

# PROCEDURAL ACT OF THE ENERGY COMMUNITY SECRETARIAT

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## 2025/19/ECS-EnC: ON AMENDING THE PROCEDURAL ACT OF THE ENERGY COMMUNITY SECRETARIAT 2025/10/ECS-EnC ON THE ADOPTION OF INDIRECT COST (IC) POLICY OF 11 MARCH 2025

The Energy Community Secretariat,

Acknowledging the importance of the diversification of funding sources and the necessity to cover the indirect costs incurred during the implementation of different extra-budgetary activities;

Committed to following and implementing best practice among International Organizations (IOs) and international non-governmental organisations (NGOs);

Based on Article 14 paragraph 2 of the Energy Community Procedures for the establishment and implementation of the budget, auditing and inspection, adopted by the Procedural Act of the Ministerial Council 2006/03/MC-EnC of 17 November 2006, amended by Procedural Acts of the Ministerial Council 2014/11/MC-EnC of 23 September 2014, 2022/02/MC-EnC of 15 December 2022 and 2024/06/MC-EnC of 19 February 2024;

Recalling Article 67(c) of the Treaty establishing the Energy Community, which obliges the Secretariat to provide administrative support to donors as part of the Community's legal framework;

Recognising the importance of a unified and transparent approach towards all funding sources to cover operational costs,

ADOPTS THE FOLLOWING PROCEDURAL ACT:

1. In Article 1, the following footnote and sentences are added:

“Charging a fixed standard percentage rate for Indirect Costs (IC) for Extra-budgetary (ExB) projects<sup>1</sup> which are not part of the core budget is a usual and accepted practice for IOs and international NGOs.”

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<sup>1</sup> Project and grant are used interchangeable with the same meaning

“IC include expenses related to Human Resources management, rent and facilities support, legal support, finance, senior management oversight, finance, IT, CAPEX, communication, and other organizational support functions that cannot be directly attributed to specific ExB projects.”

“This Procedural Act applies solely to ExB grants. The Ukraine Energy Support Fund (UESF) is governed by a separate Procedural Act on Management Fees.”

2. In Article 2, the following third paragraph is added:

“The Energy Community Secretariat shall ensure that the management of indirect costs follows sound financial-management principles and shall maintain adequate accounting and audit traceability in line with applicable internal control mechanisms, and international public-sector accounting standards (IPSAS) norms.

3. Article 3 is replaced by the following:

“This Procedural Act applies only to ExB projects and activities undertaken by the Energy Community Secretariat that incur indirect costs and are not governed by a separate legal or procedural framework (for example, trust-fund-specific management-fee policies such as the UESF).”

4. In Article 4, the first paragraph is replaced by the following:

“The standard rate of 7% applies to grants received for ExB activities only. It does not apply to the UESF, which is governed by a separate Procedural Act on its management fee.”

5. In Article 5, the following paragraphs 4, 5, 6, 7 and 8 are added:

“4. Generally, IC funds are to be received and kept in the current core operational bank account of the Energy Community Secretariat.

5. Where funds are deposited in another bank account, the Administrative and Finance Unit shall transfer the calculated IC amount on a cash basis to the current core operational bank account of the Energy Community by the end of the month.

6. For each transaction, a corresponding accounting entry will be made in the ERP system debiting the ExB cost centre and crediting the IC cost centre.

7. Each incoming source of the IC will be assigned a unique analytical code.

8. These provisions describe internal governance and accounting treatment. They do not impose additional donor-reporting obligations.”



6. In Article 7, the following paragraph is added:

“3. At the end of the project period, the reconciliation of the IC retained and total direct expenditures under the project will be performed. Any remaining balance shall be booked accordingly.”

For the Energy Community



A handwritten signature in black ink that reads "Artur Lorkowski".

Artur Lorkowski  
Director

Done in Vienna on 12 November 2025



## CONSOLIDATED VERSION

### Article 1 Background

Charging a fixed standard percentage rate for Indirect Costs (IC) for Extra-budgetary (ExB) projects<sup>2</sup> which are not part of the core budget is a usual and accepted practice for IOs and international NGOs.

IC are costs incurred by the Energy Community Secretariat for providing administrative support to ExB projects that cannot be clearly attributed to specific ExB project activities. As these costs cannot be identified as direct components of a project, they need, to the extent possible, to be recovered through an IC percentage rate and used for the overall support and functioning of the organization.

IC include expenses related to Human Resources management, rent and facilities support, legal support, finance, senior management oversight, finance, IT, CAPEX, communication, and other organizational support functions that cannot be directly attributed to specific ExB projects.

