Decree of the President of the Republic of Azerbaijan

On the approval of Regulations on the State Fund for the Development of Information Technologies under the Ministry of Communications and Information Technologies of the Republic of Azerbaijan

Guided by Clause 7 of Article 109 of the Constitution of the Republic of Azerbaijan, to support on production-oriented activities in the field of information technologies, to organize the work for attraction of domestic and foreign investment in this field, I hereby resolve as follows:


2. To approve “Rules for the use of assets of the State Fund for the Development of Information Technologies under the Ministry of Communications and Information Technologies of the Republic of Azerbaijan” (Annex - II).

3. To task the Cabinet of Ministers of the Republic of Azerbaijan with the following:

3.1. To determine the composition of the Fund’s staff and to implement the necessary measures on the material and technical support of the Fund within one month;

3.2. To prepare proposals on the conformity of the Acts of the President of the Republic of Azerbaijan with this Decree and submit it to the President of the Republic of Azerbaijan within three months;

3.3. To provide the conformity of the normative legal acts of the Cabinet of Ministers of the Republic of Azerbaijan with this Decree and inform the President of the Republic of Azerbaijan within three months;

3.4. To control the conformity of the normative legal acts of the central executive bodies with this Decree and inform the President of the Republic of Azerbaijan about its implementation within five-month period;

3.5. To solve other issues arising from this Decree.

4. The Ministry of Justice of the Republic of Azerbaijan shall provide the conformity of the normative legal acts and normative acts of the central executive bodies with this Decree and inform the Cabinet of Ministers of the Republic of Azerbaijan.
5. The Ministry of Communications and Information Technologies of the Republic of Azerbaijan shall take necessary actions to organize the activities of the Fund.

Ilham Aliyev
President of the Republic of Azerbaijan

Baku city, 2 April 2013

Regulations on the State Fund for the Development of Information Technologies under the Ministry of Communications and Information Technologies of the Republic of Azerbaijan

Annex I

Approved by Decree of the President of the Republic of Azerbaijan dated April 2, 2013

1. General provisions

1.1. The State Fund for the Development of Information Technologies (hereinafter referred to as "the Fund") was created on March 15, 2012 by decree No. 2095 of the President of the Republic of Azerbaijan, it operates under the Ministry of Communications and Information Technologies of the Republic of Azerbaijan (hereinafter referred to as “MCIT”) and it is a state authority that stimulates functions in the field of information and communication technologies, innovations in this field, as well as provides financial support for the expansion of applied scientific researches.

1.2. The Fund is a state organization, has state property at its disposal, and has independent balance, bank and treasury accounts, the State Emblem of the Republic of Azerbaijan and its name engraved on the seal, appropriate stamp and blanks.

1.3. The Fund performs its functions in terms of the public and local self-governmental bodies, juridical persons operating in the field of information and communication technologies, credit, financial and insurance institutions, associations supporting the development of entrepreneurship, non-governmental and international organizations.

instructions of the Minister of Communications and Information Technologies of the Republic of Azerbaijan, as well as these Regulations.

1.5. Maintenance and operating expenses of the Fund are financed by the state budget of the Republic of Azerbaijan, non-budget funds, loans and grants, donations and other sources not prohibited by law.

1.6. The Fund is situated in Baku city.

2. The main objectives of the Fund

2.1. The purpose of the Fund is to develop business in the Republic of Azerbaijan in the field of ICT and provide it with financial support, attract domestic and foreign investment to this area, integrate new technologies into the national economy, support scientific research and projects to expand the application of innovations, improve the investment environment in the ICT sector, ensure the promotion of the interests of local and foreign investors and take measures to participate in joint projects, attract highly qualified personnel, carry out research on the effectiveness and importance of projects with foreign experts, make recommendations to provide flexibility of projects and manage joint projects, as well as foster the development of intelligent business.

2.2. The main objectives of the Fund are as follows:

2.2.1. To ensure the efficient and proper use of the fund's assets;

2.2.2. To stimulate production-oriented activities in the field of ICT, the application of innovation in this field, as well as the provision of the implementation of projects and programs which are important for the state and society in order to expand the application of scientific researches.

