

UNOFFICIAL TRANSLATION

THE LAW OF THE REPUBLIC OF ARMENIA ON WATER USER ASSOCIATIONS AND FEDERATIONS OF WATER USER ASSOCIATIONS

CHAPTER 1

General Provisions

Article 1. Objectives of the Law

The objective of this law is to specify (define) the operational basis of Water Users' Associations and Federations of Water Users' Associations, the grounds for establishment and termination thereof, as well as the principles of relationships with state bodies aimed at increasing the operational effectiveness of the Republic of Armenia irrigation system.

Article 2. Legislation on Water User Associations and Federations of Water User s' Associations

The activity of Water Users Associations and Federations of Water Users' Associations is regulated by this law, the Republic of Armenia Civil Code, the Republic of Armenia Water Code, other legal acts, the charters of Water Users Associations and Federations of Water Users' Associations.

Article 3. Basic Terms

The basic terms used in this law have the following meanings:

Water Users Association (hereinafter "Association") - an organization established by water users in accordance with the present law

Water Users Federation (hereinafter "Federation") - a union of water users Associations established in accordance with the present law

Irrigation systems- irrigation and drainage canals, pipelines and hydrotechnik equipment, wells, pumping stations, roads, ponds with ways and buildings; electrical lines and other infrastructure as well as delineated zones for reconstruction and operation of irrigation networks and water protection zones;

Service Territory - some geographical territory, which is served by the Association or the Federation

Service Sub-territory - some part of the Association service territory, which includes one inter-economic network of irrigation

Hydro unit - some part of the service territory, which receives water from one water source, derivation canal (drain)

Representational Zone-a part of the Associations' service territory, the landowners and land users of which elect one or couple of representatives to participate in the Meeting of Representatives

Article 4. The Goal and Tasks of the Association and Federation

The Association and Federation are non-profit legal entities that operate in the public interest to carry out the operation and maintenance of irrigation system. The Association and Federation are established by the order envisaged by this law and the Republic of Armenia legislation, aimed at providing irrigation water to land owners and users.

The Association supplies water to water users located in its service territory. The Federation supplies water to Associations located in its service territory.

The tasks of the Association and Federation are the followings:

- a) Operation and maintenance of irrigation system and distribution of water among the members in accordance with the water distribution annual plan on contractual basis.
- b) Water supply to member and non-member water users of the Association and Federation located in the service area.
- c) Implementation of construction works and restoration of water recourses and irrigation system located in the service area.
- d) Obtaining irrigation water from a water supplier, or the intake of water from natural water bodies
- e) Levying of fees from members and non members for provided services including the expenses for renovation and implementation of basin and water pipeline
- f) presentation and protection of interests of the members of Association and Federation
- g) Training advanced methods on irrigation for the members and providing investment of the new irrigation methods and technologies.
- h) Procuring hydro-technical equipment, replacement and operation thereof
- i) Water supply management and prevention from pollution, purposeful and efficient use of waters
- j) Implementation of necessary activities to improve the quality of land, supporting the drainage system
- k) Providing ecological safety through preventing land erosion, preventing from salinisation, over-watering and promoting the protection of irrigation system
- l) To participate in the management of irrigation system in accordance with the RA legislation

State aids forwarded to operation and maintenance of the irrigation system, as well as other agricultural aids can be distributed by Associations and Federations.

Article 5. Operational Principles of the Association and Federation

The Association and Federation carry out only the operation and maintenance of irrigation system in accordance with the order defined by this law and other legal acts.

The Association and Federation follow the following principles organizing their activities.

- a) Provision of the right of participation for all possible members in the establishment of the Association and Federation
- b) Fair and legal decision making in the Association and Federation
- c) The right of members to have a free access to information regarding the activity of the Association and Federation
- d) Fair distribution of water recourses among the members, taking into account the quantity of water and the land of each member subject to irrigation.
- e) The rational and thrifty use of water, abatement of non-productive losses
- f) Provision of rights and legitimate interests of land owners and users
- j) Provision for all legal measures to collect corresponding expenses defined for operation of water supply and renovation works

CHAPTER 2. Establishment and Activity of the Association

Article 6. The Establishment of the Association

The Association is established on voluntary basis in accordance with the order defined by the Republic of Armenia legislation, this law and the charter of the Association.

Persons and (or) legal entities having land by ownership or right of use in the present irrigation system compose an initiative group in order to establish the Association. The initiative group specifies the service territory of the Association to be established being guided by the principle to include technically and economically rational maximum territory in the Association and establishes a founding committee.

The founding committee is composed of not more than 9 members of the future Association.

The founding committee elects a chairman from its members and adopts regulation of its activity.

The founding committee elaborates the Charter of the Association, does the mapping of the Association's irrigation system in compliance with the service sub territories mentioning the sizes and location of those territories; prepares the list of the Association's possible members in compliance with the service sub territories; draft budget and work plan of the Association.

More than one hydraulic unit completely can be included in the service territory of the Association following the principle of indivisibility (non-separation) of hydro-units.

After giving the potential members an opportunity of acquaintance with the draft charter, the founding committee sends the draft Charter of the Association, the map of the irrigation system in compliance with the service sub territories and the list of possible members of the Association to the Regulatory Board defined by the article 32 of the present law (hereinafter the Regulatory Board) for approval.

