



Legal updates

Deloitte Legal—representing tomorrow

The Constitutional Court adopted new decision relating to termination of loan agreements in connection with significant change in circumstances



On September 7, 2018, in accordance with Article 130 of the Constitution of the Republic of Azerbaijan, the Constitutional Court of the Republic of Azerbaijan ("Court") considered the case based on application from the Baku Appeals Court to comment on Article 422 of the Civil Code of the Republic of Azerbaijan ("Civil Code").

Article 422 of the Civil Code regulates the issues with regard to the change and termination of a contract due to significant change in its circumstances. The change of circumstances is deemed significant in the event that the contract would be

concluded on substantially different terms or would not be concluded at all if the parties could reasonably predict such a change.

The Court in its decision resolved that it does not consider the change of Manat's exchange rate unexpected or unpredictable for the parties since according to Article 5.0.3 of the Law of the Republic of Azerbaijan "On Central Bank of the Republic of Azerbaijan", the Central Bank regularly establishes and announces the official exchange rate of Manat.

The position of the Court is that in accordance with Article 422 of the Civil Code, the change of exchange rate of Manat cannot be considered unexpected for the parties, and cannot be regarded as a substantial change due to the fact that the borrower takes the financial risk by borrowing means in foreign currency.

It should also be noted that the Court, taking into account the change of exchange rate of Manat, considered appropriate that the terms of loan agreements in foreign currency are changed in the interest of the population depending on the banks' financial capacities.

"First in Azerbaijan" investment promotion mechanism to be developed and established

On 19 September 2018, the President of the Republic of Azerbaijan adopted the Decree "On additional measures to support competitive domestic production in the non-oil sector" ("Decree").

The President of the Republic of Azerbaijan has tasked the Cabinet of Ministers of the Republic of Azerbaijan to prepare within three months of proposals and draft legislative acts on:

1. "First in Azerbaijan" investment promotion mechanism for the production of new competitive products not produced in the country;
2. State support mechanism to internal market research to support the competitive production of micro, small and medium businesses;
3. State support mechanism to increase employment capacity to support the production activity of micro, small and medium businesses;
4. Application of customs privileges to imports of raw materials not produced in the country and used in domestic production;
5. Expansion of sales of products produced by micro and small businesses in trade networks;
6. "Exemplary Regulations of Clusters of Micro, Small and Medium Business Entities";
7. Rules regulating "Investing in Azerbaijan" mechanism to support direct investment in the country's economy.



With the aim of increasing the competitiveness and export capacity of the non-oil sector, the President has tasked the Ministry of Economy of the Republic of Azerbaijan to:

1. Submit proposals within three months on entering into the global value chains of enterprises operating in the country;
2. Prepare a list of specific products which if domestically produced can be competitive on a comparable basis;

3. Establish the working group to ensure implementation of the above paragraph with participation of the representatives from the Ministry of Taxes, the Ministry of Transport, Communications and High Technologies, the Ministry of Energy, the State Customs Committee, the State Statistical Committee, the State Agency for Control of Antimonopoly and Consumer Market, the Intellectual Property Agency, the Ministry of Agriculture and the State Oil Company of the Republic of Azerbaijan;
4. Undertake measures to attract foreign direct investment into the non-oil sector by using the opportunities of www.azexport.az and www.enterpriseazerbaijan.com internet portals, introduce open investment projects for alternative financing, expand access to traditional and new markets for local goods, accelerate the process of integration of non-oil products producers into the international market and increase the export capacity of this sector.

With the aim of improving direct foreign investment attractiveness of Azerbaijan, the President has instructed the Centre of Economic Reform Analysis and Communication to launch “www.enterpriseazerbaijan.com” internet platform, which shall reflect information on projects open for alternative financing and new investment opportunities in the country.



Get in touch



deloitte.az

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte provides audit, consulting, financial advisory, risk management, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries bringing world-class capabilities, insights, and high-quality service to address clients’ most complex business challenges. To learn more about how Deloitte’s approximately 244,000 professionals make an impact that matters, please connect with us on [Facebook](#), [LinkedIn](#), or [Twitter](#).

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the “Deloitte Network”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

© 2018 For information, contact Deloitte Touche Tohmatsu Limited.

To no longer receive emails about this topic please send a return email to the sender with the word “Unsubscribe” in the subject line.