

EXECUTIVE ORDER No. 07-01 Rev. 1

SUBJECT: POLICY ON INDIRECT COST RECOVERY

THE SECRETARY GENERAL,

In the exercise of the powers conferred upon him by Articles 109 and 113 of the Charter of the Organization of American States ("OAS") and Articles 4, 8, 12, 14 and 80 of the General Standards to Govern the Operations of the General Secretariat of the Organization of American States (hereinafter referred to as the "General Standards"); and,

CONSIDERING:

That, on May 23, 2007, the Permanent Council, through Resolution CP/RES. 919 (1597/07), approved *ad referendum* of the General Assembly, the amendment to Articles 78 and 80 of the General Standards in order to more clearly set out the policy of the General Secretariat with regard to the recovery of direct and indirect costs for projects funded by Specific Funds and Trust Funds entrusted to the General Secretariat;

That, on June 5, 2007, the General Assembly, through Resolution AG/RES. 2302 (XXXVII-O/07), approved the amendment of Articles 78 and 80 of the General Standards;

That, Article 80(c) of the General Standards establishes that the budget for every project of the General Secretariat funded all or in part by Specific Funds and Trust Funds shall include all of the direct costs, as well as a line item for recovery of indirect costs, and it shall indicate their source of financing;

That, Article 80(d) of the General Standards provides that the General Secretariat shall establish the rate for the recovery of indirect costs for projects funded by Specific Funds and Trust Funds, and it shall semi-annually inform the Permanent Council regarding the amount recovered for indirect costs and their use by the General Secretariat;

That, it is necessary to have a uniform policy for the recovery of indirect costs throughout the General Secretariat on the amount of indirect cost to be recovered pursuant to Article 80 of the General Standards;

That, through Executive Order No. 05-11, the Secretary General established the Project Evaluation Committee (hereinafter referred to as the "PEC") as the primary body entrusted with the evaluation of the appropriateness and importance of all proposed projects in the General Secretariat;

That, the General Secretariat is financed with multiple funding sources, requiring efficiency, effective record-keeping, and a transparent environment that will earn the confidence of its donors and staff members;

That, a uniform indirect cost recovery policy will provide, among others, the following products and services: planning, monitoring, review and evaluation of projects; resource mobilization services; financial management framework (e.g., financial manuals, handbooks, guidelines, and training); staff recruitment; overall administrative functions of the General Secretariat; legal and financial review of agreements; banking operations (e.g., receipt of funds, check emission, bank reconciliations); financial reporting; external audit coordination and representation; internal audits; setup and management of accounts; procurement of goods and services; recording and processing of transactions; facilities and utilities; and general use office equipment and supplies (e.g., networks), etc.;

That, a sound indirect cost-recovery (hereinafter referred to as “ICR”) policy should ensure transparency and reduce “cross-subsidization” among projects and funds;

That, it is necessary to coordinate the negotiation with donors and potential donors of the Organization’s ICR recovery rate through the Secretariat for Administration and Finance (hereinafter sometimes referred to herein as “SAF”); and

That, well executed programs and the trust of the Member States and the international community are essential elements to sustain and increase support for the mission of the General Secretariat, as well as to meet the Organization’s financing needs,

RESOLVES:

I. Definitions. For purposes of this Executive Order, the following definitions are used:

A. Direct Costs. Costs that can be attributed to a particular activity or project with a high degree of accuracy.

B. Indirect Costs. Costs that are incurred for a common purpose which cannot be easily attributed to a particular activity or project.

II. Indirect Cost Recovery Policy (“ICR”).

To establish a uniform policy for ICR for contributions channeled through the General Secretariat for all specific fund and trust fund projects based on the following criteria:

A. Agreements with Member State governments: Shall include a minimum ICR rate of eleven percent (11%). ICR shall be calculated based on the contribution amount in support of the corresponding project;

B. Agreements with non-Member State governments: Shall include a minimum ICR rate of twelve percent (12%). ICR shall be calculated based on the contribution amount in support of the corresponding project; and

C. Agreements with other entities, organizations, and institutions: Shall include a minimum ICR rate of twelve percent (12%). ICR shall be calculated based on the contribution amount in support of the corresponding project.

