



EaPTC

Eastern Partnership
Territorial Cooperation

AZERBAIJAN

A Guide to the National Requirements Relevant for the Implementation of Projects Financed under EaPTC Programme in Azerbaijan



The Programme is funded
by the European Union



Territorial Cooperation Programmes open an opportunity for Eastern Partnership countries to identify and jointly address common challenges in their border regions towards sustainable economic and social development at a local level. Eastern Partnership Territorial Cooperation (EaPTC) comprises four territorial cooperation programmes: Armenia – Georgia, Azerbaijan – Georgia, Belarus – Ukraine and Moldova – Ukraine.

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All information given in this Guide reflects the actual status as of 1 November 2014. Later changes to the legislative and administrative framework could not be taken into account.

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INTRODUCTION

This Guide provides comprehensive information on national requirements and procedures to be followed in Azerbaijan when implementing projects financed under the EAPTC Programmes.

The information in this Guide is based on the practical experience of national governmental bodies, regional and local authorities and NGOs in project implementation and financial management in Azerbaijan.

This Guide will be particularly useful for EAPTC project Beneficiaries and Partners in Azerbaijan. However it will also be helpful for EAPTC project Partners from outside Azerbaijan and potential Applicants/Partners from inside and outside Azerbaijan who need to understand what is required to implement projects in the country. Although designed for projects under EAPTC programmes, the Guide may also have information relevant for other international technical assistance programmes in Azerbaijan.

The Guide focuses on three phases of the project cycle: start-up, implementation, evaluation and audit. It covers the following steps, with a number of relevant topics, in regard to national regulations and the experience of Azerbaijani organisations in implementing international projects:

- Project start-up
- Project implementation; and
- Project audit and reporting.

The information in this Guide is focused on specific requirements related to the EaPTC-funded project implementation in Azerbaijan.

The Guide is designed to be a reference manual with users being able to find practical support on particular topics when it is needed.

ACKNOWLEDGEMENT

This guide was prepared by expert Mr Mahammad Guluzade.



Part 1

Project start-up



The Programme is funded
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The Programme is implemented
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1.1 OVERVIEW

The relations between Azerbaijan and the EU date back to the early 1990's and the support the European Commission extended to the Commonwealth of Independent States (CIS) countries (TACIS Programme). A Partnership and Cooperation Agreement entered into force in 1999 and, in 2003, the EU engaged further with Azerbaijan through its European Neighbourhood Policy. In May 2009, a further step was taken with the participation of Azerbaijan in the Eastern Partnership¹.

Bilateral Allocation for Azerbaijan for 2011-2013 was €122.5 million, with Budget Support and Twinning Programmes being the main implementation modalities. Since 2009, the EU also supports smaller size NGO projects under Human Rights, Democratisation and Non State Actor Budget lines (EIDHR and NSA)².

The Minister of Economy and Industry of the Republic of Azerbaijan (MEI) is appointed as a National Coordinator for the projects implemented under the EU technical assistance programmes.

CONTACTS

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URL: <http://www.economy.gov.az/eng>

¹ http://eeas.europa.eu/delegations/azerbaijan/eu_azerbaijan/political_relations/index_en.htm

² For the full list of projects financed in Azerbaijan please go to http://eeas.europa.eu/delegations/azerbaijan/projects/list_of_projects/projects_en.htm



1.2 LEGAL STATUS OF THE EU FINANCED PROJECTS

Legal Framework	<ul style="list-style-type: none">• Partnership and Cooperation Agreement (PCA), 1999• Action Plan (2006) within the framework of the European Neighbourhood Policy (ENP)• Framework Agreement signed between the Government of the Republic of Azerbaijan and the European Union's Commission, 2008• Single Strategic Framework 2014-2017 (under development)
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The EU financed projects are not to be registered as legal entities. Consequently, the activities of the projects are regulated by the Framework Agreement and PCA signed between the Republic of Azerbaijan and the EU Commission, which clearly defines the rules for the implementation of projects fully or partially financed by the EU, particularly with respect to foreign exchange, tax and customs regulations.

For example, Articles 3.1, 3.2 and 3.4 of the Framework Agreement cover non-payment of taxes, duties and any other charges on actions financed by the Commission. On the other hand, Tax Code of Azerbaijan (Article 165.1.2) provides for a zero rate VAT for import of goods, implementation of works and provision of services on the expense of a grant received from abroad.

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1.3. REGISTRATION

Legal Framework	<ul style="list-style-type: none"> • Law on Grants, #483-IQ, 1998 • Rules on Registration of Agreements (Decisions) on Giving and Receiving Grants, approved by the Decree of the President #27 dd. 12 February 2004 • Rules on Signing and Approving Agreements on Technical Assistance and Grant, approved by the Decree of the President #388 dd. 17 April 2006.
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Registration for NGOs

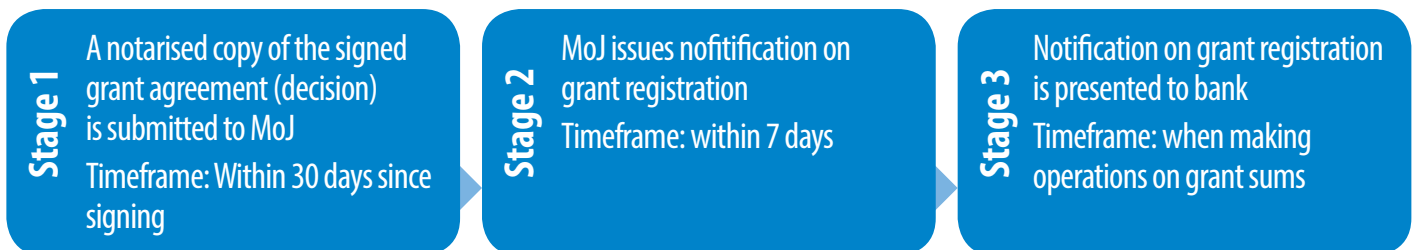
EaPTC-funded projects do not require a registration as such. Registration is needed only for the grant agreement.

A grant recipient (natural or legal person) needs to register such grant agreement (or decision) with the Ministry of Justice (MoJ)³ within 30 days since signing of the grant agreement (decision). MoJ then issues a notification on grant registration within 7 days. Such notification is needed for carrying out any operation, including bank operations, on grant amounts. Failure to register a grant leads to harsh financial penalties.