2.2.3. To explore export-oriented projects in the field of ICT, to evaluate their economic effectiveness, to develop innovation-oriented projects, to provide financial support and to attract foreign investment;

2.2.4. To attract investments to finance projects in order to enhance the performance of local juridical people operating in the field of ICT in foreign markets.

2.2.5. To develop the innovations in the field of ICT and to provide venture financing (long and risky investments in innovative activities of small legal entities) to transform them into business projects;

2.2.6. To expand the use of concessional financial resources through the Fund’s resources by the means of banks and non-bank credit institutions (hereinafter - the authorized credit organizations) which are authorized for the promising and emerging, small and medium business subjects operating in the field of ICT;
2.2.7. To make the juridical persons participate as a shareholder (participant) in the authorized capital in the field of ICT in the Republic of Azerbaijan in order to promote domestic and foreign investment;

2.2.8. To attract investments and ensure the realization of technological transfer in order to provide production and technological cooperation between domestic and foreign juridical persons operating in the field of ICT;

2.2.9. To make recommendations on analyzing the investment environment and the improvement of the country’s economy in order to attract investments to the ICT field;

2.2.10. To take measures to attract financial resources to the Fund, as well as negotiate and make suggestions for attracting loans from financial markets;

2.2.11. To provide projects with investment for the integration of new technologies in the field of ICT into the local economy, the promotion and stimulation of innovations;

2.2.12. Encouragement of entrepreneurship in the field of ICT and take measures to increase the production activity of legal entities operating in this area;

2.2.13. To finance the creation and development of technology parks, business incubators and other innovative infrastructure units in the relevant field in order to ensure the future development of ICT;

2.2.14. On the basis of the competition to choose the innovative and operative scientific-technical projects (startup projects) that will be carried out by small enterprises specialized in the field of ICT;

2.2.15. To fulfill the projects selected on a competitive basis in the form of grant funding and to provide the specialization of these projects in the following spheres of the ICT sector:

1. the preparation projects of the advanced software;

2. the preparation projects of the innovative ICT product samples;

3. the development of innovative infrastructure projects, including the development of new technologies and their commercialization projects;

4. the creation of information systems projects using modern technologies;

5. expansion of ICT services, including the development of the projects of the Internet services;

2.2.16. To carry out the examination of the investment projects that will be financed by the Fund;

2.2.17. To prefer the financing of investment projects that arise from the state programs which aim the development of ICT;

2.2.18. To determine the minimum requirements, the conditions of competitions and the evaluation criteria of the investment projects on the drafting of them to get the concessional loans with the help of the Fund;
2.2.19. To participate in the preparation and implementation of the local and regional programs and investment projects, in the formation of market infrastructure providing the development of entrepreneurship, robust competition and goods markets in the field of ICT;

2.2.20. To control the correct use of resources allocated by the Fund, to take measures in accordance with the law to suspend the financing and return of the allocated funds if it is not used for the intended purposes;

2.2.21. To organize conferences, seminars, exhibitions and other international and local events that are directly related to the Fund's activities and participate in them;

2.2.22. To act as a mediator between the entrepreneurs and the subjects of new ideas and innovation in the field of ICT and for this purpose provide them with the business consulting and expert services;

2.2.23. To stimulate the training of personnel, to create a database of talented young people, young ICT professionals and scholars;

2.2.24. To provide informing the people about its performance, the creation of a website, the placement of the information which has the list determined by the law and public disclosure of the information on the website and constantly updating the information;

2.2.25. To engage in the advertising and publishing activities prescribed by law to stimulate the development of entrepreneurship in the field of ICT;

2.2.26. To carry out other tasks defined by the acts of the President of the Republic of Azerbaijan in accordance with their functions.