The Regulatory Board may reject the establishment of the Association if:

- a) The charter contradicts the requirements of the present law and the RA legislation
- b) The principle of indivisibility (non-separation) of hydro-unit is not kept
- c) The irrigation system located in the service territory does not have possibility to get water directly from a supplier or other sources.

The founding committee, getting an approval from the Regulatory Board, within one month calls a founding meeting taking relevant actions to convene all possible members of the Association.

The founding meeting is legitimate if more than half of possible members included in the lists of sub-service territories participate in it.

The chairman of the founding committee manages the activity of the founding meeting.

The founding meeting confirms the charter of the Association if more than half of possible members participating in the founding meeting vote in favor of the charter.

If the number of possible members is high, founding meetings can be held based on sub-service territories, in case of necessity.

If the Founding Meeting or the Founding Meetings for sub-service territories fail to reach participation of the necessary majority, the Meeting or Meetings for sub-service territories can be adjourned, following which if the necessary majority can still not be achieved the activity of the founding committee is terminated, and new founding committee is established.

The founding meeting elects the Administrative Council of the Association (members of the Administrative Council in sub-territories), Supervising Committee (members of the Supervising Committee in sub-territories), and Dispute settlement committee if the charter envisages it (members of the Dispute settlement committee in sub-territories), hears the report of the founding committee.

The founding meeting appoints the date to hold the first meeting of the Association.

Following the registration of the Association, the members of the Founding Committee entitled to be reimbursed by the decision of the Meeting of the Association incurred by them in relation to the establishment procedure.

Article 7. The Charter of the Association

The Charter of the Association is the founding document of the Association.

The charter of the Association is confirmed by the founding meeting.

Description of the territory under the Association's service, drawings and maps of the irrigation systems of those territories are the indivisible parts of the Association's charter.

The charter of the Association shall contain:

- a) The name of the Association
- b) Location
- c) The goal and tasks of the Association's activity
- d) The order and basis of membership, the order on resignation and dismissal from membership
- e) Rights and duties of the members
- f) Order of preparation and conduction of the Meeting, list of questions, about which the decisions shall be adopted by 2/3 part of members' vote
- g) Types and rates of membership fees, rules and terms on charges
- h) Organizational structures of governing bodies, commissions thereof and the order of decision making
- i) The order and terms of establishment of supervising bodies and the order and terms of their reports presentation
- j) Commissions of the Dispute Settlement Body, the order of formation and activity
- j) The order of property formation
- k) The order of damage reimbursement by the Association to its members
- l) The order on entering the Federation
- m) The order of the Association's reorganization
- n) The order of the Association's liquidation

The charter may contain provisions envisaged under this law, or provisions not contradicting the RA legislation.

The positive conclusion of the Regulatory Board preliminary is needed for proposals to make changes in the Charter of the Association.

Article 8. The State Registration of the Association

The State registration of the Association is carried out according to the requirements of the RA law "On State Registration of Legal Entities". The Association gets the status of a legal entity from the moment of registration.

The minutes of the founding meeting, the charter of the Association, the positive conclusion of the Regulatory Board and other documents envisaged by the RA law "On Legal Entities" are necessary to submit for registration of the Association.

The minutes of the founding meeting on establishment of the Association is signed by the chairman and the secretary of the meeting, and, if there are legal entities among the members of the Association, then the decision of a relevant empowered body of legal entities is attached to the minutes.

The body carrying out state registration, may reject the registration of the Association, if the founding documents do not comply with the requirements of the RA legislation.

A refusal of state registration and also avoidance of such registration may be appealed to a court in accordance with the order defined by the RA legislation.

Article 9. Membership the Association

Persons and legal entities, who (which) have land by right of ownership or right of use on land more than three years in the service area of the Association can become members of the Association.

Persons having land lease contracts, may become a member of the Association in case of availability of the lessor's written consent or a relevant provision in the contract.

New members of the Association are admitted by the decision of the Administrative council.

The Administrative council informs a candidate about its decision on his/her/its adoption as a member of the Association, and registers his/her/its membership in the Association's record.

The new member pays an entrance fee, the size of which is determined by the General meeting.

The applications of persons willing to become a member of the Association is rejected, if:

- a) It is envisaged by the charter, that new members may be admitted at the end of the irrigation period. In this case, the candidate for the membership shall be informed on the terms of his/her admittance as a member.
- b) The right of membership of a candidate has resulted from obtaining the ownership rights over a land, though a previous owner has defaulted on debts towards the Association.
- c) The candidate has dismissed from the Association, yet it has not passed three years before his/her dismissal.

In the event of the death of a natural person, the liabilities of the later is to be passed to a legal successor.

Article 10. Rights and Duties of Members of the Association

The members of the Association have right to.