The following needs to be submitted for a grant registration:

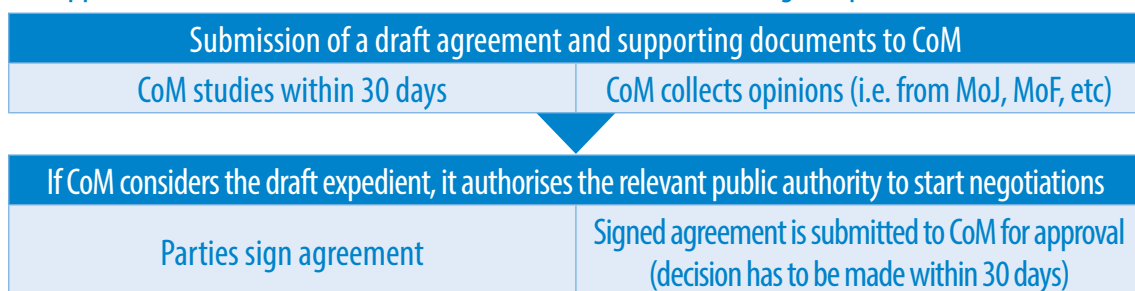
- Application (a letter);
- Copy of the notarised grant agreement (decision).

Legalisation by a notary requires submission of the original grant agreement or decision, with signatures and seals of both parties, along with one copy of the agreement (decision). Foreign language agreements (decisions) must be translated into Azerbaijani. If a grant agreement (decision) is issued abroad then a notary will request to apostille it accordingly in the country of issuance.



Registration for public authorities

In case a technical assistance or a grant agreement is signed on behalf of the Republic of Azerbaijan or on behalf of the Azerbaijan government, draft agreements are to be submitted to the Cabinet of Ministers together with documents confirming its expediency and assessing their financial-economic or institutional-technical results. The Cabinet of Ministers then considers these documents within 1 month. If greenlighted, the parties sign the agreement and submit to the Cabinet of Ministers for approval which takes another month. Below is a chart visualizing this process.



³ The registration of grants received by the commercial legal entities is carried out by the Ministry of Economy and Industry.

1.4. OPENING A BANK ACCOUNT

Legal Framework	<ul style="list-style-type: none"> • Civil Code of the Republic of Azerbaijan (2000) • Law on Banks (2011) • Rules on Opening, Administering and Closing of bank accounts approved by the Decision #29/2 of the Central Bank dd. 3 December 2002.
Who can open a bank account?	Any registered public authority or non-state organisation can open an account in any commercial bank of Azerbaijan.
Contact body, contact details	<p>At first the legal entity needs to obtain its individual username and password for using e-chancellery service operated by the Ministry of Taxes (www.e-taxes.gov.az). Through this service, a legal entity needs to submit e-request for 'dublikat shehadetname' by providing details of the bank it intends to work with. It takes 2 working days for a system to send this document to a bank.</p> <p>Note: 1. A local currency account has to be opened before opening a foreign currency account. 2. A seal will be needed to open a bank account.</p>
List of documents to be submitted	<ol style="list-style-type: none"> 1) Notary certified Extract from the Register of Legal Entities 2) Notary certified Charter 3) Signature sample of a manager of the legal entity and signature samples of all persons authorised to manage the legal entity's account (this sample must be notarised on a form provided by a bank), seal sample 4) Copy of personal identification document 5) Copy of legal entity's tax ID ("VÖEN").
Account type	Foreign currency account of a legal entity
Relevant laws	Law of the Republic of Azerbaijan on Central Bank (10 December 2004) defines the rules for opening of bank accounts. See also the Rules on Opening, Administering and Closing of Bank Accounts, approved by the Decision # 29/2 of the Central Bank dd. 3 December 2002.

Practical information

Every bank has its standard application for opening a bank account as well as a contract for operation of a bank account. Also banks differ by the commission rate as well as availability of e-banking service.

Public authorities also need to present a letter from the Ministry of Finance to a bank for opening a bank account.



1.5. SETTING UP THE TEAM: INTERNAL ORDERS AND CONTRACTUAL RELATIONS FOR HUMAN RESOURCES

Overview

Legal Framework	<ul style="list-style-type: none"> • Labour Code, 1999 • Instruction on Office Work in Governmental Authorities, Offices, Organisations and Enterprises, approved by the Decree of the President #935 dd. 27 September 2003
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To ensure smooth project implementation, Azerbaijani Beneficiaries (Lead Partners) and Partners might need to adopt several internal orders, which will be used in their daily cooperation with state authorities, taxation office etc.

- Order on the appointment of the project manager/coordinator (name of the project manager, his or her mandate i.e. capacity to sign project financial documents and correspondence with the EAPTC programme authorities, other responsibilities);
- Order on the appointment of the financial manager (name of the project's financial manager, his or her scope of work and responsibilities);
- Order on the appointment of the project experts (names of experts, scope of their responsibilities in the project, preliminary number of working days to be worked in the project, sources of financing for their salaries);
- The Beneficiaries must be aware of – and must observe – Azerbaijani local labour and employment regulations/legislation enumerated above.

It is recommended that the Beneficiary develops and maintains a clear, uniformly enforceable set of guidelines for employment and provides information to employees on the organisation policies for employment (i.e. employment policy, staff policy, etc.).

Practical information

There is no need for an order on the appointment of the project experts to be employed on the basis of Independent contractor agreement.

You need to make corresponding changes in the staffing table of your organisation in case new experts are employed on the basis of labour contracts. The staffing table should include the position, name, salaries rates of these new experts as well as deductions from their salaries for purposes of tax or social payments.

During 2014 the Government intends to register all labour contracts with the Ministry of Labour and Social Protection of Population. As of June 2014, this mechanism is yet not functional.



1.6. SETTING-UP THE ACCOUNTING SYSTEM: SPECIFICITY OF FINANCIAL ACCOUNTING

Legal Framework	<ul style="list-style-type: none"> • Civil Code of the Republic of Azerbaijan, 2000 • Law on Accounting, 2004 • Code on Administrative Offences, 2000 • Instructions on Organisation and Realisation of Accounting in Accordance with National Accounting Standards for Budgetary Organisations, approved by the Decision of the Ministry of Finances # Q-02 dd. 9 February 2012⁴ • Rules on Operation of Petty-Cash in Public Authorities, approved by the Decision of the Ministry of Finances # Q16 dd. 16 July 2013⁵ • Rules on Submission of Financial Reports of Budgetary Organisations and Non-budgetary State Foundations, Frequency of Reports and their Publication⁶ • National Accounting Standards
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For non-state organisations, the following legal requirements apply

- Non-commercial legal entities have to prepare accounting and financial statements in accordance with the National Accounting Standards of Azerbaijan (available in English at <http://www.maliyye.gov.az/en/node/1029>). The latter was developed on the basis of International Accounting Standards (IAS).
- Non-commercial legal entities, which carry out an entrepreneurial function along with their principal activity, need to reflect this profit separately in their annual financial report⁷ to be submitted by 1 April to the Ministry of Finances.
- Commercial legal entities also prepare accounting and financial statements in accordance with the National Accounting Standards of Azerbaijan but their forms differ to a certain extent from the one of non-commercial entities.

A public authority should operate in accordance with National Accounting Standards for Budgetary Organisations⁸.