3. The rights of the Fund

3.1. The Fund will have the following rights to perform its functions:

3.1.1. To attract financial resources to the Fund and sign agreements;

3.1.2. According to the objectives of the Fund, to have business relationships with legal and physical persons in the Republic of Azerbaijan and abroad;

3.1.3. to guarantee the protection of foreign investment in joint projects;

3.1.4. to cooperate with relevant government agencies of foreign countries, international financial institutions, investment funds, non-governmental organizations;

3.1.5. to use the state property which is at its disposal according to the law;

3.1.6. to get securities in the field of ICT according to the law and manage them;

3.1.7. To solve the issue of funding of projects that are consistent with the objectives of the Fund;
3.1.8. To control the correct use of resources allocated by the Fund, to take measures in accordance with the law to suspend the financing and return of the allocated funds if it is not used for the intended purposes;

3.1.9. To promote the Fund's performance and the results and importance of grant projects in the country and abroad;

3.1.10. To help realization of the positive results of scientific researches in domestic and international markets with the help of the financial support of the Fund;

3.1.11. To attract domestic and foreign investment to the field of ICT and take measures to ensure their efficient use, to organize exhibitions and fairs for this purpose;

3.1.12. To involve independent experts in the examination of the projects that will be financed by the resources of the Fund.

4. Formation and use of the Fund's assets

4.1. Fund's assets are formed through following sources:

4.1.1. Allocations from the state budget of the Republic of Azerbaijan;

4.1.2. Income received from the Fund's activities;

4.1.3. Dividends from securities acquired by the Fund;

4.1.4. Voluntary donations made by domestic and foreign juridical and individual persons;

4.1.5. Aids, grants and loans given by foreign states and international organizations;

4.1.6. Other sources considered in legislation.

4.2. The Fund’s assets are formed with Azerbaijani manat and foreign currencies.

4.3. The Fund uses the assets to implement the objectives and tasks determined by these Regulations;

4.4. Joint projects implemented by foreign and local investments are financed by the Fund providing Fund’s resources are not more than those investments.

4.5. The Fund uses the funds through the following available financial mechanisms:

4.5.1. To have term investments with the aim of obtaining securities and participating interests (shares) of juridical persons operating in the field of ICT that is in the authorized capital;

4.5.2. To finance local business entities operating in ICT field in the form of low-interest loans on favorable terms by authorized credit institutions;
4.5.3. Grant funding of the innovative and operative scientific-technical ICT projects through competition;

4.5.4. To guarantee the protection of the investments involved in joint projects;
4.6. At the end of the financial year the Fund's remaining resources are used to finance the costs of the next year.
4.7. The use of the Fund’s assets is carried out in accordance with the rules set forth by the President of the Republic of Azerbaijan.

4.8. Every year an external audit is carried out in order to ensure transparency in the use of the Fund's assets, the results of this audit are announced and posted on the media.

5. Management of the Fund

5.1. The composition of the Fund’s staff is determined by the Cabinet of Ministers of the Republic of Azerbaijan.

5.2. Ministry of Communications and Information Technologies of the Republic of Azerbaijan carries out the following in connection with the management of the Fund:
5.2.1. Confirms the Fund’s structure and regulations of structural units, table of organization according to the defined number of staff and cost estimation;
5.2.2. Confirms the Fund’s annual reports;
5.2.3. Ratifies normative legal acts which control the Fund’s activities.

5.3. Minister of Communications and Information Technologies of the Republic of Azerbaijan appoints and dismisses the executive director of the Fund, two Deputies of the Director and the Chief Accountant;

5.4. The control over the Fund’s activities is carried out by Supervisory Board (hereinafter - the Council);

5.5. The Council is formed of 7 (seven) members – 4 (four) members from relevant governmental bodies, 3 (three) members representing non-governmental organizations in this field;
5.6. Council’s 4 (four) members are submitted by central executive bodies (including one from each of the central executive bodies):
5.6.1. Ministry of Communications and Information Technologies of the Republic of Azerbaijan;
5.6.2. Ministry of Finance of the Republic of Azerbaijan;
5.6.3. Ministry of Economic Development of the Republic of Azerbaijan;

5.7. Council members representing non-governmental organizations on the basis of the presentation of these organizations are appointed by the Ministry of Communications and Information Technologies of the Republic of Azerbaijan.

5.8. The composition of the Council is approved by the Ministry of Communications and Information Technologies of the Republic of Azerbaijan.