- a) To get an irrigation water, distributed by the Association by proportional and fair portions
- b) Participate in the decision makings of the Association
- c) To vote in the General Meetings
- d) To raise matters to be discussed in the agenda of meeting
- e) To suggest candidates to be elected in the governance bodies of the Association, as well as to be elected in those bodies by themselves.
- f) To make use of the services rendered by the Association
- g) To be reimbursed for damages caused by the Association
- h) To familiarize with the accounting documents of the Association

A member of the Association is obliged to:

- a) Comply with the provisions under the charter and with requirements of other documents adopted by the Assembly.
- b) Pay fees to the Association in time as specified by the Charter.
- c) Sign water supply contract with the Association
- d) Pay fees for the supplied water in time
- e) Follow the irrigation time table
- f) Demonstrate a conscientious attitude towards the property of the Association and the property, which is used by the Association
- g) Pay for the costs of equipment repair due to a damage caused by his/her/its fault
- h) The members of the Association bear subsidiary liability for the obligations of the Association by the size of their obligations towards the Association.
- i) Inform the Association on their land area and water use

- j) Allow the Association to use canals and other hydro-technical equipment within their land area, in order to provide a stable work for irrigation system.
- k) To allow the employees of the Association to carry out works in their land plots needed for operation and maintenance of irrigation system.
- l) To follow the operational instructions for irrigation systems

The members of the Association have other rights envisaged by the Charter of the Association. In case of breaching the Associations' Charter rules and/or internal regulations, the members are imposed by fines, and the supply of water is terminated, unless otherwise is not envisaged by the water supply contract.

Article 11. Grounds for Resignation and Expulsion of Members

The members have a right to terminate their membership as specified under the Charter. The charter may specify that members may use the right to leave the Association only by the end of irrigation season. If the Association has made expenses related to design, construction and operation of the irrigation system as a result of a person's membership, such a person may not resign from the Association unless he/she reimburses an amount equal to the expenses.

The membership in the Association is terminated, if a member has violated the legal grounds for membership under the law.

A member resigns, if he/she has sold the land plot under the Association's service area.

In this case, the seller and the buyer shall give a written notice as to who is responsible for the debts to the Association owed by the seller. The buyer can become a member of the Association after the debts are paid.

A member can be expelled from the Association, if she/he:

- a) Routinely infringes the requirements of the Association's charter and internal regulations.
- b) Unduly delays the fees charged by the Association
- c) Refuses to pay the charges
- d) Refuses to recover the damages caused to the Association property by his/her fault

The Association's charter can provide other grounds for dismissal from the membership.

Article 12. Organizational structure of the Association

The governance bodies of the Association are:

- a) General Meeting or Meeting of Representatives of the Association (hereinafter the Meeting)
- b) Administrative Council of the Association

The executive body of the Federation is the management.

The Meeting elects Supervisory Committee to carry out supervision of the financial activity of the Association.

A dispute resolution committee can be established by the charter of the Association.

The organizational structure of the Association and the commissions of its bodies are stipulated by this law and the charter of the Association.

The members of the Administrative Council, the Supervisory Committee, Dispute Settlement Body and the chairmen of them are not payable workers of the Association.

Article 13. The General Meeting of the Association

The highest governance body of the Association is the General Meeting of the Association's members.

The General Meeting is summoned by necessity at least once a year, in accordance with the decision of the Administrative Council pursuant to the order defined by the present law and the Charter.

Apart the General Meeting summoned within the terms envisaged by the charter of the Association, other summoned meetings are considered to be extraordinary.

The extraordinary meetings are called by the decision of the Administrative Council by the initiation of 1/3 of members of the Association, Supervising Committee, as well as the Regulatory Board.

The executive body of the Association is obliged to give a written notice to members of the Association on calling of the meeting at least 30 days before.

The date and place of the Meeting, issues of the envisaged agenda, must be pointed out in the notice. The notices are delivered to the members under the signatures thereof.

The Administrative Council, before 20 days, prior to holding a General Meeting shall enable members to get an easy access to get acquainted with all materials of the Association.

The members of the Association have a right, not later than 10 days prior to the General Meeting, submit their proposals on the activities of the Association to be considered in the agenda.

The General Meeting is legitimate, if not less than 50% of the members are involved in its activities.

The exclusive rights of the General Meeting are the followings:

- a) Making amendments and supplements to the charter
- b) Confirmation of the regulation of the Administrative council
- c) Approving the regulation of the supervising committee
- d) Election of the members of the Administrative Council and prematurely suspending powers thereof
- e) Election of the members of the dispute settlement committee and prematurely suspending powers thereof
- f) Invitation of independent auditors for inspection of the activity of the Association
- g) election of a dispute settlement commission
- h) Determining rate and types of annual charges from the Association members and non-members
- i) Approving annual reports and accounting balance sheets and allocating losses
- j) Approving water using annual plan and water distribution time table
- k) Approving annual budget of the Association
- l) Approving internal regulation of the Association
- m) Approving fine rates, which are applied to the Association members
- n) Adopting decisions on reorganization, liquidation of the Association and its merge into the Federation, as well as electing liquidation committee and approving liquidation balance sheets by the agreement of the Regulatory Board.
- o) Approving plans on major renovation and renovation of structures and water-economy systems
- p) Approving internal rules on management of water use and irrigation system
- q) Approving the number of hired workforces and a payroll
- r) Specifying privileges for the members of the Association

The decisions on making amendments and supplements to the charter, as well as on re-establishments, merge into the Federation and liquidation are adopted by the 2/3 votes of the total number of votes. Any other questions regarding the Association's activity may be discussed by the General Meeting.