⁴ Available at <http://maliyye.gov.az/sites/default/files/D%C3%B6vl%C9%99t%20b%C3%BCdc%C9%99sind%C9%99n%20maliyy%C9%99l%C9%99C5%9F%C9%99n%20t%C9%99C5%9Fkiltlarda%20m%C3%BChasibat%20u%C3%A7otunun%20t%C9%99C5%9Fkili%20v%C9%99%20apar%C4%B1lmas%C4%B1%20bar%C9%99d%C9%99.pdf>

⁵ Available at <http://maliyye.gov.az/sites/default/files/%E2%80%9CD%C3%B6vl%C9%99t%20b%C3%BCdc%C9%99sind%C9%99n%20maliyy%C9%99l%C9%99C5%9F%C9%99n%20t%C9%99C5%9Fkiltlarda%20kassa.pdf>

⁶ Available at http://maliyye.gov.az/sites/default/files/imagecache/news_images/29114.pdf

⁷ Five forms of reports approved by the Cabinet of Ministers of Azerbaijan.

⁸ Available at <http://maliyye.gov.az/node/1026>

Part 2

Project implementation



2.1. RECEIVING AND TRANSFERRING MONEY INTO AND OUTSIDE OF AZERBAIJAN

Legal Framework	<ul style="list-style-type: none"> • Instructions on Non-cash Payments and Money Transferring in the Republic of Azerbaijan, approved by the Central Bank of the Republic of Azerbaijan with the Decision # 19/1, dd. September 17, 2013 • Law on Currency Regulation, 1994
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Overview

Azerbaijani legislation allows transferring money in national and foreign currency. The legislation defines same rules for transferring money in both foreign and national currencies.

Any person (natural or legal) realizing operations exceeding AZN 20,000 or its equivalent in foreign currency shall inform the Financial Monitoring Service (FMS) under at the Central Bank of the Republic of Azerbaijan. This requirement applies to all sources and not only foreign sources. The rules require that this information is submitted to FMS before or immediately after such transaction. The information has to be submitted in a special form in 10 pages (see Annexes), consisting of information about parties and details of the operation⁹.

Azerbaijani legislation defines some limitation for resident and non-resident natural persons in transferring money outside Azerbaijan. Any resident or non-resident natural person can transfer equivalent of USD 1,000 a day through a bank. A resident natural person can transfer any amount of money in foreign currency to his/her close relatives (father, mother, grandfather, grandmother, wife, husband, son, daughter, brother, sister, adopted children) living abroad upon submission of the relevant documentation (ID, marriage certificate, etc.). Similar opportunity is envisaged also for non-residents. When it comes to receiving funds, non-residents can receive any amount to their foreign currency account without any limitations.

Money transfers

Money transfer in Azerbaijan can be made through a bank account.

To make a transfer through a bank account (i.e. paying vendors and suppliers, paying taxes and other payments), the legal entity needs to use a 'payment order' describing the purpose of the transfer, the recipient and his/her bank details (for a template please see Annexes). No other document is required by a bank for such transfer. The 'payment order' must be signed by an authorised person of the legal entity, sealed and submitted to a bank within 3 working days since the date of issue.

Bank transfers within the country may take 1-2 days but for overseas payments it may take longer.

Practical information

- Any bank operation on grant amounts can be realised upon submission of the notification on grant's registration (for details please see section 1.3 of the present report) issued by the Ministry of Justice of Azerbaijan.
- To receive money from abroad (i.e. Georgia or elsewhere), the authorised person must visit the bank, present identity document, fill in and submit a bank cheque¹⁰ to the bank. Bank cheque will not be accepted by bank if it contains any correction, mistake or seal or signature is missing.
- In-country payments made in cash or through bank have to be made in local currency.

⁹ The form is available at <http://huquqiaktlar.gov.az/StatementDetails.aspx?statementId=5349> (in Azeri) and http://www.fiu.az/images/documents/en/by_laws/data_submission.pdf (in English).

¹⁰ Bank cheques are provided by banks for fee and contain 50-100 pages, one for each withdrawal, irrelevant of the amount.

2.2. FOREIGN CURRENCY EXCHANGE

Legal Framework

- Law on Currency Regulation, 1994
- Law of the Republic of Azerbaijan on Central Bank, 2004

Overview

The Central Bank of the Republic of Azerbaijan periodically defines exchange rates of Azerbaijani manat (AZN).

Practical Information

Exchange rate of AZN in regards to a foreign currency is available at Central Bank's link <http://www.nba.az/other/azn-rates>, which is updated daily. In different banks the exchange rate can be different. According to the legislation, the only payment method within the country is AZN. It means that while submitting the financial report the receipts will be in AZN and the report will indicate the relevant equivalent of AZN.

However, you might have difficulties in reflecting exchange rates in the internal and project book keeping, as three exchange rates are applicable for accounting procedures:

- The currency exchange rate of the bank where project accounts are opened. This is the rate used for exchanges from the Euro account to AZN accounts.
- The National Bank currency exchange rate (www.nba.az). The Azerbaijani bookkeeping system requires that all transactions and bookkeeping should be denominated in AZN, therefore there is a necessity to record the grant money received and paid in Euro in the internal bookkeeping of the Azerbaijani Beneficiary. In this case, exchange rates of the National Bank should be used.
- The European Commission exchange rates (<http://ec.europa.eu/budget/inforeuro>) which are applicable for all project transactions. Exchange rate losses deriving from the differences in national currency exchange rates and rates indicated by the European Commission cannot be covered by the EAPTCP Programme grant funds.