5.9. Organization of the work of the Council, rights and responsibilities of the members, requirements for them, procedures for early termination of their powers are regulated with "Regulation on the Supervisory Board”. "Regulation on the Supervisory Board” is approved by the Minister of Communications and Information Technologies of the Republic of Azerbaijan.

5.10. The Council carries out the following:

5.10.1. Determines priority activities and development strategy of the Fund to participate in the implementation of the ICT policy;

5.10.2. Carries out general control over the conformity of the Fund’s activities with the legislation of the Republic of Azerbaijan, the formation and expenditure of funds;

5.10.3. Considers the proposals submitted by the Executive Director on the strategy of attracting additional resources to the Fund and spending new resources on the priority activities of the Fund, adopts a decision and takes control over its implementation;

5.10.4. Discusses the use of the Fund’s assets according to the recommendation of the Executive Director of the Fund, the balance and project of income and expenditure estimates and make recommendations;

5.10.5. submits the proposals about financing of projects on a competitive basis, the placement of funds through authorized credit unions, the Fund’s investment activities to the Ministry of Communications and Information Technologies of the Republic of Azerbaijan and checks the conformity of these proposals with the rules of the use of the Fund's assets;

5.10.6. Confirms the selection criteria of the authorized credit institutions;

5.10.7. Approves model projects of the contracts about the terms of the use of the Fund's assets that is signed between the Fund and authorized credit institutions;

5.10.8. Confirms the requirements on the draft of the investment projects to get soft loans through the Fund’s resources and criterias for evaluating investment projects;

5.10.9. Confirms requirements on the participants and the rules of the competition;

5.10.10. determines the amount of funds intended for financing projects;

5.10.11. Makes decisions on the results of competitions according to the suggestion of the Executive Director;
5.10.12. confirms the rules of the monitoings to control the intended use of the finance allocated by the Fund with the aim of implementation of the projects;

5.10.13. Makes proposals to the Ministry of Communications and Information Technologies of the Republic of Azerbaijan on the improvement of the Fund’s activity;

5.10.14. Drafts normative legal acts on the activity of the Fund and submits it to the Ministry of Communications and Information Technologies of the Republic of Azerbaijan for its approval;

5.10.15. Adopts a decision to conduct external audits related to the activity of the Fund and organizes the auditing, submits the proposals on the audit results to the Ministry of Communications and Information Technologies of the Republic of Azerbaijan;

5.10.16. Discusses other issues related to the current activities of the Fund.

6. Organization of the work of the Fund

6.1. The Fund is managed by the Executive Director of the Fund.

6.2. Executive Director of the Fund:

6.2.1. Organizes the Fund's current work, opens accounting and treasury accounts and represents the Fund;

6.2.2. Drafts normative legal acts related to the activities of the Fund, including internal disciplinary rules and submits them to the Ministry of Communications and Information Technologies of the Republic of Azerbaijan for approval;

6.2.3. employs and dismisses workers, exercises the encouragement and disciplinary measures provided by the law;

6.2.4. Decides on the applications of the authorized credit institutions about getting favourable loans with the Fund’s resources and makes an appropriate decision on accepting or refusal about these applications depending on the opinion of the examination.

6.2.5. attracts experts for the examination of the applications about the investment projects of the entrepreneurship subjects by authorized credit institutions;

6.2.6. Adopts a decision on holding competition in order to finance the applied scientific research and innovative projects specialized in the ICT field;

6.2.7. Examines the projects for the competition and forms an expert committee in order to evaluate them;

6.2.8. Offers suggestions on the improvement of the activity of the Fund;

6.2.9. Manages the property, including the Fund's financial resources;
6.2.10. Signs contracts, orders and decrees on behalf of the Fund in accordance with the law, and takes over the control of their implementation;

6.2.11. Prepares expenditure estimates, proposals on the main directions of the use of funds, submits it to the Ministry of Communications and Information Technologies of the Republic of Azerbaijan after the agreement with the Council;

6.2.12. According to these Regulations, provides the allocation of grants through a tender process and ensures the signing of deals;