The exclusive rights of the General Meeting can not be delegated to other body of the Association.

The works of the General Meeting are recorded and signed by the chairman of General Meeting and the secretary, sealed by the Association's seal, and are always kept in the Association.

The same kind of requirements are spread to minutes of the Administrative Council, Supervising and Dispute Settlement Committees.

The sessions of the General Meeting are conducted by the chairman of Administrative Council, and in case of his absence – by the vice chairman.

The General Meeting adopts a decision under the simple majority of members' votes participating in the General Meeting, unless otherwise envisaged by this law and by the Association's charter.

A secret voting can be envisaged by the Charter of the Association on separate issues.

Article 14. The voting right of the Association member

The charter establishes the number of votes that a member can have in the General Meeting. The number of members' votes are specified by the virtue of either one of following principles.

a) The Association member has a one vote

b) The number of member's vote is decided as per his/her land area size under the service area. Each member shall have at least one vote, though the number of his/her vote should not exceed the $\frac{1}{4}$ th of the total vote of the Association members.

It may be envisaged by the charter, that the right of member's vote in the Association depends on the performance of the duties towards the Association.

Article 15. Meeting of Representatives

The Charter of the Association can envisage Meeting of Representatives upon the existence of a large number of members in the Association, which complicates the summoning of the General Meeting.

The Meeting of Representatives has all commissions of the General Meeting envisaged by the present law.

The service area of the Association is divided into the representational zones pursuant to the charter of the Association in order to establish the Meeting of Representatives.

The representational zones must be clearly shown in the operational plan of the Association's service area. In this case, the members of the Association elect one or more representative from the representational zones to attend the Meeting of Representatives.

The charter specifies the terms on passing elections of representatives, their duties, the number of representatives as per zones, the procedure for electing them and the number of their votes in the meeting.

The principles set out for the establishment and management of the Association, are effective also for the meeting of representatives.

It may be envisaged by the charter, that the right of Association member vote while electing a representative, depends on the performance of his/her duties towards the Association.

Members that are not considered as representatives of the Association are allowed to be present at the meeting sessions of the Meeting of Representatives having advisory right of vote.

Article 16. The Administrative Council of the Association

The Administrative Council is in charge of the Association's general management, except from the matters, which are specified to be an exclusive right of the General Meeting (hereinafter Meeting) under this law and the charter of the Association.

The Meeting elects the Administrative Council from the members of the Association, composed of not less than 5 members, for three years. The number of members of the Administrative Council, the order of their election is defined by the Charter of the Association. The members of the Association who have debts towards the Association cannot be elected in the Administrative Council.

The Administrative Council is accountable to the Association's Meeting.

The present law and the Association's charter define the commissions of the Administrative Council.

The Administrative Council carries out organizational activities related to summoning of the Meeting and the approval of its agenda.

The Administrative Council prepares the followings to be approved by the Meeting.

- a) Draft budget of the Association
- b) The annual report and balance sheet of the Association
- c) Plans on water distribution and renovation works

The exclusive commissions of the Administrative Council are:

- a) Adoption of new members and termination of their membership
- b) Signing of contracts with other organizations
- c) Organizing the monitoring
- d) Supervision of the Association's financial and accounting activity
- e) Employment and release from the work of Executive Director and General Accountant
- f) Other issues envisaged by the charter

The Administrative Council carries out:

- a) The overall management of the Association
- b) Supervision of the activity of the Association's executive body
- c) Maintaining the regulating procedures of the Association's activity as specified by the charter.
- d) Other tasks envisaged by the present law, the charter of the Association and the decisions of the Meeting.

The Administrative Council elects a chairman and a deputy chairman of the Administrative Council from its members for a period of three years, whose commissions are specified by the charter. The charter of the Association can envisage a shorter period for the chairman and deputy chairman of the Administrative Council.

The chairman of the Administrative Council governs works of the meeting, sessions of the Administrative Council and represents the Association in other organizations.

Sessions of the Administrative Council are summoned by necessity, but at least one time in a month.

The extraordinary sessions of the Administrative Council are summoned by the initiation of the chairman the Administrative Council or 1/3 of the members of the Administrative Council.

The sessions of the Administrative Council are legitimate, if at least $\frac{3}{4}$ part of members participate. The decisions of the Administrative Council are adopted by the simple majority of the total number of the votes of members.

The charter of the Association may specify that the vote of the chairman of the Administrative Council is a casting vote.

The Administrative Council members or the chairman of the Administrative Council may be dismissed by the decision of the General Meeting if they have infringed their duties. The list of infringements may be specified by the charter.

The elections of new members of the Administrative Council are organized at the same Meeting.