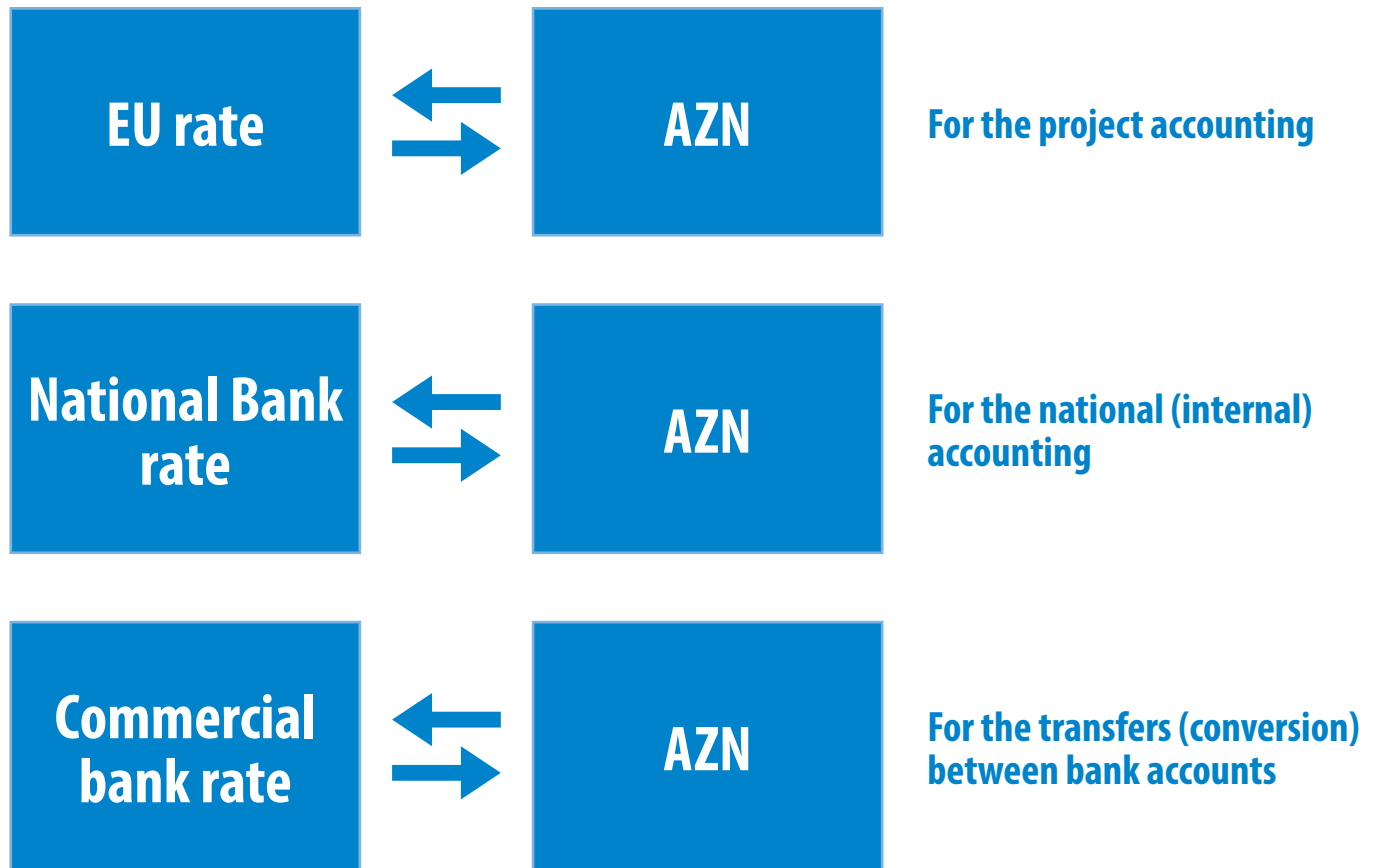
These apply both to NGOs and a public authority.

Currency exchange losses are not eligible costs and thus cannot be covered by the grant. They should be financed by the project leader/partner.



CHART ON FOREIGN CURRENCY EXCHANGE PROCEDURES

Foreign Currency Exchange Procedures



2.3. TAXATION ACCORDING TO SPECIFICITY OF A GRANT RECIPIENT

Legal Framework	<ul style="list-style-type: none"> • Tax Code, 2000 • Law on Grants, 1998
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Value Added Tax

General Information

The following persons are treated as Value Added Tax (hereinafter - VAT) payers:

- a) a person registered as a VAT payer;
- b) a person obliged to get registered as a VAT payer;
- c) all persons importing taxable goods into the Republic of Azerbaijan (on goods so imported);
- d) a non-resident person who performs work, or provides a service, without being registered for VAT purposes;
- e) producers of goods subject to excise application and persons engaged in home construction activity.

Entities engaged in business activity, whose volume of taxable operations in any month (months) of consecutive 12-month period exceeds 120.000 manats, within 10 days must submit an application for registration for VAT purposes. If the entity operates below this threshold, then it registers as under 'simplified' tax scheme which provides for 4% income tax for Baku-based entities and 2% income tax for entities based in regions (applicable both for commercial and non-commercial entities).

Along with the export of goods, below are types of the realisation of goods, performance of work and provision of services, inter alia, that are exempt from the payment of VAT:

- investment of any property in the form of a share into the charter fund (capital) of enterprise, with exception of imported property;
- turnover on all types of purchasing and sale of mass media products, editing, publishing, polygraph activity connected with production of mass media publishing (with exception of advertisement services);
- editing, publishing and printing activities in connection with the production of text-books kits (except for work books) and children's literature for educational institution;
- provision of paid educational services;
- import of machinery, technological equipment and plants by legal entities and individuals, engaged in entrepreneurial activities without forming a legal entity, the research and development work - within 7 years from the date of registration of the resident in the industrial or technological parks.

The relevant executive authority shall be entitled to grant the VAT exempt for import of goods and equipment used for production purpose, providing advance technologies, stipulated for specific period with provision of development of specific area, in the event of impossibility to satisfy the production needs from local resources.

Different from tax exemption, there is also '0' rate VAT taxation in Azerbaijan. In particular, zero (0) rate VAT is applied for:

- Goods and services intended for use of diplomatic and consular representations of international organisations and foreign states accredited in Azerbaijan, as well as for personal use of diplomatic and administrative-technical associates



of certain rank, who are not the citizens of Azerbaijan, as well as their family members;

- Import of goods, provision of goods, implementation of works and provision of services to grant recipients on the expense of financial aid (grants) received from abroad;
- Export of certain goods and services (i.e. provision of telecommunication and radio services, provision of services via Internet, etc.);
- International and transit cargo and passenger transportations, except for international postal services. Fulfilment of works, rendering of services directly associated with international and transit flights.

An implementing partner may use '0' rate VAT if a donor provides them with a letter from the Tax Ministry which recognizes that the entity is a '0' rate VAT payer since the funds received are grant funds.

Income Tax

Payers of income tax are resident and non-resident natural persons. Income of a resident shall consist of income generated in and outside the Republic of Azerbaijan whereas income of a non-resident shall consist of income generated from the sources only in the Republic of Azerbaijan.

Income tax is paid by natural persons on the basis of their employment contract or entrepreneurial activity (i.e. interest income, dividends, income from the lease of property, royalty, etc.).

The monthly income is taxed at following rates:

Amount of monthly taxable income	Amount of tax
Up to 2,500 manats	14 percent
Over 2,500 manats	350 manats + 25% of the amount exceeding 2,500 manats

Exemptions and privileges on income tax include, inter alia:

- income received as gift, financial assistance, lump-sum grant and inheritance in calendar year (if the value of gifts, moneyed assistance, lump-sum grant for the payment of education and medical treatment fees is to up to 1,000 manats, if the value of succession is up to 20,000 manats).
- Severance pay for staff.
- Insurance payments.
- Official per diems.
- Stipends.
- Staff compensation for heavy work environment.
- Payments by foreign states and other organisations due to natural disasters and other emergency situations.
- Financial assistance given by public unions, charities and foundations.

