

**RULES**  
**for formation and execution of the budget**  
**of the Permanent Secretariat of the Intergovernmental Commission TRACECA**

**Article 1. General Provisions**

1. The present Rules for formation and execution of the budget of the Permanent Secretariat of the Intergovernmental Commission TRACECA (hereinafter referred to as the Rules) are developed in compliance with the Agreement on Joint Financing of the Permanent Secretariat of the Intergovernmental Commission TRACECA between the Governments of the Parties to the Basic Multilateral Agreement on International Transport for Development of the Europe-the Caucasus-Asia Corridor of 21 April 2005 (hereinafter referred to as the Agreement) and the Statute of the Permanent Secretariat of the Intergovernmental Commission TRACECA.

2. The present Rules shall regulate the procedure of formation and execution of the annual budget of the Permanent Secretariat of the Intergovernmental Commission TRACECA (hereinafter referred to as the Permanent Secretariat).

3. The budget of the Permanent Secretariat shall be formed once for the period from 1 January to 31 December (the planned year following the reporting year), shall contain the planned income and expenditure, and shall be approved by the decision of the Intergovernmental Commission TRACECA (hereinafter referred to as the IGC TRACECA).

4. Financial transactions, maintenance of financial documents and reporting shall be carried out on the basis of the national legislation of the Republic of Azerbaijan and in accordance with the documents and decisions of the IGC TRACECA.

5. The contributions of the Parties and the related bookkeeping for the purposes of the Permanent Secretariat shall be made in Euro, unless otherwise provided by the relevant decision of the IGC TRACECA.

**Article 2. Procedure of budget formation**

1. The Permanent Secretariat shall develop the draft budget that consists of the budget itself and an explanatory note to it in accordance with Article 3 of the present Rules.

2. The explanatory note should contain an analysis of income and expenditure for the previous period and the reasons for changes in the draft budget for individual items in comparison with the data for the reporting period.

3. The draft budget and the explanatory note shall be sent to the Parties no later than 3 (three) months before the opening of the next meeting of the IGC TRACECA. If a meeting of the IGC TRACECA is held in the planned year, the draft budget shall be developed and submitted to the Parties no later than 15 September of the year preceding the planned year.

4. The National Secretaries of the Permanent Secretariat shall send the Parties' comments on the draft budget to the Permanent Secretariat not later than 2 (two) months before the opening of the next meeting. In case of holding a meeting of the IGC TRACECA in the planned year, comments shall be sent no later than 15 October of the year preceding the planned year.

5. The comments of the Parties shall be attached to the explanatory note and sent to the Parties 2 (two) weeks before the meeting of the Permanent Secretariat. In case of holding a meeting of the IGC TRACECA in the planned year, the meeting of the

Permanent Secretariat shall be held no later than 15 December of the year preceding the planned year.

6. The draft budget, an explanatory note to it and the comments of the Parties shall be considered at a meeting of the Permanent Secretariat.

7. The draft budget approved in accordance with paragraphs 1-6, Article 2 of these Rules shall be sent to the Parties not later than 3 (three) weeks before the opening of the next meeting of the IGC TRACECA. If the IGC TRACECA meeting is held in the planned year, the draft budget shall be sent to the Parties no later than 10 (ten) calendar days from the date of the meeting of the Permanent Secretariat.

8. If a meeting of the IGC TRACECA is held in the planned period, before the budget is approved, the costs shall be made based on the need to ensure the normal operation of the Permanent Secretariat, given the costs incurred over the same period of the past year.

### **Article 3. Budget Structure and Content of the Explanatory Note**

1. The structure of the budget shall include the income and expenditure sides, and shall be formed in accordance with Appendix 1 to these Rules.

2. The income side of the budget shall be formed in accordance with Article 3 of the Agreement and shall consist of the following items

- contributions of the Parties to the Agreement for the planned financial year;
- the remaining amount from the budget (balance sheet) of the previous year;
- income from bank interest, exchange rate;
- grants from donors and organizations;
- miscellaneous income.

The income shall be reflected in the appropriate table in accordance with Appendix 2 to these Rules.

