly improves public oversight and aligns Armenia with international standards for beneficial ownership transparency.

Gap analysis

While the creation of the public register is a positive development, assessing the accuracy of the information remains a challenge. The CPC has implemented some monitoring of declarations and takes media publications into account regarding these matters. However, the effectiveness of these measures in ensuring the accuracy of beneficial ownership data has not been fully assessed. Ongoing efforts are needed to improve the reliability of this information and strengthen the verification mechanisms.

There is no evidence indicating how decision-makers use the disclosed information. Additionally, there are no separate statistics specifically for procurement officials regarding their declarations or for the beneficial ownership of companies participating as suppliers in procurement processes.

Recommendations

[9] chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/http://cpcarmenia.am/files/legislation/1390.pdf
[10] http://cpcarmenia.am/hy/

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It is recommended to establish clear procedures for decision-makers to follow when utilizing the disclosed data. This would ensure that the information in declarations is actively used in policymaking, procurement, and other relevant decision-making processes.

Public officials should receive training on how to effectively interpret and apply the information disclosed in declarations to improve decision-making and reduce corruption risks.

In addition, it is recommended to implement a system for tracking declarations specifically for procurement officials and beneficial ownership of companies participating as suppliers in procurement processes.
This information should be easily accessible and should include analysis of potential conflicts of interest or risks in procurement procedures. This would enhance transparency and accountability in public procurement.

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