There are certain cases when monthly taxable income may be reduced (for example, for war veterans, invalids, etc.).

Income tax from employment contracts has to be paid on a monthly basis and not later than the 20th day of the month following the reporting month.



Practical Information

Every tax payer receives a username and password for e-chancellery system of the Ministry of Taxes (www.e-taxes.gov.az) by which they can submit their tax reports online and maintain other correspondence with the Ministry of Taxes.

Import Duty

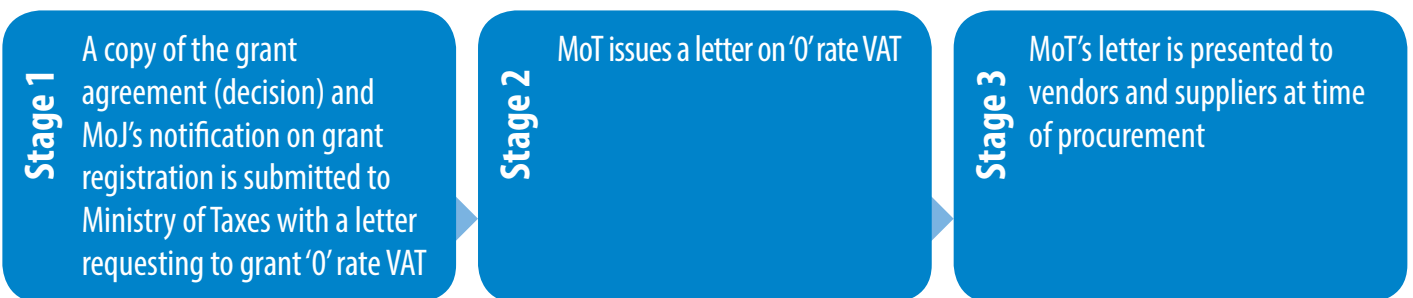
Import duty rates are differentiated by types of goods. According to Article 20 of the Law on Customs Tariff of 2013, the following is exempted from import duty:

- food products, goods and vehicles that are brought as assistance goods to provide assistance to population suffered from natural disaster, as well as free textbooks for schools, pre-schools and hospitals.
- goods brought/taken out by states or international organisations for the purposes of pro bono assistance including technical assistance and charity.
- monetary and/or other types of material assistance received on the basis of a grant agreement or decision.

Import duty rates do not apply if international treaty of Azerbaijan envisages different tariffs or conditions for import.

Practical information

To benefit from '0' rate VAT on goods/services purchased under grant, organisations need to obtain a relevant letter from the Ministry of Taxes (it may take 1-3 weeks). Such a letter is presented to suppliers or service providers. The chart below visualises this process.



2.4. UTILISATION OF GRANT FUNDS IN PARALLEL WITH THE ECONOMIC ACTIVITY

Legal Framework

- Tax Code, 2000
- Law on NGOs (public unions and foundations), 2000

General Information

A non-commercial legal entity in Azerbaijan is allowed to carry out economic activity on the condition that the income obtained from such activity is directed at statutory purposes of the entity (income generated cannot be distributed among the founders or members).

Organisations which carry out economic activity must pay income tax (either simplified tax of 2-4% or VAT at the rate of 18%, depending on annual turnover). The organisation shall conduct separate accounting for income from economic activity.

Certain economic activities (i.e. medical activities, sale of certain goods, etc.) are subject to licensing requirements but only a few activities subject to licensing are likely to be relevant to NGOs (e.g., medical activities).



2.5. PAYING TRAVEL COSTS AND PER DIEM TO AZERBAIJANI AND FOREIGN EXPERTS/EMPLOYEES

Legal Framework	<ul style="list-style-type: none"> Decision No 14 of the Cabinet of Ministers on Norms of Travel Expenses dd. 25 January 2008 Tax Code, 2000
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Participation of Azerbaijani and foreign experts/employees in project activities within Azerbaijan

General Information

Travel costs and per diem in Azerbaijan are regulated by the Decision No 14 of the Cabinet of Ministers on Norms of Travel Expenses dd. 25 January 2008. According to the norms, travel and per diem expenses in Baku is AZN 65, in Ganja, Sumqayit and Nakhichevan is AZN 50 and in other regions is AZN 45. Eighty percent of those amounts include hotel expenses as well.

According to the Tax Code of the Republic of Azerbaijan adopted in 2000, the amount of travel expenses defined by law is not subject to income tax. At the same time reimbursement of travel expenses is not considered as income.

If travel expenses of employees exceed the amount defined by the Cabinet of Ministers, extra amount will be considered as income and will be subject to taxes. In a case if an expert is not able to submit any documentation approving his/her extra expenses related to travel, those expenses will be included into expert's honorarium and will be subject to taxes.

Practical Information

As regarding international experts, who are not organisation's employees, the residence of the person shall be identified to determine its taxation according to the Tax Code. In most cases international experts are non-resident physical persons and taxation regime of amounts reimbursed to them shall be different.

Participation of Azerbaijani experts/employees in project activities outside of Azerbaijan

General Information

Per-diem amount to be paid to Azerbaijani experts during their visit abroad as well as travel and accommodation expenses shall be determined by the project budget agreed between the donor and the grant recipient but it should not exceed GIZ rate (available at <http://eaptc-ma.eu/en/page/cat/1/armenia---georgia/>).

Practical Information

Below are the daily per diem rates for such countries as Russia, Ukraine, Moldova, Georgia and Turkey.

Nº	Country	Currency	Travel and per diem expenses per day
1.	Russian Federation	USD	150
	Moscow and St Petersburg		240
2.	Ukraine	USD	160
	Kyiv		210



Nº	Country	Currency	Travel and per diem expenses per day
3.	Moldova	USD	110
	Kishinev		150
4.	Georgia	USD	140
	Tbilisi		155
5.	Turkey	Euro	150
	Ankara and Istanbul		165

Practical tips

- For business travel the manager of the organisation shall issue an order indicating the employee data; period, place and purpose of the travel.
- If the amounts of travel allowance to be reimbursed exceed the limits specified by the Tax Code, the difference shall be subject to income tax.
- The foreign experts visiting Azerbaijan need to register with local migration service within 3 days¹¹ upon arrival (through hotel, guest house, etc.)

11 In future this period may be extended to 10 days as the Parliament of Azerbaijan have already raised this issue.



2.6. PURCHASING EQUIPMENT AND SUPPLIES: ACQUISITION AND REGISTRATION

Procurement under grant is not subject to the Law of Azerbaijan on Public Procurement as the latter applies only to procurement by state bodies and institutions.

The Programme requirements related to procurement procedures within the framework of the EAPTC projects should be respected according to *Chapter 3 - Procuring Services, Supplies and Works of the EAPTC Project Implementation Manual*. That means that Azerbaijani Beneficiaries/Partners must only consider the EU programme procurement procedures in case the purchase of the goods, works, services is financed from the means of the EU programme and (or) from non-state financial means.

