

EXECUTIVE ORDER NO. 133

To establish internal Policies and Procedures for Construction Project Management and for the establishment of Charges for Financing Construction Management

WHEREAS, the present practice for financing the administrative, management, design, engineering, and inspection costs of construction projects does not provide for full recovery of the Bureau of Public Works Design\Engineering Office costs incurred for these purposes and does not equitably allocate said expenses to all projects; furthermore, the present costing practice does not allow for charging full supporting expenses; and

WHEREAS, the annual amount of funds available and the number of construction projects continually in progress will increase significantly due to significant Compact of Free Association financial assistance and due to the Republic's political status as a Freely Associated State, which will offer more opportunities for construction financing by foreign countries and institutions; consequently, there will be created a strong need for expanded and more capable construction management; and

WHEREAS, the construction management structure must have sufficient resources, flexibility, and workable administrative processes in order to aid and accomplish proper planning, sound management, compliance with regulations, and speedy implementation of construction projects;

NOW, THEREFORE, by virtue of the authority vested in me as President of the Republic of Palau, pursuant to the Constitution and applicable laws of the Republic, it is hereby ordered that:

1. Every capital improvement program project, including remodeling, renovation and equipment purchases, having a total budget in excess of \$50,000 shall be assessed an administrative overhead charge at the rate of one and one-half percent (1 1/2%) which shall be calculated by multiplying the rate times the total of all actual costs excluding administrative overhead; such charges are to assessed monthly and at end-of-project;
2. Administrative overhead charges shall be used to offset Design/Engineering Office supporting administrative costs, including, but not limited to general vehicle operation and maintenance, printing, reproduction, blueprinting, computer system operations and maintenance, office supplies, and secretarial and clerical services.
3. An expenditure contra-account shall be established to record all credits for intergovernmental charges for administrative overhead; the balance in said account shall reduce the gross expenditures of the Design/Engineering Office, having the effect of increasing funds available for obligation and expenditure. The Minister of Administration and the Minister of Resources and Development shall

develop the appropriate accounts, accounting system, and budget procedures to implement this policy.

4. Every construction project, including remodeling and renovation, shall be directly charged for inspection, design\engineering, and construction management services actual payroll and benefits costs incurred.
5. All payroll and benefit charges will be recorded and assessed through the payroll accounting system, using such job costing method as the Director of Public Works chooses to employ; provided, however, that such method is applied fairly and consistently to all projects; further provided, that all such charges must otherwise be in compliance with Palau public law and grantor country or agency regulation.
6. Budgets shall be prepared for all construction projects that reflect the requirements of these administrative regulations. Generally, each such budget shall reflect the following cost categories and approximate breakdown: 1) construction, approximately 80% of total project budget; 2) contingencies, 5% to 10% of construction budget; 3) design, 5% to 10% of construction budget; 4) inspection, up to 5% of construction budget; 5) construction management, 5% to 10% of construction budget; and 6) administrative overhead, 11/2% of total budget.
7. The effective date of these administrative regulations shall be October 1, 1994; provided, that any project grant agreement in force on September 30, 1994 that requires modification in order to be in compliance with these regulations shall be subject to grantor approval and that modifications of any such agreement and these regulations as applied to said agreement may be mutually agreed by the Minister of Resources and Development and the funding agency's representative.

IN WITNESS WHEREOF, I have hereunder set my hand and affixed my official seal this 5th day of October 1994, in the State of Koror, Republic of Palau.

Kuniwo Nakamura
President
Republic of Palau