3. Contributions of the Parties to the Agreement for the planned year shall be formed from transfers of funds to the account of the Permanent Secretariat in the amounts established by the decision of the IGC. The Parties shall transfer contributions according to the terms determined by the Agreement.

4. In the event of non-compliance with the provisions of paragraph 2, Article 3 of these Rules, the Party which is in arrears in the payment of contributions shall be deprived of the right to vote at the meetings of the Permanent Secretariat and the IGC TRACECA (on issues of budget approval, adoption of financial and audit reports, determination of the composition of the auditing team, contributions, and other financial issues), if the size of its arrears equals or exceeds the contributions due for the previous two full years. The Secretary General (at meetings of the Permanent Secretariat) and the Chairman (at meetings of the IGC TRACECA) shall have the right to authorize such a Party to participate in the voting if it is recognized that the delay in payment has occurred due to circumstances beyond the control of the Party.

5. In the income side, only contributions received for the planned year shall be taken into account. It is forbidden to form and execute the budget at the expense of contributions that are received for the year following the planned year.

6. The balance of the budget of the reporting year shall be formed at the expense of unused funds for each item of the budget expenditure specified in paragraph 9, Article 3 of these Rules, and shall be transferred to the income part of the budget of the planning period under the item "the remaining amount from the budget (balance) of the previous year"

7. Income from bank interest, exchange rate shall be formed by keeping and converting currency funds on the account of the Permanent Secretariat

8. Grants from donors and organizations shall be formed by transfers from ongoing projects, joint events, sponsorship allocations, etc., where the Permanent Secretariat acts as the beneficiary.

9. The expenditure side of the budget shall be formed in accordance with Article 3 of the Agreement and shall consist of the following items:

— payments to the management and staff of the Permanent Secretariat, including:

salaries of the Secretary General, the staff of the Permanent Secretariat, involved and short-term experts according to the staffing table and internal rules of payment of salaries, as well as of the Permanent Representatives (National Secretaries)

payment of accommodation costs for the international staff of the Permanent Secretariat in the amounts established on the basis of the differential Standards for the costs of the international staff of the Permanent Secretariat and payment of their expenses, approved by the Secretary General and revised no more than once in 3 (three) years;

payment of medical insurance for local and international personnel of the Permanent Secretariat, other than the compulsory medical insurance established by the legislation of the Republic of Azerbaijan.

— office costs that include:

costs of maintaining the offices of the Permanent Secretariat and Permanent Representations of the Permanent Secretariat in the Parties to the Agreement;

expenses for utilities (water supply, electricity supply, other expenses related to the maintenance and operation of the Permanent Secretariat building);

travel expenses of the management and staff of the Permanent Secretariat, paid in accordance with the Travel Plan of the Permanent Secretariat and not funded by third-party organizers or the inviting party (travel expenses, accommodation expenses, consular fees for visa processing and per diem expenses);

costs of the maintenance of the vehicle of the Permanent Secretariat, including costs of its maintenance, fuel and lubricants, payment of state duties and taxes in accordance with the legislation of the Republic of Azerbaijan;

expenses related to the maintenance of the official TRACECA website, information systems and software;

costs of printing services, including costs of printing and distribution of permits for international road transport of TRACECA, costs of manufacturing and distribution of other specialized TRACECA products, including the manufacture of presentation and information products;

stationery and hospitality expenditure of the Permanent Secretariat;

— re-investment which includes:

costs of purchasing and updating equipment (furniture), purchasing of a new software for the office of the Permanent Secretariat and Permanent Representations of the Permanent Secretariat in the Parties to the Agreement; vehicle acquisition costs for the Permanent Secretariat Headquarters;

expenses related to renovation work in the building of the Permanent Secretariat Headquarters.

— Meetings of the IGC TRACECA and Working Groups that include:

travel expenses, accommodation expenses, visa and per diem expenses for delegates of TRACECA events;  
 costs of organizing, conducting and supporting TRACECA events;  
 costs of production and distribution of presentation and information materials, meeting documents;  
 food and local transport costs for delegates to TRACECA events.