Article 17. The Executive Body of the Association

The executive body of the Association is the Management, which is led by the Director. The followings can be assigned to the Management by the charter of the Association:

- a) Preparation of the documents on budget of the Association, the working plan of operation and maintenance of the irrigation systems, as well as other documents to be submitted to the Administrative Council.
- b) Keeping of records on registration of members and non-members under the Association service area, description of their land plot sizes and location, irrigation water delivery, the bids presented by members and non-members who are to be supplied with water, keeping of records of application for water receipt and water distribution.
- c) Providing operation and maintenance of the irrigation systems
- d) Preparation of contracts to be approved by the Administrative Council by the virtue of a work plan on operation and maintenance of the irrigation systems and the budget already approved
- e) Water distribution, control over the water supply which is carried out by a supplier
- f) Hiring the management staff of the Association and release from the job
- g) Issuing mandates and directives on compulsory fulfillment by the hired staff
- h) Management of the Association's financial means in accordance with the regulation approved by the Administrative Council of the Association
- i) Other issues as envisaged by this law and the Association's charter.

The charter of the Association can envisage that the selection of the Director of the Association is carried out by competition.

The Administrative Council signs labor contracts with the manager and the accountant of the Association, whose authority terms are set out by the employment contract.

The order of payment and the rate of salary of the Association's director (manager), accountant and paid employees are determined by the Meeting of the Association based on the proposal of the Association's Administrative Council.

The paid employees have not a right to be elected in the Administrative Council of the Association, supervising committee, or in the dispute settlement body.

Article 18. Supervising Committee

The supervising committee supervises the financial and economical activities carried out by the Administrative Council, its executive body and chairman of the Administrative Council.

The supervising committee is elected by the Association's Meeting through a direct vote, for a period of three years, and is composed of not less than three members.

The member of the Administrative Council can not meantime be a member of supervising committee.

A regulation on commissions and activities of supervising committee is adopted by the Meeting of the Association.

The supervising committee carries out revision of the Association's financial and economic activity at least once a year.

The supervising committee can, in any time, with its own initiative, by the decision of the Meeting or by the decision of 2/3 of total amount of the Administrative Council's members, carry out a surveillance of the Association's financial activities. The results due to surveillance are to be submitted to the approval of the Association's Meeting.

With respect to a request of supervising committee, the Administrative Council and the management of the Association are obliged to submit the documents on the Association's financial activity.

The supervising committee is accountable to the Association's Meeting.

The activity of supervising committee is prematurely terminated as per the decision of the Association's Meeting. The new supervising committee is elected in the same meeting.

Article 19. Dispute Settlement Committee.

The Meeting of the Association can establish a dispute settlement committee, which hears disputes arising out from water use and distribution among the members. The number of committee members, terms of authorities and activity procedure are specified by the charter of the Association.

The members of the dispute settlement committee elect a Chairman from their staff, who organizes the committee's activity and presides the sessions thereof.

Once the terms under charter or/and water distribution table are infringed, so the applications of the Association members regarding the later, shall be submitted to the committee chairman, who, within 10 days, shall call a committee session to consider the applications.

The parties will be informed on the purpose, date and venue of the session and are obliged to participate in the session activities, but, if they are not able to participate personally, so their interests may be presented by other members of the Association.

Open discussion is conducted for the application, during which the committee listens to the members, who can submit written evidences to substantiate the facts. In case of necessity, the committee may set up additional discussions.

The dispute settlement committee is obliged to make a decision within 10 days prior to commencing the discussion of a deal.

The dispute settlement committee may apply sanctions as established by the charter of the Association.

The decision of dispute settlement committee may be litigated by the judicial order.

A member of the Administrative Council may not be at the same time a member of the dispute settlement committee. The activity of dispute settlement body is prematurely terminated by the decision of the Association's Meeting. A new dispute settlement committee is elected at the same Meeting.

Article 20. Water Supply Contract

Member and non-member water-users having irrigated lands in the service area of the Association conclude water supply contracts with the Association not less than for three years time period.

The Administrative Council of the Association may release a water user from conclusion of the water supply contract, if the later proves that receives water from other source.

The Administrative Council of the Association may not conclude water supply contract with a water user in cases, when evidences on getting of water from other water sources are submitted.

Irrigation water can be supplied to non-members of the Association on contractual bases.

Irrigation water is supplied to non- members on contractual basis higher than the rate that is charged to members, but not more than one hundred fifty percent.

A security for performance of obligations may be envisaged by the water supply contract concluded between the Association and Federation in accordance with the order defined by the RA Civil Code.

The obligation of transfer of land by the right of use to the Association no longer than three years in case of non-payment for the irrigation water can be envisaged in the contract of water supply concluded with the Association.

Article 21. The Types of Fees Levied from Members of the Association.

The following types of fees are determined by the charter of the Association.

- a) for the supplied irrigation water
- b) the expenses of renovation, reconstruction and maintenance of irrigation system operated by the Association
- c) membership fees

Other types of fees levied by the Association can be determined by the decision of the Meeting of the Association. Leavings for other purposes can be envisaged by the Charter of the Association.

Article 22. Property of the Association

The property of the Association is generated from membership fees, entrance fees, fees received from the supplied water, other fees and sources non-prohibited by the RA legislation. Based on the conclusion of the Regulatory Board, the irrigation systems considered as community and state property are transferred to the Association by the right of use in accordance with the decision of bodies having corresponding authorizations (commissions).

A contract of uncompensated use of property is concluded for 25 years in accordance with the order defined by the RA civil legislation.

The property of the Association can be alienated by the decision of the General Meeting, if not less than 2/3-rd of the general number of members voted for that decision, as well as in other cases envisaged by the RA legislation.