6.2.13. Controls the implementation of projects financed by the Fund and performance of other measures;

6.2.14. Controls over financial and economic activity of the Fund and provides necessary conditions to carry out an audit;

6.2.15. Takes necessary measures on the solution of material and technical issues in order to ensure the efficient operation of the Fund;

6.2.16. Represents the Fund with legal and physical persons, state and municipal bodies in the Republic of Azerbaijan and foreign countries without the power of attorney;

6.2.17. Informs the public about the Fund's annual activity;

6.2.18. After the end of the financial year prepares an annual report about the position of the Fund’s performance and the use of the resources within 1 (one) month, submits this report to the Ministry of Communications and Information Technologies of the Republic of Azerbaijan together with the relevant conclusion of the Council;

6.2.19. According to the Fund's objectives, performs other duties that are beyond the power of the Council.

7. Accounting and reporting

Maintains the accounting records, submits financial and statistical reports to relevant authorities according to the Fund’s legislation;

8. Reorganization and liquidation of the Fund

8.1. The Fund is revoked and re-arranged by the President of the Republic of Azerbaijan.

8.2. If the Fund is terminated, the issues of its property division are resolved due to the Civil Code of the Republic of Azerbaijan.
Rules for the use of assets of State Fund for Development of Information Technologies under Ministry of Communications and Information Technologies of the Republic of Azerbaijan

Annex II

Approved by Decree of the President of the Republic of Azerbaijan, dated 2 April 2013


1.1. These Rules determine the mechanisms and conditions of the use of the resources of the State Fund for the Development of Information Technologies under the Ministry of Communications and Information Technologies of the Republic of Azerbaijan (hereinafter referred to as “the Fund”), as well as regulates the issues of applications for the projects, examination of the projects, their financing, monitoring and management.

1.2. The resources of the Fund are directed to the financing of the projects of investment and competition on the priority areas of the development of the information and communication technologies sector (hereinafter referred to as “ICT”) in the Republic of Azerbaijan, as well as to the share capital of legal entities operating in the ICT sector, including to the term investments by getting their shares.

1.3. Competition is held among the business entities in the form and manner determined by the Fund’s Supervisory Board (hereinafter referred to as “the Board”) in order to implement concrete projects related to the development of the ICT through the resources of the Fund considered in the decrees and orders of the President of the Republic of Azerbaijan, decisions and orders of the Cabinet of Ministers, government programs.

1.4. Repaid loan proceeds and other proceeds are kept in the Fund’s account and used again for the purposes set out in the paragraph 1.2 of these Regulations.

2. Project financing mechanisms

2.1. The Fund reserves the right to apply the following mechanisms for project financing:

2.1.1. The share capital of juridical persons operating in the ICT sector, including term investments by getting their shares;

2.1.2. Financing of business entities operating in the field of ICT with preferential loans by means of authorized banks and non-bank credit institutions (hereinafter - the authorized credit organizations);
2.1.3. Grant financing of innovative and operative scientific-technical projects (startup projects).

2.2. General principles of each funding mechanism are determined by these Regulations. Additional regulations are expected to be approved on each funding mechanism by the Board in order to ensure accurate implementation of projects.

3. Investment activity

3.1. One of the main goals of the Fund is to participate in the activity of juridical persons in the field of ICT as a partner or shareholder according to the requirements of the Law "On Investment Funds" of the Republic of Azerbaijan.

3.2. The financing of the project in the investment form is carried out in the way that a portion of the authorized capital of a juridical person is formed or increased by means of Funds resources.

3.3. This time a contract approved by the Board is signed between juridical person and the Fund. The contract contains financial-economic activities related to the implementation of the project, project outcomes, project management and monitoring mechanisms and other measures related to the implementation of the project.

3.4. The control over the juridical person is carried out on the basis of the Fund’s rights as a shareholder and partner.

3.5. The share capital of juridical persons operating in the ICT field, including term investment by acquiring their shares are based on the following principles:

3.5.1. The Fund’s decision on investment of juridical persons operating the ICT field or the newly established to the share capital, analysis of business plans reflecting the commercial effectiveness of the proposed participation share juridical persons is accepted on the basis taking into account their founders’, as well as other participants’ experience and achievements obtained in entrepreneurial activities.