This Procedural Act applies solely to ExB grants. The Ukraine Energy Support Fund (UESF) is governed by a separate Procedural Act on Management Fees.

### Article 2 Purpose and Objectives

1. This IC Policy is established to provide clear guidelines for collecting, allocating, and utilizing indirect costs to support the Energy Community's core budget activities and organizational objectives.
2. Objectives:
  - 2.1 to streamline the management of indirect costs;
  - 2.2 to ensure that collected funds are allocated in a manner that best serves the Energy Community's operational and strategic needs; and
  - 2.3 to provide a transparent structure for decision-making and reporting on the usage of these funds.
3. The Energy Community Secretariat shall ensure that the management of indirect costs follows sound financial-management principles and shall maintain adequate accounting and

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<sup>2</sup> Project and grant are used interchangeable with the same meaning



audit traceability in line with applicable internal control mechanisms, and international public-sector accounting standards (IPSAS) norms.

### Article 3 Scope

1. This Procedural Act applies only to ExB projects and activities undertaken by the Energy Community Secretariat that incur indirect costs and are not governed by a separate legal or procedural framework (for example, trust-fund-specific management-fee policies such as the UESF).

### Article 4 Indirect Cost Rate

1. *Standard Rate:* The standard rate of 7% applies to grants received for ExB activities only. It does not apply to the UESF, which is governed by a separate Procedural Act on its management fee.
2. *Another Rate:* To be approved by the Director.
3. *Collection:* This rate will be consistently applied across all ExB projects to ensure equitable contribution toward indirect costs and long-term sustainability. The donor agreement or any amendment shall include a separate clause on IC. This policy shall form part of and be considered incorporated into all that concerns the acceptance and implementation of ExB contributions administered by the Energy Community.

### Article 5 Allocation of Collected Indirect Costs

1. *Designation:* Collected funds will be allocated into a designated "Indirect Cost Recovery Fund" which will serve as a central repository to support the Energy Community's general budget activities.
2. *Permissible Use:* Funds are intended to support any core operational needs, including but not limited to, all necessary administrative expenses, essential resources, and other budgetary requirements that maintain the Energy Community's operational readiness and mission alignment.
3. Expenditures from the Indirect Cost Recovery Fund may adapt over time based on emerging needs within the organization's core activities.
4. Generally, IC funds are to be received and kept in the current core operational bank account of the Energy Community.

5. Where funds are deposited on another bank account, the Administrative and Finance Unit shall transfer the calculated IC amount on a cash basis to the current core operational account by the end of the month.
6. For each transaction, a corresponding accounting entry will be made in the ERP system debiting the ExB cost centre and crediting the IC cost centre.
7. Each incoming source of the IC will be assigned a unique analytical code.
8. These provisions describe internal governance and accounting treatment. They do not impose additional donor-reporting obligations.

#### Article 6

### Governance and Decision-Making

The Indirect Cost Recovery Fund will be managed following the current approval modalities stipulated in Article 58 of the Energy Community Procedures for the establishment of the budget, auditing and inspection, consolidated version as adopted 2024/06/MC-EnC of 19 February 2024 and applied to all financial transactions of the Energy Community.

#### Article 7

### Performance and Reporting

1. Monthly Reporting: The following data are to be included:
  - 1.1 starting balance of funds;
  - 1.2 total funds collected within the fiscal year from indirect cost allocations;
  - 1.3 summary of expenditures, categorized using core budget lines; and
  - 1.4 remaining funds for future allocations.

This report ensures accountability and allows management to assess fund performance in relation to the organization's evolving financial needs.

2. Annual Reporting: The same information for the reporting year is to be included in the annual corporate report and audited.
3. At the end of the project period, the reconciliation of the IC retained and total direct expenditures under the project will be performed. Any remaining balance shall be booked accordingly.

Article 8

**Fund Management Principles**

1. *Capital Preservation:* Consistent with the organization's policies, funds in the Indirect Cost Recovery Fund will be maintained with an emphasis on capital preservation. Investments or fund placements will align with conservative financial principles to ensure the fund's stability.
2. *Flexibility in Use:* The Indirect Cost Recovery Fund is intended to provide flexible financial support for the organization's operational needs. As such, resource allocation may evolve to meet the Energy Community's dynamic budget priorities. The principle of budget annuality does not apply.

Article 9

**Policy Review and Amendments**

1. *Review Mechanism:* This policy shall be reviewed periodically to ensure it continues to meet the organization's needs and supports its mission effectively.
2. *Amendment Authority:* The Director has the authority to amend this policy, ensuring that it remains aligned with organizational objectives and any changing operational conditions.

For the Energy Community



Artur Lorkowski  
Director

Done in Vienna on 12 November 2025