A member of the Association is responsible for obligations towards the Association by its property.

A water user member of the Association does not have a right to the part of the property of the Association.

Chapter 3. Establishment and Activity of the Federation

Article 23. The Federation

The Federation is a voluntary union of Associations, a non-profitable legal entity to operate the irrigation system, acting within the authorizations delegated by the Associations.

A member Association of the Federation retains its independence and the rights of a legal entity.

The Federation is not liable for the obligations of its participants.

The members of the Federation bear subsidiary liability for the obligations of the Federation towards the Federation by the size of their obligations.

Article 24. The Establishment of the Federation

All Associations, which are located in the irrigation territory of the main water pipeline or same basin, have the right to become a member of the Federation.

The Federation is established by the principle of voluntarism, if the service territory of Associations is exceeding the 2/3 of the general territory of future Federation in accordance with the RA legislation, the present law and the order established by the founding documents.

Associations create a Founding Administrative Council to establish a Federation. Each Association delegates two representatives with the right of one vote for each to participate in the sessions of the Administrative Council.

The Founding Administrative Council elects a chairman of the Founding Administrative Council and defines a work order.

The Founding Administrative Council elaborates the draft Charter of the Federation, as well as its appendixes: the map of the Federation's irrigation system in compliance with the service sub territories, the description of sizes of the service territory and location, which are inseparable parts of the Charter.

The Founding Administrative Council submits the draft Charter of the Federation to the Regulatory Board to receive a conclusion.

The positive conclusion of the Regulatory Board is needed for the state registration of the Federation.

Article 25. The Charter of the Federation

The Charter of the Federation is its founding document.

The Founding Administrative Council confirms the Charter of the Federation, which is signed by the chairman.

The Charter of the Federation has to contain.

- a) the name of the Federation
- b) location
- c) the goal and tasks of the Federation's activity
- d) the order and basis of membership; the order on resignation and dismissal from membership
- e) rights and duties of members
- f) description of the territory served by the Federation; drawings and maps of the irrigation system of that territory
- g) the organizational structure of governance bodies, commissions thereof and the decision making order
- h) supervising bodies and the order and terms of submitting of their reports; commissions of the dispute settlement body and the order of its activity
- i) the order of property formation
- j) the order of reimbursement of damages caused by the Federation to its members
- k) the order of liquidation

The Charter may contain other provisions envisaged by the present law or not contradicting the RA legislation.

The positive conclusion of the Regulatory Board preliminary is needed for proposals to make changes in the Charter of the Federation.

Article 26. The Organizational Structure of the Federation

The highest body of governance of the Federation is the Administrative Council. The Administrative Council elects the Chairman and the Deputy Chairman of the Administrative Council from its members. The Chairman of the Administrative Council and Deputy Chairman by his/her assignment preside at the sessions of the Administrative Council. The Charter of the Federation defines their commissions and terms of authorizations.

The Administrative Council elects a Supervising Committee to supervise the financial-economic activity of the Federation.

The Charter of the Federation can envisage the creation of a dispute settlement body.

The executive body of the Federation is the management.

The order of election of members and chairman of the Administrative Council; the members of supervising and dispute settlement body; the terms of their authorizations and quantity is defined by the Charter of the Federation.

The members and chairman of the Administrative Council; the members and chairman of the Supervising body; the members and chairman of the dispute settlement body are not paid workers of the Federation.

Article 27. The Administrative Council

Each member Association has representatives in the Administrative Council of the Federation in the quantity envisaged by the Charter of the Federation.

Each representative has one voting right.

The first session of the Administrative Council is to be summoned within one month after the state registration of the Federation.

The sessions of the Administrative Council are summoned by necessity, but at least one time in a month by the initiation of the chairman of the Administrative Council, 1\3 of members of the Administrative Council, the Supervising Committee or by other order envisaged by the Charter.

This law and charter of the Federation define the exclusive commissions of the Administrative Council.

The charter of the Federation can define other authorizations for the Administrative Council, which do not contradict the RA legislation.

The exclusive commissions of the Administrative Council are.

- a) Confirmation of the Federation's Charter
- b) Confirmation of financial accounts and annual reports
- c) Confirmation of the budget of the Federation; operational and renovation plans
- d) Confirmation of water distribution and irrigation plans, irrigation calendar
- e) Definition of the rates for fee charges and fines
- f) Confirmation of internal rules and work regulation of the Federation coming from the Charter
- g) Signing of irrigation water supply contracts with member and non-member Associations located in the service territory of the Federation
- h) Signing of contracts for operation, renovation or other purposes
- i) Supervision of the Federation's financial activity and accounting
- j) Election of the Supervising and dispute settlement committee and confirmation of the reports of Supervising committee
- k) Definition and decision of the structure of the Federations' executive body, the staff list of paid workers
- l) Admittance of the executive director and general accountant
- m) Definition of sanctions applied to members of the Federation
- n) By its decision approves the contracts related to the operation and renovation, which correspond to the plans on operation and renovation
- o) Follows the execution of internal rules and work regulation

The Administrative Council of the Federation carries out other tasks defined by the Charter.