3.5.2. The Fund must not have more shares in the share capital of the juridical person.

3.5.3. Upon the expiration of the period specified by the Fund’s Supervisory Board for the investment to the share capital of the commercial organization, the Fund sells its shares at the market prices and terminates its participation in the commercial organization.

3.6. The Fund carries out the following activities:

3.6.1. Takes steps to invite foreign investors to the country’s ICT field;

3.6.2. Helps foreign investors have business relations with local juridical persons to establish joint ventures;
3.6.3. Determines projects to invest in the ICT field, makes their industrial and financial examination;

3.6.4. Chooses promising juridical persons having innovative projects that may be objects for the investment;

3.6.5. Provides consulting services to juridical persons having promising investment projects in the preparation of investment contracts;

3.6.6. Forms a consortium of investors to carry out investment;

3.6.7. Operates independently or as a part of a consortium of investors within the investment of the Fund's assets;

3.6.8. Manages the Fund's investment portfolio.

3.7. The Fund’s resources are invested to business entities operating in the following ICT field:

3.7.1. Conducting applied scientific research and experimental-design work;

3.7.2. Creation of the innovative projects;

3.7.3. Creation of new technical testing facilities;

3.7.4. Creation and production of new model technique;;

3.7.5. Creation of new technologies;

3.7.6. Creation of the software tools;

3.7.7. Creation of new services on reception, processing, analysis and transmission of the information;


4. Provision of preferential loans through authorized credit institutions

4.1. Delivery of the Fund's assets to business entities are carried out on their own behalf and risks by the means of authorized credit institutions.

4.2. The authorized credit institution, granted license by the Central Bank of the Republic of Azerbaijan according to the criteria determined by the Council, may participate in giving soft loans.

4.3. A contract containing conditions about using assets is signed between the Fund and authorized credit institution. The credit line for each of the authorized bank for the current year is determined on the basis of its order. Loan funds are given to entrepreneurs in whole or in
stages, depending on executing the project. The Fund may demand other mandatory conditions in an agreement to be concluded between the authorized credit institution and business entities.

4.4. Loans are granted in accordance with 5.7 and 5.9 paragraphs of these Regulations. Only after the loan is fully used, the authorized credit institution applies for the use of the credit line and opening a new credit line.

4.5. Granting credits to the authorized credit institutions are implemented according to the following procedures:

4.5.1. The remainder of the funds of authorized credit institutions get from the Fund may be up to 150 percent of their share capital;

4.5.2. The authorized credit institutions have to pay the main debt and calculated interest of each month over the used assets to the Fund not later than 3 (three) banking days of following month;

4.5.3. The obligation of the authorized credit institutions to the Fund does not depend on the attitudes to the business entities. The authorized credit institutions have to meet their obligations to the Fund according to the terms of the contract, irrespective of implementation of favourable loans, interests and other payments on the obligations by business entities. If authorized credit institutions fails to perform their obligations during 1(a) month, the Fund takes measures for the return of the Fund's assets in accordance with current legislation;

4.5.4. Complaints about the demand of other terms (payment of additional interests) from the business entities by the authorized credit institutions except the terms determined by the legislation and the Board are reviewed by the Board and if such facts are approved, the Board stops allocation of new funds to the authorized credit institutions or refuses its service as an authorized credit institution.

5. Allocation of loans to business entities and their usage

5.1. The authorized credit institutions place the Fund’s assets on their own behalf and risks according to these Regulations.

5.2. Business entities initially apply to the authorized credit institutions in order to get soft loans from the Fund. Authorized credit institutions register the applications and submit the entrepreneur a relevant document confirming the registration of the application. The authorized credit institutions analyze investment projects based on the minimum requirements and criteria for the evaluation on their own business interests and drafting investment projects determined by the Fund not later than 10 (ten) banking days. The business entities whose investments are considered unacceptable are given reasoned rejection letters within 3 (three) banking days by the authorized credit institutions.