However, the Law of Azerbaijan on Public Procurement should be applied to all organisations which procure goods, services or works with co-financing from financial means provided by state budget.

Applicable procurement procedures under EAPTC Grant Contract (Annex IV to Grant Contract)

When there is a transfer of the property rights between the Beneficiary and a project partner, it is based on a separate agreement between these two parties. This agreement is called “Contract on Transfer of Property without Compensation” and should be accompanied by acts of acceptance signed by both parties.

In order to ensure that the property has been recorded in the balance sheet of the partner organisation, the Beneficiary should obtain the following documents from the Partner:

- Inventory sheets (in case of fixed assets) with indication of responsible persons for an equipment item;
- Account sheet (Account “Fixed assets” or “Non-durable goods”, Account analysis (Account “Fixed assets” or “Non-durable goods”));
- Registers (records) in the books concerning the transfer and taking fixed or current assets on the balance.

The common rules applicable to all tender procedures are based on the EU Practical Guide to contract procedures of EU external actions (PraG) and described in EAPTC Project Implementation Manual (Source: <http://www.rcbi.info/usr/2011-10-27-RCBI-Project-Implementation-Manual-final.pdf>)

The common rules applicable to all tender procedures are described in the EAPTC Project Implementation Manual of Annex IV (and is therefore not applicable to public bodies in EU Member States, for details please contact Managing Authority) as follows:

The tender documents must be drafted in accordance with best international practice. The Beneficiary and Partners may use the models relating to external actions published on the EC website, namely Chapters 3 (Services), 4 (Supplies) and 5 (Works) and related annexes of the PraG (note, this is not compulsory). In case of doubt, you could compare your procedures with the EC best practice as described in these chapters and annexes and adapt as needed.

- The time-frames for receipt of tenders and requests to participate must be long enough to allow interested parties a reasonable and appropriate period to prepare and submit their tenders (e.g. in PraG: 60 days for Supplies and 90 days for Works for international tenders, 30 for Supplies and 60 for Works for local tenders).
- All requests to participate, and tenders which are declared as satisfying requirements, must be evaluated and ranked by an evaluation committee on the basis of exclusion, selection and award criteria announced in advance.
- This committee must have an odd number of members, and at least three members, with all the technical and administrative capacity necessary to give an informed opinion on the tenders.



Both the ENPI Regulation (Article 21) and Annex IV (section 2) of the grant contract oblige all Beneficiaries and Partners to respect the rule of nationality and rule of origin.

Practical tips	Azerbaijan legislation on procurements does not provide for the above mentioned “rule of origin” and “rule of nationality”. Nonetheless, Azerbaijan project partners shall respect the “rule of origin” and the “rule of nationality” in accordance with the Grant Contract even when using their co-financing, so that these costs are considered eligible costs for the grant budget.
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Applicable procurement thresholds under EAPTC Grant Contract (Annex IV to Grant Contract)

Services	≥ €300,000 International restricted tender procedure	< €300,000 but > €20,000 Competitive negotiated procedure without publication (at least 3 offers)		≤ €20,000 Single tender (direct award) For service and supply contracts, a payment may be made against invoice without prior acceptance of a tender if the expenditure is ≤ €2,500
Supplies	≥ €300,000 International open tender procedure	< €300,000 but ≥ €100,000 Local open tender procedure	< €100,000 but > €20,000 Competitive negotiated procedure without publication (at least 3 offers)	
Works	≥ €5,000,000 International open tender procedure	< €5,000,000 but ≥ €300,000 Local open tender procedure	< €300,000 but > €20,000 Competitive negotiated procedure without publication (at least 3 offers)	

For more details please visit: <http://www.rcbi.info/usr/2011-10-27-RCBI-Project-Implementation-Manual-final.pdf>

For more details please visit: <http://ec.europa.eu/europeaid/prag/document.do?chapterId=2.3.1.&id=221>

Purchase of equipment subject to registration - Property subject to registration

General Info

In Azerbaijan some equipment are subject to mandatory state registration. Due to the Project specificity, the focus should be put on the registration procedure of 2 types of property:

- Real estate registration.
- Registration of mechanical transport facilities.

Real estate registration is carried out by State Registry Service for Immovable Property (<http://emdkdedrx.gov.az/>). Data registered in the public registry and documentation kept by the registering body is public and shall be available to any person. The following documents must be registered in the public registry:

- Ownership;
- Mortgage;
- Rent, sub-rent;
- Etc.

It is required to register the agreement in the public registry during rent and sub-rent, if one of the parties is a private entity and the agreement is for more than 11 months.

A vehicle must be registered within 3 days of purchase or import (except for temporary transit).

Practical information

In case of import of vehicle for organisation's use, customs duties apply depending on the year and engine volume of the vehicle. Approximate customs duties can be calculated online at <http://www.rusum.az/site/n%C9%99qliyyat-vasit%C9%99l%C9%99ri-ucun-gomruk-tarifl%C9%99ri-kalkulyatoru-2/>.

Azerbaijan legislation on procurements does not provide for the above mentioned "rule of origin" and "rule of nationality". Nonetheless, Azerbaijan project partners shall respect the "rule of origin" and the "rule of nationality" in accordance with the Grant Contract even when using their co-financing, so that these costs are considered eligible costs for the grant budget.



Part 3

Project auditing



The Programme is funded
by the European Union

The Programme is implemented
by the Altair Asesores-led Consortium



3.1. APPOINTING AN AUDITOR IN AZERBAIJAN FOR PROJECT EXPENDITURE VERIFICATION (MEMBERS OF IFAC OR COMPLIANT)

Beneficiaries will receive a pre-financing at the start of implementation. Further payments, in the course of the implementation, will be conditioned to the submission, together with factual and financial reports and expenditure verification report along with request for final payment. The beneficiaries are requested to perform such expenditure verification of the project and to report according to the regulations prevailing to a European Union financed grant contract for external actions. The expenditure verification must be carried out in compliance with the Terms of Reference for expenditure verification, attached to the grant contract.

The expenditure verification report must be produced by an auditor who is a member of the International Federation of Accountants (IFAC) or commits to undertake this engagement in accordance with the IFAC standards and ethics as set out in the Terms of Reference for expenditure verification, attached to the grant contract.

The auditor examines the costs declared by the Beneficiary.

- The beneficiary is responsible for providing a Financial Report which should comply with the terms and conditions of the Grant Contract. It should be possible to reconcile this Financial Report to the Beneficiary's accounting and bookkeeping system and to the underlying accounts and records. The Beneficiary is responsible for providing sufficient and adequate information, both financial and non-financial, in support of the Financial Report.
- The report on this expenditure verification should describe the purpose, the agreed-upon procedures and the factual findings of the engagement in sufficient detail in order to enable the Beneficiary and the Contracting Authority to understand the nature and extent of the procedures performed by the Auditor and the factual findings reported by the Auditor.
- The use of the Model Report for an Expenditure Verification of an EC Grant Contract stated in ToR is compulsory.