— other expenditure that includes:

expenses for maintaining bank accounts, banking services provided to the Permanent Secretariat;

expenses for the development and implementation of technical assistance projects, the beneficiaries of which are the Permanent Secretariat and / or the Parties to the Agreement.

other expenses related to the activities of the Permanent Secretariat and not included in other items of expenditure.

10. When developing the expenditure side of the budget, the amounts of expenses provided in the Procurement Plan of the Permanent Secretariat for the planned year or related to the activities of the Work Plan of the Permanent Secretariat and the Travel Plan of the Permanent Secretariat for the planned year shall be taken into account.

11. All costs foreseen in the budget shall be grouped and reflected in the summary table in accordance with Appendix 3 to these Rules

12. The column "miscellaneous costs" shall not be allowed in any of the expenditure items.

13. If the budget is formed in such a way that the expenditure side of the budget is less than the income side of the budget, the difference shall be reflected as "the remaining amount from the budget (balance) of the planned year" and transferred to the income side of the budget of the year following the planned year.

14. An explanatory note should contain an analysis of income and expenditure for the previous 2 (two) years and estimated indicators of the reporting year, the reasons for changes in the income and expenditure sides of the budget compared to previous periods.

15. An explanatory note shall be made in any form.

#### **Article 4. Procedure of Budget Execution**

1. After the budget is approved, the Permanent Secretariat shall ensure that the internal (operational) budget is adopted, broken down by month, for its effective implementation.

2. All documents containing financial obligations, including invoices and other banking documents, should be signed by the Secretary General.

3. Using funds for purposes not provided by the budget shall not be allowed.

4. The financial documents used in the daily work of the Permanent Secretariat (ledgers, orders, forms, cashier's checks, etc.) should be properly retained for 10 (ten) years for financial reporting purposes.

5. The funds saved in the course of budget execution should be reflected in the income item "the remaining amount from the budget (balance sheet) of the previous year" of the budget of the year following the planned year, given paragraph 9 of Article 5 of the Agreement.

6. In the event that contributions are not received within the timeframes determined by the Agreement, the Permanent Secretariat from the day following the last day for payment of contributions shall terminate funding (for the following expenditure items of the budget: "payments to the management and staff" and "office costs") of the

Permanent Representation of the Permanent Secretariat of the Party to the Agreement that has not paid the contributions.

In the event that contributions are not received at the end of year from the timeframe determined by the Agreement, the Permanent Secretariat from this moment shall terminate funding (for the following expenditure item of the budget: "Meetings of the IGC TRACECA and Working Groups") of the Permanent Representation of the Permanent Secretariat of the Party to the Agreement that has not paid the contributions.

The Host Party of the IGC TRACECA meeting shall have the right to finance the costs for participation in the IGC TRACECA meeting of the delegates of the Parties to the Agreement with arrears of contributions.

7. When contributions are received after the deadlines specified in the Agreement, the Permanent Secretariat shall ensure payments that have not been made due to non-payment of contribution (including events held before the payment of contributions, in which the Party to the Agreement participated, on the basis of providing confirmation (financial) documents on the expenditures incurred).

8. Procurements shall be made in accordance with the Procurement Rules of the Permanent Secretariat and the Procurement Plan for the corresponding year. It is not allowed to purchase goods, works or services without the appropriate supporting documentation (receipt, invoice, certificate of the work performed)

9. TRACECA activities, including the meetings of the Intergovernmental Commission, the Permanent Secretariat, ad hoc Working Groups, shall be carried out in accordance with the Work Plan of the Permanent Secretariat and financed from the budget. In the event that TRACECA activities are held on a co-financed basis together with TRACECA partners and / or authorized bodies of the countries where the events are held, the budget shall cover only the part of the costs that is not provided by the co-financing conditions.

10. For the rational use of budgetary funds, an estimate of the activity shall be prepared, approved by the Secretary General and shall include the following costs:

- transport costs for delegates of the event (no more than 3 (three) for each of the Parties to the Agreement), including costs for local transport (air tickets shall be purchased from the budget of the Permanent Secretariat at economy class fares of the lowest cost (including luggage and food), taking into account the rationality of the schedule), without expenses for excess luggage and hotel accommodation in transit countries;
- consular fees for issuing visas for event delegates without additional fees for urgent visa processing
- expenses for accommodation of delegates of events at a hotel of at least 4 stars for IGC TRACECA meetings and at least 3 stars for meetings of the Permanent Secretariat and Working Groups;
- catering for delegates of TRACECA events within the approved budget of the event;
- daily expenses, if meals are not provided for delegates of the event.