III. ICR Coordination and Allocation

The Secretariat for Administration and Finance is tasked with coordination of the ICR Policy and with allocation of the ICR rate in accordance with Administrative Memoranda issued from time to time by the Assistant Secretary for Administration and Finance after consultation with relevant areas of the General Secretariat.

IV. Exceptions

A. The Secretary General may make exceptions to the minimum ICR rate for a specific contribution. Prior to considering whether to make an exception, the Secretary General will review documentation on the matter presented to him by the Secretariat for Administration and Finance and by other relevant areas of the General Secretariat.

Exceptions shall be reported on a semi-annual basis to the Permanent Council.

B. Contributions in support of the holding of an OAS General Assembly and/or in support of the holding of an OAS Conference or Meeting co-financed by the Regular Fund are not subject to the requirements of this Executive Order.

V. Exemptions

The funds exempted by the requirements of this Executive Order are specified in Article 80(i) of the General Standards, which currently are as follows:

- A. Contributions by a Member State Government totaling no more than \$20,000 in the Organization's fiscal year to an ongoing activity;
- B. FONDEM (Inter-American Emergency Aid Fund);
- C. All Specific Funds and Trust Funds administered by the General Secretariat and designated by CEPCIDI or the Permanent Council as Humanitarian Funds;
- D. The Capital Fund for OAS Fellowship, Scholarship, and Training Programs;
- E. The Leo S. Rowe Pan American Fund;
- F. The OAS Medical Benefits Trust Fund;
- G. The Rowe Memorial Benefit Fund;
- H. The OAS Retirement and Pension Fund;
- I. The OAS Tax Reimbursement Fund; and
- J. Other funds established for the financing of staff benefits as designated by the Secretary General.

VI. Review of the ICR Policy established under this Executive Order

The General Secretariat, through the Project Evaluation Committee and the Secretariat for Administration and Finance, will annually review the ICR Policy established under this Executive Order. When necessary, revisions to the ICR Policy will be implemented.

VII. Scope

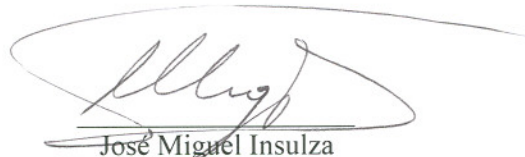
A. The ICR Policy established by this Executive Order shall not be applicable to funds received by the General Secretariat prior to the entry into force of the General Secretariat's ICR Policy.

B. The ICR Policy established by this Executive Order is applicable to all grants and agreements and all amendments to them that are signed and/or accepted by the General Secretariat and to all contributions that are received by the General Secretariat after the entry into force of this Executive Order. For purposes of this Article VII, the terms "agreement" and "grant" include, for example, contribution agreements, grant agreements, donations, exchanges of letters, amendments, and memoranda of understanding. The terms "agreement" and "grant" also include those supplementary agreements and amendments to agreements and contributions in existence as of the effective date of this Executive Order where the ICR rate was not established in the underlying agreement, but was left to later negotiation between the parties.

VIII. Repeals and Entry into Effect

A. This Executive Order repeals and supersedes all executive orders and other regulatory instruments of the General Secretariat and all other past and present norms which are inconsistent with the terms of this Executive Order.

B. This Executive Order shall enter into force on the date on which it is signed.



Handwritten signature of José Miguel Insulza, Secretary General, in black ink. The signature is stylized and enclosed within a large, thin oval outline.

José Miguel Insulza
Secretary General

Date: May 29, 2007

Revision No. 1: December 20, 2007

Original: English