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# Co-Financing Development Programs

The Government of Azerbaijan and

USAID/Caucasus-Azerbaijan

By Sheila Young

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## **Two Types of Co-financing Agreements between the GOAJ and USAID/Caucasus-Azerbaijan:**

- A) MOU between Ministry of Finance (on behalf of the entire GOAJ) and USAID/Azerbaijan
  - 2009-2011: \$40 million (50% by each party)
  
- B) MOU and cost-share agreement (gift letter) between Central Bank of Azerbaijan (CBA) and USAID/Azerbaijan
  - 2009: \$750,000 in support of a current USAID program
  - 2010: (IP) 25% of overall USAID investment for 2010



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## Technical areas of concentration

- General Co-financing with GOAJ
  - Trade and Investment
  - Private Sector Competitiveness
  - Public Sector Expenditures
  - Socio-Economic Development
  
- Cost-share agreement with the CBA
  - Anti-money laundering
  - Commercial banking supervision
  - Risk management



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## Challenges/Lessons Learned

- From beginning, identify the 'one' key government agency responsible as counterpart (so you don't end up trying to please all agencies)
- Write MOUs/Agreement to address key issues and not specific programs (that way if program ends, you can still jointly fund the key issue)
- Learn from the outside what it means to your host government to sign an MOU and the host government process for getting clearance to sign (some MOUs are considered the same as bilateral treaties to some host governments...thereby requiring parliamentary ratification)
  - **Get your RLA involved early**
- Agree in writing which information will be shared (and understand the reporting burden on the USAID technical and/or program office, and implementing partner)
- From the beginning, clearly stipulate roles, responsibilities, and possible implementing partner space-sharing arrangements.
- Spend quality time in advance with host government reviewing USAID procurement rules, terms of contracts/agreements, so everyone understands what 'giving direction' to the implementer and 'substantial involvement' mean



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## The Hook/Benefits

- For the host government
  - Greater involvement in direction of TA, joint field monitoring, and in learning about USAID processes (e.g., small grant selection or procurement TECs)
  - Prestige in entering into ‘partnership’ with USG
  - Perception that TA is tailored to meet their needs
  - Development assistance programs can do more for country
  - Demonstrates to USG that they are a serious partner
  
- For USAID
  - Development assistance programs can do more for country
  - Greater buy-in means greater access to host government personnel/information
  - Demonstrates to USAID/Washington and State that the host government is a serious development partner
  - Host government gets one step closer to graduation



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Thank you for your time.....

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