Travel expenses rates shall be approved by the Secretary General. In case of refusal of the event delegates from the provided financing conditions, the event delegates shall have the right to change the class of air fares and the category of the hotel at their own expense.

11. The estimate for carrying out TRACECA events shall be formed depending on the income side of the budget and the fulfillment of obligations by the Parties to transfer contributions. In the event that the Parties violate the provisions of the Agreement on the timing of the transfer of contributions, the financing of the participation of delegates in the TRACECA events shall be carried out in accordance with the provisions of paragraph 6, Article 4 of these Rules.

12. The host Party of the TRACECA event may cover the rental cost for the building to hold the event, the official reception for the delegates of the event, and the organization and financing of the costs associated with transfers from the airport to the hotel and back, as well as other costs not provided for in subparagraph d) of paragraph 2 of Article 3 of the Agreement.

13. The transfer of budgetary funds to the Permanent Representations of TRACECA in the Parties to the Agreement shall be carried out on the basis and within the approved budget and shall consist of the salaries of the Permanent Representatives (National Secretaries) and the office costs of the Permanent Representations of the Parties to the Agreement.

14. The salary of the Permanent Representatives (National Secretaries) in the Parties to the Agreement shall be transferred to their registered bank accounts in the country of location of the Representative Office and calculated for the period of the office, on the basis of a certificate submitted to the Permanent Secretariat and another document on his / her appointment or dismissal from office.

15. In the event of a vacancy of the position of the Permanent Representative (National Secretary) in a Party to the Agreement, funds earmarked for the payment of salaries, if necessary, may be redistributed by the Secretary General to other budget items of the expenditure side.

16. The office costs for the Permanent Representations in the Parties to the Agreement shall be transferred to the current account of the Representative Office.

17. The Secretary General shall be responsible for administering the budget in accordance with the provisions of the Agreement and these Rules. No influence / pressure from the Parties to the Agreement or the Chairman of the IGC TRACECA shall be allowed in the process of organizing and financing the TRACECA events.

### **Article 5. Reports on Budget Execution**

1. The Permanent Secretariat shall prepare a monthly operational report on budget execution, to be approved by the Secretary General.

2. At the end of the financial year, the Permanent Secretariat shall prepare a financial report on the execution of the budget for the reporting financial year no later than 20 January of the year following the reporting year.

3. The financial report shall contain the information on planned and actual financial performance, as well as an analytical note drawn up in free form and containing the information on the results of the budget execution for the reporting period (if there are deviations of actual results from the planned ones, the reasons and factors that influenced the final results shall be disclosed), including problematic issues that arose in the process of budget execution.

4. The IGC TRACECA at its annual meeting shall determine the composition of the auditing team (3 experts in finance from different Parties to the Agreement, that paid contributions for the reporting period, none of which is the chairperson) to monitor the implementation of the budget, which includes:

— The Party to the Agreement that transferred the chairmanship before the beginning of the reporting year (if it is impossible for an expert of the Party to the Agreement to participate, this right may be transferred to the Party to the Agreement in descending alphabetical order;

— 2 (two) Parties to the Agreement, in alphabetical order following the Party to the Agreement chairing in the reporting year (if an expert of one of the Parties to the Agreement cannot participate, this right may be transferred to the Party to the Agreement in ascending alphabetical order).

5. The composition of the auditing team shall be approved annually by the Decision of the IGC TRACECA in advance, before the end of the planned year. If the composition of the auditing team is not approved before the end of the planned year, in order to consider the budget execution report and the Audit report to it at a meeting of the IGC TRACECA, it is allowed to conduct an audit by the composition of the auditing team determined at the last meeting of the IGC TRACECA.

In this case, it is not allowed to re-include previously participating experts in the auditing team for two or more years running.