Decisions of the Administrative Council are adopted by the simple majority of the total number of the votes of members. The confirmation of the Charter and budget of the Administrative Council, the decisions on changes and amendments in the charter and budget are adopted by the 3/4 of the total number of the votes of members of the Administrative council.

The chairman of the Administrative Council votes in case of equality of votes.

The Administrative Council is legitimate if the 2/3 of members participate in the session.
The authorizations of the Administrative Council cannot be transferred to other body.

Article 28. Executive Staff of the Federation

The Federation can have a paid executive and technical support staff. The structure of a paid staff, their employment periods are defined by the Charter of the Federation.

The paid employees are employed and released from the work in accordance with the staff list of the Administrative Council and order of the executive director.

The labor relations of paid employees are regulated in accordance with the RA legislation.

The paid employees of the Federation do not have right to be elected in the Administrative Council, Supervising Committee or dispute settlement committee of the Federation.

Article 29. Types of the Fees Levied from the Members of the Federation and Terms of Payment.

The Charter of the Federation defines the types of fees levied from the members.

Those are the followings:

- a) Fees for supplied irrigation water
- b) Expenses for the main basin operated by the Federation, as well as expenses of operation and renovation of other water resources and irrigation system
- c) Membership fees

Other charges can be defined by the decision of the Administrative Council.

Charges implementing for other purposes may also be envisaged by the Charter.

A security for performance of obligations may be envisaged by the water supply contract concluded between the Association and Federation in accordance with the order defined by the RA Civil Code.

Irrigation water is supplied to non- member Associations of the Federation on contractual basis higher than the rate that is charged to members, but not more than one hundred fifty percent in compare with the price of water supplied to members.

Article 30. The Property of the Federation

The property of the Federation is generated by membership fees, entrance fees, fees received from the supplied water, other fees and sources non-prohibited by the RA legislation.

A member Association of the Federation does not have a right to a part of the Federation's property.

Based on the conclusion of the Regulatory Board the main water pipe and/or basin in the service area of the Federation by the decisions of bodies having corresponding authorizations (commissions) are transferred to the Federation by the right of use based on the service territories.

A contract on uncompensated use of property for transfer of the right of use of irrigation systems is concluded for not less than 50 years time-period in accordance with the order defined by the RA legislation.

Article 31. The Members Leave from the Federation and Basis for Dismissal from Membership

Members of the Federation have the right to leave the Federation. The Charter can envisage that members willing to leave the Federation can use the right of leave only at the end of the irrigation season. If the Federation has made expenses for that person for the purposes of

design, construction or maintenance of the irrigation system, then that person can leave the Federation after compensation of the equivalent amount of its portion of expenses. Members of the Federation can be dismissed by the decision of the Administrative Council in the following cases.

- a) periodically have violated the requirements of the Charter and Internal Regulation of the Federation
- b) delayed the payments of leavings executed by the Federation without having respectful reasons
- c) refuse to pay the fees
- d) refuse to recover damages caused to the Federation by their fault

The dismissed Association is obligated to make the outstanding payments to the Federation. Unless such fees are paid off, the Association may be rejected to get a water supply.

CHAPTER 4

Supervision of Associations' and Federations' Activity

Article 32. Regulatory Board of Water Users Associations and Federations

The Regulatory Board is created by the RA Government for systematization of the Association's and Federation's activity.

The composition of the Regulatory Board is determined and its Charter is approved by the RA Government.

The Regulatory Board carries out its activity by its executive body, the composition of which is determined by the RA Government.

The Regulatory Board executes the followings to carry out its tasks:

- a) gives written conclusion on technical-economical rationality (expediency) of the territories served by the Association and the Federation
- b) provides legal, accounting and technical advice
- c) keeps records on the activity of the Association and the Federation in compliance with the established forms of records
- d) carries out revisions(inspections) by its employees or independent auditors based on the written application of members of the Association or the Federation
- e) carries out other tasks envisaged by the present law and the RA legislation

Officials and managers of the Association and Federation bear responsibility toward the Regulatory Board for presentation of information within the defined terms and its correctiveness.

Article 33. Books, Lists and Records of Associations and Federations (Documents of Record-keeping)

Carrying out its activity the Association must have the following documents of record-keeping (books and records):

- a) a record of members, which shall contain a description of the size and location of each member's landholding
- b) a record of non-members who are supplied with water by the Association, which shall contain a description of the size and location of each non-member
- c) a plan showing the irrigation territory;
- d) a record of the quantities of water received by the Association;

- e) a record of the quantities of water received from the Association by both: members and non-members;
- f) a record of fees and charges owed and paid;
- g) a record containing the minutes of the meetings of the Administrative Council;
- h) a record of transactions and contracts;
- i) a record of inspections and surveys of primary canals and/or irrigation systems transferred to the Association;

The Association also keeps other accounting records, documents and composes other reports envisaged by the RA legislation.

