

Rules of Operation of the TRACECA Fund

1. Goals and objectives

1. The goal of the establishment of the TRACECA Fund involves further contributing to the achievement of the objectives defined in Article 3 of the Basic Multilateral Agreement on International Transport for Development of the Europe-the Caucasus-Asia Corridor of 1998 (hereinafter referred to as the MLA) by strengthening cross-border and regional cooperation within the TRACECA corridor between interested parties and involvement of the private sector in the development of projects aimed at facilitating international trade and cargo transportation.

2. The objectives of the TRACECA Fund are direct financing through the provision of grants, as well as support and promotion of projects aimed at facilitating the transport of goods and crossing the borders of the TRACECA corridor that meet the criteria determined by these Rules of Operation of the TRACECA Fund (hereinafter referred to as the Rules).

2. Participation and Sources of Financing of the Fund

1. Participation in the Fund is open to the governments of all states that are members of the MLA, states that have observer status in the TRACECA Intergovernmental Commission (hereinafter referred to as the IGC), international organizations and organizations of regional economic integration, international, regional or sectoral financial and donor organizations, as well as legal entities, regardless of the country of registration, carrying out commercial activities in the field of international transportation of goods and facilitation of international trade.

2. The sources of financing for the TRACECA Fund are voluntary contributions from the governments of all states that are members of the MLA, states that have observer status in the TRACECA Intergovernmental Commission, international organizations and organizations of regional economic integration, international, regional or sectoral financial and donor organizations, legal entities, regardless of the country of registration, carrying out commercial activities in the field of international transportation of goods and facilitation of international trade, as well as individuals, regardless of their citizenship

3. The amount of annual voluntary contributions from the governments of the states that are members of the MLA, and from all other sources of financing of the TRACECA Fund is unlimited.

4. Anonymous fees (contributions) are not allowed.

3. Beneficiaries

1. Grantees (beneficiaries) of the TRACECA Fund may be legal entities from the MLA member states. The provision of grants to legal entities not registered in the MLA member states shall be determined on an individual basis by the Steering Committee of the TRACECA Fund, subject to the project meeting the criteria established by these Rules, as well as justifying the high degree of importance of the planned project for achieving the goals of the TRACECA Fund.

4. Financing Procedure

1. Financing from the TRACECA Fund shall be provided in the form of grants. Financing can be either full or partial.

2. Projects submitted for consideration by the TRACECA Fund should fulfil the following criteria:

- be clearly international or regional in nature, which implies a cross-border effect of the consequences of the project and / or the inclusion of at least two MLA member states.
- refer to priority funding areas established annually at the IGC meetings within the framework of the general policy of the TRACECA Fund.

The Steering Committee of the TRACECA Fund shall have the right to determine additional criteria for projects proposed for financing from the TRACECA Fund.

Applications for financing from the TRACECA Fund are made in Russian or English, which are the working languages of the TRACECA Fund.

3. Applicants for a grant shall submit applications and a package of related documents to the Permanent Representations (National Secretariats) of the Permanent Secretariat of the IGC TRACECA (hereinafter - NS) in those countries where they are registered as legal entities, or where a significant part of the project is planned to be implemented.

4. NS shall carry out an initial assessment and selection of projects in terms of their compliance with the criteria established in these Rules, as well as in terms of the application procedure, the correctness of its completion and the sufficiency of supporting documents. The NS shall have the right to return an incorrectly executed application with an indication of the deficiency of completion and contact the applicant to provide a corrected version. In case of a clear non-compliance of the application with the established criteria, the NS may refuse further consideration of the application.

5. After the initial selection and assessment of the application, the NS shall forward it to the PS IGC TRACECA, where a list of all applications is compiled and checked for compliance with the criteria defined by these Rules, for subsequent submission of the list of all applications for consideration by the Steering Committee of the TRACECA Fund.

6. At the meeting of the Steering Committee of the TRACECA Fund, a decision shall be made on financing projects.

7. Financing from the TRACECA Fund shall be provided for projects or their components aimed at conducting studies, developing business plans, technical concepts, feasibility studies, implementing pilot projects, etc., as well as implementing small-scale infrastructure projects, projects related to the acquisition, expansion or modification of rolling stock in all modes of transport, as well as the development of human capital.

8. Projects or their components aimed at conducting research, developing business plans and / or strategies, technical concepts, feasibility studies, implementing pilot projects, developing human capital, etc. may receive funding of up to 30,000 euros.

9. Projects related to the implementation of small infrastructure projects and projects aimed at the acquisition, expansion or modification of the rolling stock in all modes of transport may receive funding in the amount of up to 100,000 euros.

10. Maximum duration of the project should not exceed 12 months.

11. Allocation of funds shall be carried out in two stages: in case of approval of the project by the Steering Committee of the TRACECA Fund, an agreement shall be concluded with the beneficiary, signed by the Secretary General of the PS IGC TRACECA, on the provision of a grant, allocating 70% of the total amount of the agreement (the remaining 30% of the total amount of the agreement shall be received by the beneficiary after approval of the project findings by the Steering Committee).

12. In order to receive the remaining amount, the grantee shall, on the basis of the grant agreement, apply to the Secretary General of the PS IGC TRACECA with a package of relevant documents indicating the completion of the project, as well as certifying its results and the feasibility of the funds spent.

