INDUSTRY BRIEFS:

FINANCING

VENTURE CAPITAL

REPUBLIC OF AZERBAIJAN

At Bureau 28a, we recognize that venture financing is more than just capital – it is a strategic partnership that fuels innovation, accelerates growth, and shapes the future of emerging enterprises. This brief is designed to guide founders, investors, and stakeholders through the legal and structural fundamentals of venture financing in Azerbaijan and beyond.

Whether you are preparing for a seed round, negotiating Series A terms, or exploring convertible instruments, our goal is to demystify the process and highlight key considerations that impact valuation, control, and long-term success. Drawing on our experience advising startups and venture funds across sectors, we offer practical insights into deal structuring, investor rights, regulatory compliance, and exit strategies.

This document is not a substitute for legal advice – but it is a starting point for informed decision-making. If you're ready to raise capital or invest in a high-growth venture, Bureau 28a is here to help you navigate the journey with clarity and confidence.

This document in a series of Bureau 28a industry brief publications outlines development of a venture financing focusing on venture capital funds:

- in Azerbaycan, there is no specific regime of venture financing or private (as opposed to public) closely-held (limited number of investors) funds
- draft law on a venture financing was reportedly recently redeveloped by the Central Bank (CBA) and submitted to the government (the draft is not publicly available)
- several venture capital funds are available
- absence of the regime offers flexibility, limited predictability, and no exemptions
- specifically, a fund can be created as a general partnership based on an agreement without forming an entity
- if (subject to a review of terms of investment of a venturing IFI) a traditional limited partnership (LP) form is chosen, an LP in Azerbaycan is an entity, a separate taxpayer (with no passthrough status); there are no LLPs in Azerbaycan for list of available corporate forms, see Investing across Borders®
 - O 'anchor' investors can be limited partners
 - O fund manager(s) are general partners; fund manager can be an employed foreign individual or hired foreign business (individual or company, in the latter case, requiring the business to formalize its presence here)
- reasons to have fund established in Azerbaijan:
 - O if investors are here

- O geographical location at crossroads
- O drawback: unavailability of fund managers or any specific exemptions
- to support venture financing, there is the Innovation and Digital Development Agency (IDDA, https://idda.az/en)

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