

Guidelines for Government of Iraq (GOI) Financial Participation in U.S. Government (USG)-Funded Civilian Foreign Assistance Programs and Projects

GOI Counterpart Participation

The USG will seek the maximum GOI counterpart financial participation in U.S.-funded civilian foreign assistance programs and projects. This financial participation can take the form of operating or capital costs, including but not limited to cash; direct budgetary support; capital goods; counterpart personnel; services and studies that support attainment of the program, project, or activity; rental or purchase of materials for operations or construction; administrative costs; land contributed to attainment of the program, project, or activity; and costs related to the above items.

Different means of financial participation may be appropriate for different types of programs or projects, depending upon whether the support is primarily to the central government, other government entities, non-governmental organizations, civil society organizations, or private sector entities.

For programs that directly benefit or involve the Iraqi central government, or that are in its direct interest, the USG will require financial participation on the part of the GOI equivalent to at least 50 percent of total program or project costs, as defined below. Programs requiring such GOI financial participation include assistance that directly finances the costs of a government ministry or of contracts to deliver goods, technical assistance, or training to a government ministry.

Exceptions to the financial participation requirement are summarized below. However, even in these excepted cases, the USG to the maximum extent possible will seek financial participation and/or evidence of GOI or other Iraqi counterpart financial commitment to the program or project.

These guidelines apply to all new programs or projects using funds appropriated after the date these guidelines are issued. The USG will also apply these guidelines to the extent possible to ongoing activities and to obligations of funds that were appropriated prior to the date of the adoption of these guidelines.

Timing of Financial Participation

The 50-percent GOI financial participation must be made during the life of the program or project. In cases where program activities are not designed and described to the degree necessary to determine the total cost at the time of the initial agreement, the implementing agency will recalculate the total cost and amount of GOI financial participation required as new funds are obligated.

In some cases, it may be desirable to allow for a level of GOI financial participation that gradually increases over the life of the program or project. This could allow Iraq to reconfigure its expenditure pattern, better position itself to assume responsibility for operations and maintenance costs, and raise additional revenues without delaying the implementation of the program while providing reasonable assurance that Iraq will eventually assure its share of expenditures to ensure the success of the program. This type of variation in the level of funding over the course of a project is permissible as long as the GOI's financial participation over the life of the program is at least 50-percent.

Calculation of Total Program or Project Costs

A significant portion of USG funding covers security and other special costs of operating in Iraq, such as extraordinary “life support” and force protection costs. Such costs shall be excluded from the basis for calculating the counterpart requirement since it is not reasonable in these circumstances to expect the Iraqis to contribute to these costs. The GOI financial participation required would therefore be at least 50 percent of the total program or project costs, excluding USG security and related extraordinary costs of providing assistance in Iraq.

Valuation of Iraq’s Financial Participation

The cost of in-kind financial participation is to be estimated at fair market value at the time the estimation is made and converted to dollars for budgetary purposes at the prevailing exchange rate. Cash contributions in local currency are valued in the same way at the time the contribution is identified and described.

GOI Undertaking

In order to assess compliance with these guidelines, a written document will be compiled describing the types of financial participation that the GOI will provide to the program or project in order to meet the 50-percent participation requirement, before the obligation of U.S. assistance funds

This document will state the total cost of the program, project, or activity and the cost basis, excluding security and other special operating costs specific to Iraq. The financial participation must be described and quantified in the document. In addition, the MOU or other document will include a GOI undertaking to participate financially in the USG-funded program or project, including a plan for transitioning the responsibility for the program or project to the GOI or another Iraqi counterpart.

The USG intends to withhold additional funding for a program or project if counterparts do not participate financially in the program or activity outlined in the document.

Reporting, Monitoring and Compliance

The written document setting forth the financial participation of the GOI counterpart must include a requirement for the GOI counterpart to report at least semi-annually on their participation. In addition, the USG implementing agency may require contractors and grantees to track and report on financial participation by the GOI.

At a minimum, the USG must review these financial participation reports and evaluate if the GOI’s financial participation level is reasonable in relation to the program or project, staffing progress, and other factors. The USG may take additional steps to ascertain if the GOI is adequately participating in financing the program or activity. These may include periodic site visits, reviews, evaluations, or audits of the GOI’s financial inputs. Additionally, as this process will be subject to USG audits, programs should be set up to track and report on the GOI’s financial participation. The Chief of Mission will chair a semiannual inter-agency meeting at which all agencies report on GOI financial participation and progress toward program transition to the GOI.

Exceptions and Waivers

As noted above, the requirement for GOI financial participation applies to USG-funded civilian foreign assistance programs, with these exceptions: (a) democracy and human rights programs, including rule of law and anti-corruption activities and programs that support women and other vulnerable groups; (b) the Community Assistance Program and other assistance through civil society organizations and non-governmental organizations; (c) conflict prevention programs; (d) support to the private sector; (e) humanitarian demining, weapons destruction, anti-terrorism, and non-proliferation; (f) assistance for refugees, internally displaced persons, and civilian victims of military operations; and (g) programs designed to assess the effectiveness of USG programs.

For all other assistance to Iraq, including programs that support national capacity development and economic governance and policy reform, the guidelines above will apply.

The Department of State will have the authority to decide that any U.S. foreign assistance program or project will go forward, absent an Iraqi contribution on that specific program or project, upon the recommendation of the Chief of Mission that it is in the national interest to do so.

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