5. Representation

1. Representation in foreign relations, assistance in attracting finances to the TRACECA Fund, as well as the management and financial administration of the TRACECA Fund shall be carried out by the Secretary General of the PS IGC TRACECA, taking into account the provisions of the MLA, the Headquarters Agreement between the PS IGC TRACECA and the Government of the Republic of Azerbaijan of 2001, internal regulatory documents of the PS IGC TRACECA, the legislation of the Republic of Azerbaijan, as well as other documents adopted by the decision of the Steering Committee.

2. The Secretary General of the PS IGC TRACECA shall perform its duties on representation and administrative management of the TRACECA Fund in accordance with the provisions of the MLA, these Rules and the Rules of Procedure of the IGC, as well as the Decisions and Recommendations adopted by the IGC and the Steering Committee of the TRACECA Fund.

6. Management

1. The TRACECA Fund is managed by a Steering Committee empowered to make decisions regarding the distribution of the financial resources of the TRACECA Fund.

2. The Steering Committee consists of no more than 10 (ten) representatives of the TRACECA Fund participants who have made a voluntary contribution in the maximum amount for the current financial year. The members of the Steering Committee of the TRACECA Fund perform their functions free of charge, unless otherwise provided by the decision of the Steering Committee of the TRACECA Fund.

3. Meetings of the Steering Committee should be held at regular intervals at least 2 times a year both in person and in absentia. The costs of the meetings are provided for in the annual budget of the TRACECA Fund, annually approved by the Steering Committee.

4. The Steering Committee is authorized to adopt its own documents on matters not covered by these Rules, including a list of documents and application forms to obtain financing.

5. The meeting of the Steering Committee shall be held if two thirds of the participants are present (if there are less than 3 participants of the TRACECA Fund who have made a voluntary contribution at the time of submitting applications for financing, it is allowed for them to make a decision). Decisions taken at the meetings shall be binding on the absent participants of the TRACECA Fund and documented in the relevant minutes.

6. The meetings of the Steering Committee shall be chaired by the Secretary General of the PS IGC TRACECA, who takes part in the meeting of the Steering Committee with an advisory vote and participates in voting on procedural issues, but not on the allocation of funds from the TRACECA Fund.

7. At the meeting of the Steering Committee, applications for financing from the TRACECA Fund shall be considered, selected and submitted for consideration exclusively from the PS IGC TRACECA. Based on the results of the meeting of the Steering Committee, decisions shall be made either to satisfy the application for funding or to reject the application. Positive decisions of the Steering Committee shall be the grounds for concluding a grant agreement between the TRACECA Fund and the grantee. Also the meeting of the Steering Committee shall consider the issues related to the approval of the final results of the projects that have already been funded.

8. Grant agreements between the TRACECA Fund and the grantee shall be concluded by the Secretary General of the PS IGC TRACECA.

9. Decisions on the allocation of resources from the TRACECA Fund, as well as on the approval of the final results of the projects, that have already been funded, shall be taken by a qualified majority of votes - $\frac{3}{4}$ of the votes of all authorized to vote and voting members of the

Steering Committee (this requirement does not apply if there are less than 4 participants of the TRACECA Fund authorized to vote).

7. Evaluation

1. The evaluation of the activity of the TRACECA Fund shall be carried out by the IGC TRACECA and the Steering Committee.
2. The IGC TRACECA shall determine the general policy of the TRACECA Fund and make decisions on the priority directions of financing for the coming year.
3. At the end of the financial year, the Secretary General of the PS IGC TRACECA shall make:
 - a progress report no later than 2 (two) months before the meeting of the IGC and submit it for consideration by the IGC;
 - a financial report on the execution of the budget of the TRACECA Fund for the reporting financial year, no later than 20 January of the year following the reporting year, and submit it for consideration by the Steering Committee.
4. The report on the execution of the budget of the TRACECA Fund shall be adopted by the decision of the Steering Committee after its audit.

8. Audit

1. The execution of the budget of the TRACECA Fund shall be controlled by annual mandatory internal audits.
2. The Steering Committee of the TRACECA Fund shall determine the composition of the audit team to monitor execution of the budget, which includes representatives of three entities from the Steering Committee that made the largest voluntary contributions to the TRACECA Fund. At the same time, if there are several members of the Steering Committee of the TRACECA Fund who have made voluntary contributions in the same amount, the composition of the audit team may increase depending on the decision of the Steering Committee.
3. By decision of the Steering Committee, an external independent audit of the TRACECA Fund may be carried out. Internal and external audits shall be carried out at the expense of the TRACECA Fund.
4. The results of the audit of the financial operations of the TRACECA Fund shall be sent to the members of the Steering Committee.

9. Termination of Activities

1. The TRACECA Fund may terminate its activities in the same manner in which it was established - based on the decision of the IGC. This decision may be motivated by the proposal of the Steering Committee of the TRACECA Fund.
2. In the event that the IGC decides to liquidate the TRACECA Fund, the latter shall cease to accept new applications for funding, but continue to operate until the full repayment of its obligations under the grant agreements, that have already been concluded.
3. The financial resources remaining in the budget of the TRACECA Fund at the time of the decision to liquidate it shall be returned to all entities that have made voluntary contributions to the TRACECA Fund in proportion to the total amount of contributions.
4. If the entities that made voluntary contributions to the TRACECA Fund refused to return the funds, these funds can be transferred to the account of the PS IGC TRACECA for use in order to achieve the aims and objectives of the MLA.

10. Final Provisions

1. These Rules shall be approved by the Decision of the IGC TRACECA.
2. Amendments and additions to these Rules shall be incorporated in accordance with the Decision of the IGC TRACECA.
3. These Rules shall enter into force from the date of their adoption by the IGC Decision and shall be subject to implementation by the PS IGC TRACECA and the MLA member states.