



## PROCEDURAL ACT OF THE ENERGY COMMUNITY SECRETARIAT

### 2025/10/ECS-EnC: On the adoption of Indirect Cost (IC) Policy

The Energy Community Secretariat,

Acknowledging the importance of the diversification of funding sources and the necessity to cover additional costs arising during implementation of different extra-budgetary activities not directly attributable to, or covered by, donors;

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 of the budget, auditing and inspection, consolidated version as adopted by the Procedural Act of Ministerial Council decision *2024/06/MC-EnC of 19 February 2024*;

ADOPTS THE FOLLOWING PROCEDURAL ACT:

#### Article 1 Background

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

IC are costs incurred by indirect support functions providing administrative support to ExB projects that cannot be clearly traced 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.

#### 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 organisational 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.

### Article 3 Scope

1. This policy applies to all projects and activities undertaken by the Energy Community that incur indirect costs.

### Article 4 Indirect Cost Rate

1. *Standard Rate*: A flat indirect cost rate of **7%** will be applied to eligible project funding received by the Energy Community.
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 concern 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.

### Article 6 Governance and Decision-Making

1. The Indirect Cost Recovery Fund will be managed following the current approval modalities as 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.

#### 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 11 March 2025