5.3. The Fund makes examination of the projects submitted to be financed by the Fund within 10 (ten) banking days and implements directly initial monitoring of the projects submitted by authorized credit institutions, excluding small loans.
5.4. Depending on the results of the examination, the Fund gives official information about the admission or rejection of the application to the authorized credit institutions. After having Fund's positive decision on the admission of the application, the authorized credit institution makes the final decision on the allocation of loans to the entrepreneurs.

5.5. After signing a loan agreement with business entities an order is sent to the Fund about the allocation of loans by authorized credit institutions. The Fund provides the allocation of loans to the authorized credit institutions within 3 (three) banking days. After the receipt of the allocated funds to the correspondent account of the authorized credit institution, the credit institution transfers the funds to the account of the business entities within 2 (two) banking days and informs the Fund and the entrepreneur about this.

5.6. The Fund must be informed by authorized credit institutions about all business entities who submitted investment projects in order to use the Fund’s preferential loans after the end of each term not later than 5 (five) banking days of next month. The information should be presented in a form determined by the Fund.

5.7. The Fund provides soft loans to entrepreneurs in the following limits:

5.7.1. From AZN 10 000 to AZN 50 000 - small loans;
5.7.2. From AZN 50 001 to AZN 500 000 - medium loans;
5.7.3. From AZN 500 001 to AZN 5 000 000 - large loans.

5.8. The maximum limit of allocated soft loans (as well as on this investment project) from the Fund for each business entity must not exceed AZN 5 000 000.

5.9. The Fund's favourable lending terms are defined as follows:

5.9.1. Small loans - up to 3 (three) years;
5.9.2. Medium loans - up to 5 (five) years;
5.9.3. Large loans - up to 10 (ten) years.

5.10. The annual interest rate of the Fund’s credits is one percent.

5.11. The highest level of the annual interest rate of the authorized credit institutions applied to the Fund’s loans should not exceed 5 percent of the total loan amount.

5.12. Paragraphs 5.10 and 5.11 of these Regulations are applied to the funds attracted from other sources excluding the Fund’s assets, taking into account the interest rates described in the contracts signed with those sources.

5.13. Grace period for the loans is determined based on the information about the cash flow depending on the nature of the activity for the credit given to business entity and covers the first half of the loan term. During the grace period, business entities pay only the interest, do not make any payment on the main loan. The authorized credit institutions have to inform the Fund
about the grace period determined for business entities.

6. Return of funds by business entities

6.1. Interests or principal payments of the business entities paid ahead of time have to be transferred to the Fund’s account by authorized credit institutions not later than 3 (three) banking days. If the authorized credit institutions are late to transfer this money to the Fund’s account more than 30 (thirty) banking days, the Board ceases allocation of new funds to the authorized credit institutions or refuses their services as authorized credit institutions.

6.2. The Fund may perform reconciliation of the period of interests or principal payments of business entities to authorized credit institutions with the transfer by authorized credit institutions to the Fund or apply to the Central Bank of the Republic of Azerbaijan for it. In the event of such request, the Central Bank of the Republic of Azerbaijan within its authority studies this issue during the investigation and informs the Fund.

6.3. Not returning or delay in repayment of the funds by business entities does not relieve the authorized credit institutions of the responsibility to the Fund.

7. Grant financing

7.1. The Fund carries out grant financing of individuals and juridical persons on transparent and competitive basis according to the priorities in the Regulations.

7.2. Acceptance of applications for the competition, the initial analysis and coding, the selection of permanent and independent experts, creation and coding of a database about independent experts are implemented in the relevant section of the Fund.

7.3. Each individual and juridical person has to apply to the Fund in order to participate in the competition.

7.4. According to the Regulations of the Fund, competition projects are selected appropriately to the results of the preliminary and comprehensive examinations.

7.5. The preliminary examination of the coded projects is carried out by the relevant section and permanent experts of the Fund within 15 (fifteen) working days, the results of the preliminary examinations are systematized and a decision is made. One of the following decisions is made according to the results of the preliminary examinations:

7.5.1. to abandon the project because of its incomplete and failure to comply with the Fund's activities and priorities. In this case, the applicant is informed in an appropriate manner;

7.5.2. to make a decision about the next stage of the application and comprehensive examination.
7.6. A comprehensive examination is made on each project by independent and permanent experts within 20 (twenty) working days and an opinion, information and recommendations reflecting examination results are submitted to the Fund.