Carrying out its activity the Federation must have the following documents of record-keeping (books and records):

- a) a record of members; which shall contain a description of the size and location of each member Association's landholding;
- b) a list of non-member Associations operating water sources in the service territory of the Federation, which shall contain a description of the size and location of each landholding
- c) a plan showing the primary canal, reservoir or other water source operated and maintained by the Federation
- d) a list of non-members receiving water from the Federation
- e) a record of the quantities of water or the number of irrigation received by both members and non-members;
- f) a record of fee payments;
- g) a record containing the minutes of the meetings of the Administrative Council;
- h) a record of transactions and contracts;
- i) a record of inspections and surveys of primary canals and/or other infrastructure transferred to the Federation;

The Federation keeps accounting documents and composes other reports envisaged by the RA legislation.

Article 34. Inspection (Auditing) of Financial Accounts of the Association and the Federation

1. The Association and the Federation prepare and present an annual accounting balance sheet and reports in accordance with the order defined by the RA legislation.
2. The accounting annual balance sheet shall:
 - (a) be approved by the Meeting, in the case of the Association;
 - (b) be approved by the Administrative Council in the case of the Federation;
3. The Association and the Federation are obliged to compose an annual report in accordance with the form determined by the Regulatory Committee, within 3 months after the end of financial (fiscal) year.
4. The Regulatory Board can study the accounting documents of the Association (including the annual balance sheet, the reports on incomes and expenditures).

Article 35. Supervision of the Association and the Federation

1. The Regulatory Board can request copies of accounting documents and records from the Association and Federation envisaged by the present Law.

2. An authorised officer of the Regulatory Board can revise accounting documents or records of the Association or the Federation based:
 - (a) on the written request of 1/3 of members of the Association or the Federation;
 - (b) if the Regulatory Committee having reviewed the annual report and accounts of the Association or the Federation finds evidences on incorrect or irregular financial processes.
3. If the Regulatory Board of the Association finds evidence of financial malpractice or contradictions to the provisions of the present law following the audit and inspection taken place, it can require the Administrative Council to summon the Meeting of the Association, where the Regulatory Board's findings can be presented to members of the Meeting.

If the Administrative Council does not summon the Meeting of the Association within 30 days, the Regulatory Board can terminate the Administrative Council and summon the Meeting itself.
4. If the commissions of the Administrative Council are terminated, the Regulatory Board can terminate the authorisations of the Associations director and appoint a temporary director of the Meeting until the new Administrative Council will not be elected by the General Meeting.
5. If the Regulatory Board of the Federation finds incorrectness in the financial activity of the Federation following the audit and inspection taken place, it can require the Administrative Council to summon a session, where the Regulatory Board presents the found incorrectness to members of the Administrative Council and proposes to elaborate a program of events and eliminate incorrectness within the terms defined by the Regulatory Board. The Regulatory Board can suspend the commissions of the Administrative Council, if the Administrative Council does not eliminate incorrectness.
6. If the commissions of the Administrative Council are suspended, the Regulatory Board can terminate the authorisations of the Federation's director and appoint a temporary director of the Federation, who carries out the events of the program elaborated by the Regulatory Board.

Article 36. Servitude

1. The Association and the Federation can use the right of servitude in accordance with the order defined by the RA Civil Code and legislation.
2. An authorised officer of the Association or the Federation has the right to enter into any private land for the purposes of undertaking surveys and emergency works in respect of any infrastructure, which is under the use of the Association or the Federation.

Article 37. Special and Reserve Funds of the Association and Federation

The Association and Federation can have special and reserve funds and open separate bank accounts in order to:

- a) renovate, develop the irrigation systems located in the service territory of the Association and Federation
- b) for emergency expenses

The Charter of the Association and the Federation can provide the order of formation of the Reserve Fund.

Article 38. Re-organization of the Association and Federation

The Association and Federation can be re-organised by the consent of the Regulatory Board in accordance with the order defined by the RA legislation.

The re-organisation is carried out in accordance with the provisions defined by this law for the establishment of the Association and Federation.

Article 39. Liquidation of the Association and Federation

The Liquidation of the Association and Federation takes place in accordance with the basis and order envisaged by RA legislation.

In case of liquidation of the Association and the Federation, property of the Association and Federation remaining after the satisfaction of debts will be distributed among the members of the Association and Federation by the decision of the liquidation commission, except the state and community owned irrigation network and constructions transferred for unpaid use.

CHAPTER 5.

Final and Transitional Provisions

Article 40. The order of entrance into force of the present Law

1. The present Law shall enter into force after three months from the moment of promulgation.
2. The present Law applies to relations associated with the establishment and activity of Associations and Federations risen after the entrance of the law into force.
3. Other laws and normative legal acts published before the entrance of the present law into force and regulating the activity of organizations carrying out the maintenance and operation of the irrigation system are effective by the part not contradicting to the present law.
4. The Government of the RA within two months from the moment of entrance of the present law into legal force.
 - a) elaborates the order of transformation of irrigation systems to Associations and Federations and the order of control over that systems by owners;
 - b) elaborates model contract on transformation of irrigation systems to Associations and Federations;
5. The RA Government decides the composition of the Regulatory Board and the structure of its executive body, the order of activity and sources of finance within three months from the moment of the promulgation of the present law.
6. The Cooperatives of Water Users and Associations of Water Users established until the entrance of the present law into force are obliged to be reorganized into water users associations until the 31-st of December, 2003. The Cooperatives of Water Users and Associations of Water Users not reorganized within the mentioned terms are liquidated by the order defined by the law.