Practical Information

As the Chamber of Auditors of Azerbaijan (CAA) is member of the IFAC, its auditors are allowed to perform the project expenditure verification. The list of licenced auditors is available at CAA's official webpage (<http://www.audit.gov.az/index.php?type=content&subid=7&cid=7&lang=en>).

As described above, the project beneficiary and partners must appoint an auditor in Azerbaijan to perform project expenditure verification (members of IFAC or compliant and according to the Terms of Reference for an Expenditure Verification)

Subject to specific programme requirements (as described in the grant contract), beneficiaries are requested to perform an expenditure verification and to report in connection with a European Union financed grant contract for external actions.

The expenditure verification report must be produced by an auditor that is a member of the International Federation of Accountants (IFAC) or commits to undertake this engagement in accordance with the IFAC standards and ethics as set out in the Terms of Reference for expenditure verification, attached to the grant contract.



3.2. STANDARDS AND ETHICS

The Auditor shall undertake this engagement in accordance with:

- the International Standard on Related Services ('ISRS') 4400 *Engagements to perform Agreed-upon Procedures regarding Financial Information* as promulgated by the IFAC;
- with the *Code of Ethics for Professional Accountants* issued by the IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedures engagements, the Contracting Authority requires that the Auditor is independent from the Consultant and complies with the independence requirements of the *Code of Ethics for Professional Accountants*.



Part 4

Annexes



ANNEX 1. SAMPLE APPLICATION FOR A GRANT REGISTRATION¹²

**Chief of the Head Department on Registration and Notary
of the Ministry of Justice of the Republic of Azerbaijan**

Mr. Ilgar Mammedov

Dear Mr. Mammedov,

We hereby submit you a copy of the grant agreement concluded between (insert the name of NGO) represented by (your name) and (insert the name of donor) on (insert the date of grant agreement).

We kindly ask you to register the mentioned agreement and submit the relevant notification to our organisation in accordance with Article 4.4 of the Law on Grant of the Republic of Azerbaijan.

Attachment: A notarised copy of the grant agreement.

Sincerely,

(signature)

(name, surname and position)

Date: _____

¹² See: Guide to registration of grants in Azerbaijan, Guluzade, 2012.



ANNEX 2. SAMPLE LETTER TO AUTHORITIES FOR TAX AND IMPORT EXEMPTION¹³

EUROPEAN UNION
DELEGATION TO THE REPUBLIC OF AZERBAIJAN
Head of Delegation

Baku, /date/

TO WHOM IT MAY CONCERN

This is to certify that in December 2011 the European Union awarded a grant for the implementation of the Action _____ (Grant contract _____). The grant is funded in the framework of the *European Neighbourhood Partnership Instrument* _____. The implementation of two years project started _____.

The main beneficiary of the Grant is the _____;
(Address: _____;
tel: _____; fax: _____; Coordinator: _____;
email: _____).

The Delegation of the European Union to the Republic of Azerbaijan requests your kind assistance in facilitating implementation of the abovementioned Grant Contract in the Republic of Azerbaijan, in particular regarding tax and customs duties, in accordance with the provisions of the Framework Agreement between the Government of the Republic of Azerbaijan and the European Commission ratified on 28 April 2009 by the Law of the Republic of Azerbaijan No 800-IIIQ.

Sincerely

Roland Kobia
Ambassador

Landmark III, 11th floor, 90A, Nizami Str., AZ1010, Baku, Azerbaijan
Tel: (+994 12) 497 20 63 Fax: (+994 12) 497 20 69
Website: www.delaz@ec.europa.eu

¹³ Hard copy of this sample letter was obtained from EU Delegation to Azerbaijan in June 2014.



ANNEX 3: LIST OF LAWS IMPORTANT FOR THE EAPTC PROJECTS

Agreements	Codes/Laws	Decisions/Orders/Decreets	Websites
Partnership and Cooperation Agreement (PCA), 1999			http://eeas.europa.eu/delegations/azerbaijan/index_en.htm
Action Plan (2006) within the framework of the European Neighbourhood Policy (ENP)			http://eeas.europa.eu/delegations/azerbaijan/index_en.htm
Framework Agreement signed between the Government of the Republic of Azerbaijan and the European Union's Commission, 2008			http://eeas.europa.eu/delegations/azerbaijan/index_en.htm
Single Strategic Framework 2014-2017			
	Law on Grants, #483-IQ, 1998		http://e-qanun.az/
	Rules on Registration of Agreements (Decisions) on Giving and Receiving Grants	Decree of the President #27 dd. 12 February 2004	http://e-qanun.az/
	Rules on Signing and Approving Agreements on Technical Assistance and Grant	Decree of the President #388 dd. 17 April 2006	http://e-qanun.az/
	Civil Code of the Republic of Azerbaijan (2000)	Decree of the President # 386 dd. 25 August 2000	http://e-qanun.az/
	Law on Banks (2011)		http://e-qanun.az/
	Rules on Opening, Administering and Closing of Bank Accounts	Decision #29/2 of the Central Bank dd. 3 December 2002	http://e-qanun.az/
	Labour Code, 1999	Decree of the President # 122 dd. 15 April 1999	http://e-qanun.az/



Agreements	Codes/Laws	Decisions/Orders/Decrees	Websites
	Instruction on Office Work in Governmental Authorities, Offices, Organisations and Enterprises	Decree of the President #925 dd. 27 September 2003	http://e-qanun.az/
	Law on Accounting, 2004		http://e-qanun.az/
	Code on Administrative Offences, 2000	Decree of the President # 389 dd. 29 August 2000	http://e-qanun.az/
	Instructions on Organisation and Realisation of Accounting in Accordance with National Accounting Standards for Budgetary Organisations	Decision of the Ministry of Finances # Q-02 dd. 9 February 2012	http://maliyye.gov.az/sites/default/files/D%C3%B6vl%C9%99t%20b%C3%BCdc%C9%99sind%C9%99n%20maliyy%C9%99l%C9%99n%20t%C9%99n%20m%20m%C3%9Fkiliatlar%C3%BChasibat%20u%C3%A7otunun%20t%C9%99n%20v%C9%99n%20apar%C4%B1lmas%C4%B1%20bar%C9%99d%C9%99.pdf
	Rules on Operation of Petty-cash in Public Authorities, approved by the Decision of the Ministry of Finances # Q16 dd. 16 July 2013		http://maliyye.gov.az/sites/default/files/%E2%80%9CD%C3%B6vl%C9%99t%20b%C3%BCdc%C9%99sind%C9%99n%20maliyy%C9%99n%20t%C9%99n%20v%C9%99n%20apar%C4%B1lmas%C4%B1%20bar%C9%99d%C9%99.pdf