7.7. A set of relevant documents for each project is prepared by relevant section and permanent experts of the Fund for consideration in the Board. Discussions are held on the basis of these documents, information is provided and recommendations are made, winners are determined at the Board meetings.

7.8. Financing of the project is carried out on the basis of an agreement concluded between the Fund and the winner of the competition (project manager). Relevant documents regarding specific obligations about the project estimates, business plan and the use of its practical consequences are added to the agreement.

7.9. Grants for projects are allocated in small, medium and large partitions within 36 (thirty six) months.

7.10. Grant financing limit on a project should not exceed AZN 300 000.

7.10.1. The Fund provides grants to business entities in the following limits:

7.10.1.1. From AZN10 000 to AZN100 000 - small grants;

7.10.1.2. From AZN 100 001 to AZN 200 000 - medium grants;

7.10.1.3. From AZN 200 001 to AZN 300 000– large grants.

7.11. Selection of projects on a competitive basis is carried out in accordance with the results of the initial and final examinations made by independent expert commissions.

7.12. The funding of a project is carried out in three stages:

7.12.1. The initial funding is carried out in the first stage of 12 months. At this stage, 20 percent of the total amount of the grant is allocated for the organization of work according to the business plan.

7.12.2. The decision to continue funding is made according to the results of the initial phase in the second stage of 12-24 months. 30 percent of the total grant is allocated for the interim financing of the project, if the results of the initial phase of the project are considered satisfactory according to the predictions set in the business plan.

7.12.3. The remaining 50 percent of the total grant is allocated for the final financing of the project according to the relevant procedure in the final phase of 24-36 months. At this stage, attracting other investors’ funds for the commercialization of the project is considered the primary condition.
8. Monitoring of projects

8.1. Authorized credit institutions, in accordance with the rules established by the Fund, conduct monitoring at least twice a year, about the use of the Fund’s assets on the investment projects by each business entities and report to the Fund. The structure and form of the report is determined by the Fund. During the monitoring conducted by authorized credit institutions, if they find out that the preferential loans are not used for intended purposes the authorized credit institution has to demand the payment of the loan and calculated interest from business entity ahead of schedule. The authorized credit institution has to transfer the main loan and interest debt to the Fund’s account within 10 (ten) banking days irrespective of the fulfillment of the commitments by business entity.

8.2. The Fund may conduct independent monitorings of entrepreneurs in order to monitor the intended use of assets by the Fund.

8.3. The monitoring of the competition projects is carried out by the Fund’s relevant section or independent experts at the request of the Fund.

8.4. The monitoring of the competition projects is carried out for the following purposes:

8.4.1. To assess the fulfillment of the obligations by the project manager to the Fund according the signed contract;

8.4.2. To take measures to reduce and eliminate the risks of the project;

8.4.3. To include relevant information on the implementation of the projects into the database of the project monitoring.

8.5. The monitoring of competition projects is carried out by checking relevant documents (including the legal, financial, economic, scientific-technical analysis of the submitted projects) submitted by the project manager.

8.6. The intended use of the Fund’s assets is checked during the monitoring of the competition projects, the factual and prognosis of the project implementation on the relevant documents are analyzed in a comparative manner, its financial status is checked on the basis of submitted documents (annual audits, quarterly and annual financial statements and other information).

8.7. During its monitoring if the Fund finds out that the preferential loans are not used for the intended purpose, according to the Fund’s written demand, the preferential loan and interest debt given to the business entity is transferred completely to the Fund’s account by the authorized credit institution within 10 (ten) banking days, irrespective of the fulfillment of the commitments by the business entity. If the transfer of the required fund exceeds 30 (thirty) calendar days, the Fund will take actions for the repayment of the funds according to the legislation.
8.8. If the authorized credit institution breaks the rules of the monitoring 3 (three) times or more, the Fund stops to allocate finance to the the authorized credit institution or removes it from the list of authorized credit institutions.