6. An audit consists of procedures for exercising control over

— compliance with general accounting principles;

— ensuring a legal and sustainable system of expenditure and income, namely, the correct execution of the adopted budget in accordance with the existing rules and criteria;

— efficiency of spending, i.e. ensuring an adequate budget to achieve the objectives set out in the legal documents governing the activities of the Permanent Secretariat;

— the reliability of the information contained in the financial report.

7. The presence of an auditor's diploma shall not be mandatory for members of the auditing team, however, experts should meet the requirements of professional competence, including knowledge of budget and finance, international accounting and auditing standards.

8. The experts of the auditing team shall be guided in their work by the principles of independence (from the Permanent Secretariat and avoidance of conflicts of interest), fairness (objectivity and impartiality in making the facts of verification), responsibility (personal responsibility for the expressed opinion) and confidentiality.

9. The auditing team shall have the right to freely access all books of financial reporting and other documents. The Permanent Secretariat shall be obliged to assist in the implementation of financial control, as well as to provide all required documents on the issues related to verification.

10. The auditing team shall visit the Headquarters of the Permanent Secretariat to conduct an audit. The audit period cannot be more than 3 (three) business days.

11. The audit is considered valid if 2 (two) out of 3 (three) appointed experts took part in it. In case of impossibility of participation of two or more appointed experts determined by the decision of the IGC TRACECA, the Permanent Secretariat with the consent of the Parties to the Agreement has the right to apply to the Parties to the Agreement to determine an expert for the inclusion in the composition of the auditing team according to the procedure of transferring the right to participate in the auditing team, as defined in paragraph 4 of Article 5 of these Rules.

12. All travel expenses shall be covered by the budget of the Permanent Secretariat in the amount established by the internal rules of the Permanent Secretariat for travel expenses. A travel to the Headquarters of the Permanent Secretariat to conduct an audit shall be formalized as a business trip in accordance with the national legislation of the country of the expert – auditor.

13. The annual audit report shall contain an independent opinion of experts, expressed as follows: 1) without reservations and recommendations; 2) without reservations, but with recommendations for improving the financial performance of the Permanent Secretariat; 3) with reservation due to disagreement with the opinion of the Secretary General, expressed in writing

14. The results of the audit shall be drawn up by the Audit Report, that should be submitted to the Permanent Secretariat on the last day of the audit, but no later than 31 January of the year following the reporting year (except in cases beyond the control

of the Parties to the Agreement or in the case provided for in paragraph 11 of Article 5 of these Rules, when an audit is allowed to be conducted at a later date).

15. The experts of the auditing team may not move outside the Headquarters building of the Permanent Secretariat and / or distribute documents or copies of documents without the appropriate permission of the Secretary General.

16. The audit report must necessarily be signed by all members of the auditing team. The Secretary General shall have the right to familiarize himself with the Audit Report and submit his comments to it in writing. The Audit Report and written comments of the Secretary General shall be submitted for consideration at the meeting of the IGC TRACECA.

17. Prior to submission to the meeting of the IGC TRACECA, the budget execution report and the Audit report shall be considered at the meeting of the Permanent Secretariat.

18. If necessary, but not more often than once in 3 (three) years, the Secretary General shall have the right to ensure an independent audit (without the participation of experts of the Parties to the Agreement) of the financial reporting of the Permanent Secretariat, the results of which shall also be considered at the meetings of the Permanent Secretariat and the IGC TRACECA.

19. The Secretary General shall submit at each annual meeting of the IGC TRACECA a report on the execution of the budget of the previous year, which shall be adopted by the Decision of the IGC TRACECA.

#### **Article 6. Final Provisions**

1. Based on the income and expenditure provided in the budget for the planned period, the Permanent Secretariat shall form a proposal to determine the size of contributions by the Parties to the Agreement.

2. The decision on determining the size of contributions by the Parties to the Agreement shall be taken at the meeting of the IGC TRACECA.

3. Making changes to the budget shall not be allowed after its approval.

4. The budget and the report on its execution shall be approved by the Decision of the IGC.

5. Amendments and additions to these Rules shall be made in accordance with the Decision of the IGC TRACECA.

6. These Rules shall enter into force from the date of their adoption by the Decision of the IGC and shall be subject to execution by the Permanent Secretariat and the Parties to the Agreement.