Agreements	Codes/Laws	Decisions/Orders/Decreets	Websites
	Rules on Submission of Financial Reports of Budgetary Organisations and Non-budgetary State Foundations, Frequency of Reports and their Publication		http://maliyye.gov.az/sites/default/files/imagecache/news_images/29114.pdf
	National Accounting Standards Instructions on Non-cash Payments and Money Transferring in the Republic of Azerbaijan	Central Bank of the Republic of Azerbaijan. Decision # 19/1, dd. September 17, 2013	http://e-qanun.az/
	Law on Currency Regulation, 1994		http://e-qanun.az/
	Law of the Republic of Azerbaijan on Central Bank, 2004		http://e-qanun.az/
	Tax Code, 2000	Decree of the President # 393 dd. 30 August 2000	http://e-qanun.az/
	Law on NGOs (public unions and foundations), 2000	Decree of the President # 401 dd. 4 October 2000	http://e-qanun.az/
	Decision No 14 of the Cabinet of Ministers on Norms of Travel Expenses dd. 25 January 2008		http://e-qanun.az/

ANNEX 4: QUESTIONS AND ANSWERS

Question	Why to open a bank account?
Answer	<p>Bank account is a convenient and easy way to manage your financial means. They guaranty:</p> <ul style="list-style-type: none"> • safety of your financial means - Banks will guarantee the safety and accessibility of your money. • management of your cash flow – If you have a bank account, you will receive a monthly statement from the bank, where your receipts and expenses are reflected. It will give you an accurate picture of your cash flow and therefore will help to plan your budget accurately. • constant availability of funds – You can deposit money into and take money out of your account at any time during your bank’s business hours. • interest income – Many banks offer an interest rate when you put your money in a bank account. The interest will help your money grow over time.
Question	Where can I open a bank account?
Answer	In Azerbaijan, bank accounts can be opened only in banks.
Question	Is it possible to make non-cash payments for a transaction between resident and non-resident organisations of the Republic of Azerbaijan in foreign currency?
Answer	You should check the Instructions on Non-cash Payments and Money Transferring in the Republic of Azerbaijan, approved by the Central Bank of the Republic of Azerbaijan with the Decision # 19/1 dd. September 17, 2013.
Question	When does a foreign citizen have a right to enter Azerbaijan?
Answer	A foreign citizen may enter the territory of Azerbaijan if he/she has a valid passport, on the basis of a document attesting entry visa or residency status and with the permission of the body implementing border control if no other order is defined by the legislation of the Republic of Azerbaijan or international treaties.
Question	For how long can the foreigner, having a right to enter Azerbaijan, stay in Azerbaijan without a visitor visa?
Answer	The citizens of those states for whom visa-free regime ¹⁴ is defined in the Republic of Azerbaijan, may stay in Azerbaijan for maximum 90 days per year if no other term is defined by international treaties of the Republic of Azerbaijan.

¹⁴ For the list of visa-free countries please see http://en.wikipedia.org/wiki/Visa_policy_of_Azerbaijan

Question	Where can I obtain an entry visa to Azerbaijan?
Answer	Visas are issued in diplomatic missions and consular posts of the Republic of Azerbaijan ¹⁵ . Visitors from Israel and USA (only for direct flights to Baku) can get a visa upon arrival at Baku Airport.
Question	Which are the types of visas to enter Azerbaijan?
Answer	Types of visas are as following: <ul style="list-style-type: none"> a) Regular visa – for visiting relatives, tourism purposes, studying, participating in different events. Regular visa is issued for a single entry or for multiple entries with validity of 90 days and 2 years respectively. b) Official visa – for holders of official or service passports, c) Diplomatic visa – for holders of diplomatic passports or people with diplomatic status, d) Transit visa – for travelling across the territory of the Republic of Azerbaijan.
Question	Are there special visa requirements for Georgian partners?
Answer	Georgian citizens enjoy visa-free regime when entering Azerbaijan.
Question	The NGO organises free trainings, participants of which will be also representatives from regions. In this case per diems should be paid to participants as well. Is it correct to pay per diems, from the legal point of view, if they are not employees of the organisation?
Answer	As the organisation is an NGO, these costs are costs of the project. This means that such kind of costs should be foreseen by the project budget, which is prepared and approved beforehand. Moreover, during the preparation of the budget all costs should be taken into account, including tax liabilities. In practice, an NGO arranges and pays for the meals and accommodation and only reimburses travel costs of the participants, based on original receipts (flight, bus or train ticket, receipt for petrol in case of use of private vehicle, etc.)
Question	If an employee went on business trip on Saturday, should I pay per diem for that day or not?
Answer	According to the legislation of Azerbaijan, per diems should be paid for all days spent in business travel, including weekends and holidays, days of departure and arrival (from/to the working place). Also, look to the contract and consult the EaPTC programme administrator.

¹⁵ http://mfa.gov.az/files/file/Dip.missions_of_The_Republic_of_Azerbaijan_02.09.2014.pdf

ANNEX 5: DEFINITIONS

Audit	Verification of the Lead Partner/Partner accounts, including the project accounts. It is carried out either by contracting authority, the European Commission, the European Court of Auditors or an external auditor on their behalf. It is NOT the expenditure verification to be attached by the Lead Partner to the requests for payment.
Contracting Authority	The usual PRAG term for the institution responsible for awarding and contracting grants.
European Anti-fraud Office	EC body responsible for investigation when there is suspicion of fraud.
European Court of Auditors	The EU Institution established to carry out the audit of EU finances. As the EU's external auditor it contributes to improving EU financial management and acts as the independent guardian of the financial interests of the citizens of the Union.
Expenditure verification	A report on the verification of project expenditure, produced by an approved auditor who meets the specific conditions of the Terms of Reference for expenditure verification (Annex VII of the grant contract).
Monitoring	A system ensuring a regular review of project activities to keep track of how a project is progressing in terms of resource use, implementation, delivery of results and the management of risks.
Narrative Report	Part of the Interim and Final Reports describing project implementation.
Non-state non-profit organisations	<ul style="list-style-type: none"> • Foundation (as defined by the Law on NGOs of 13.06.2000, Art 2.2.) • Public unions (as defined by the Law on NGOs of 13.06.2000, Art. 2.1)
Lead Partner	An organisation which signs the grant contract with the Contracting Authority on behalf of the project partners and bears overall responsibility for project implementation.
Partner/project partner	Organisations participating in jointly designing and implementing a project together with the Lead Partner. They sign a Partnership Agreement with the Lead Partner.
Public bodies	Bodies of the executive power - ministries and other state bodies carrying out administrative action within the whole territory of the Republic of Azerbaijan

EaPTC

EaPTC

**Eastern Partnership Territorial Cooperation
Support Programme (EaPTC)**

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