

INTERNATIONAL PROGRAMS PLANNING GUIDE

**PROPOSAL PROCESS AND PLANNING CHECKLIST FOR
NEW ACTIVITIES *ABROAD***

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**INTERNATIONAL BUSINESS OPERATIONS
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INTRODUCTION

The Harvard community is engaged in an extensive array of academic activities abroad. As the number and size of these activities has grown in recent years, the University has begun to take a more coordinated approach to managing and supporting them. Since naming Jorge Domínguez as its first Vice Provost for International Affairs in 2006, Harvard has formed a University-wide Committee – the University Committee on International Projects and Sites (UCIPS) – and several comparable School-based committees to oversee significant activities abroad, and it has created a number of new positions or offices to coordinate and support the University’s international activities, including the Office of International Business Operations in the Controller’s Office, an Assistant Provost for International Affairs, and an OGC attorney with primary responsibility for work on international activities.

The purpose of this Guide is to help support the University’s international endeavors, specifically:

- Improving the quality of support for faculty and administrators during the operational planning of a new program
- Providing guidance to uphold the University’s mission and reputation

More information regarding the University’s perspective on its institutional presence abroad may be found at <http://www.provost.harvard.edu/policies.php>.

Please note that the terms “Project”, “Program” and “Activity” are all used to refer to foreign activity being sponsored or supported by the University.



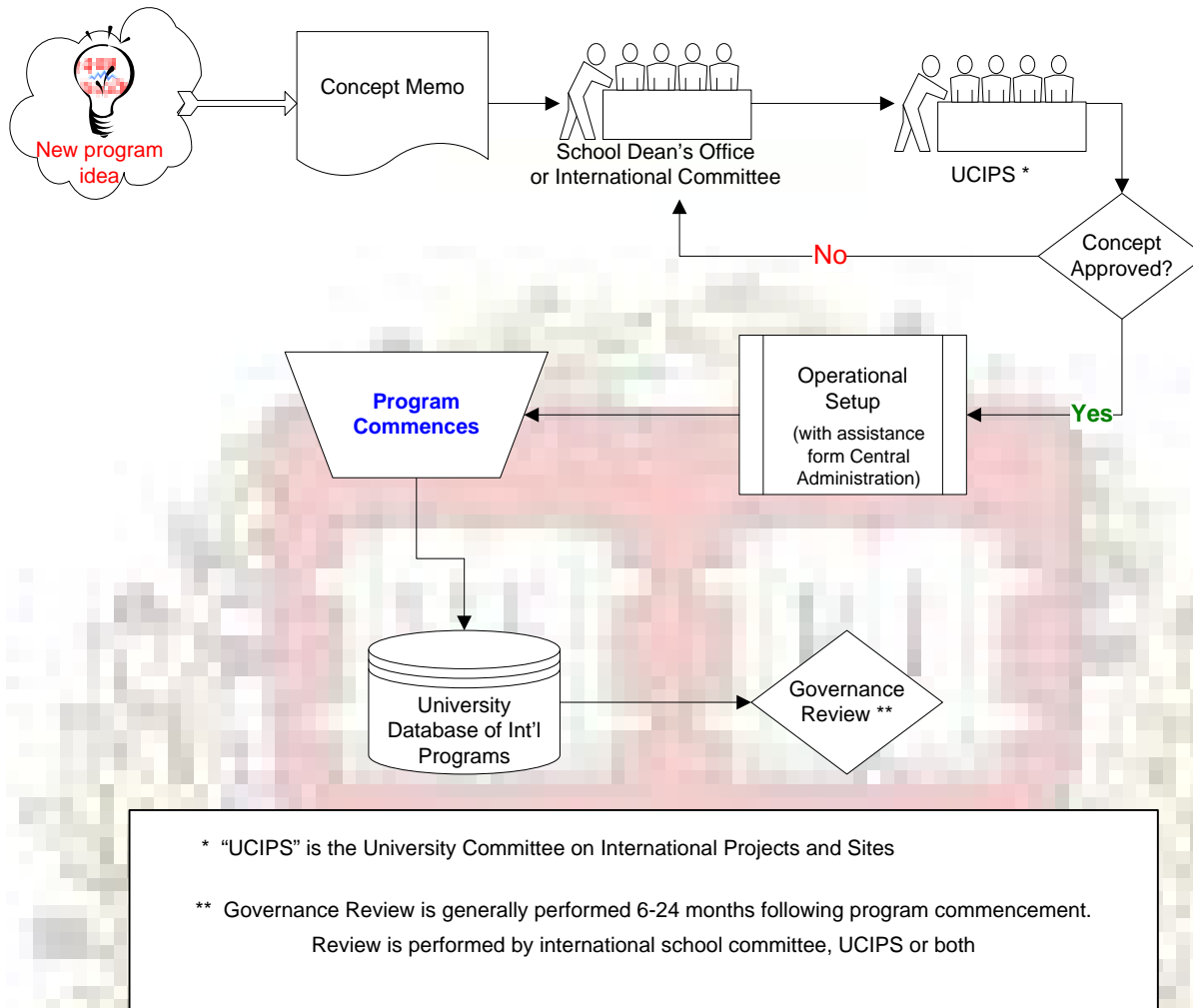
INTERNATIONAL PROGRAMS GUIDE

TABLE OF CONTENTS

INTERNATIONAL PROGRAM PROCESS FLOWCHART	4
INTERNATIONAL PROGRAM SETUP PROCESS	4
CONCEPT MEMO	6
CHECKLIST FOR OPERATIONAL PLANNING:	
DECISION-TREE GUIDE FOR USING CHECKLIST	8
SECTION A – PRACTICAL RECOMMENDATIONS FOR ALL PROGRAMS	9
SECTION B - CORPORATE REGISTRATION, FILINGS AND FACILITIES	11
DETERMINATION OF REQUIREMENT TO REGISTER	11
TIMING OF REGISTRATION, IF REQUIRED	12
FACILITIES AND OTHER	12
SECTION C - TAXATION OF PROGRAM/ACTIVITY	13
SECTION D – U.S. PERSONNEL TRAVELING TO A FOREIGN COUNTRY	13
SECTION E – HIRING LOCAL EMPLOYEES/CONTRACTORS OR PAYING LOCAL VENDORS	14
CONTRACTED SERVICES	15
SECTION F – PROGRAM OVERSIGHT	15
SECTION G – OPENING BANK ACCOUNTS IN A FOREIGN COUNTRY	16
ADDENDUM	17
CONTACT INFORMATION.....	18



INTERNATIONAL PROGRAM PROCESS FLOWCHART



INTERNATIONAL PROGRAM SETUP PROCESS

Harvard endeavors to sustain a review and approval process for international activities that is swift and easy. New international activities should be reviewed in one of three ways.

UCIPS Review: As required by the Corporation, a proposal must be submitted to the Vice Provost for International Affairs (contact information can be found in the Addendum) if it has any of the following characteristics:

- It has an annual budget over \$1 million or one percent of the home School's operating budget, whichever is larger (contact Cathy Gorodentsev in the Controller's Office or Todd Washburn in the Provost's Office for updated thresholds);
- It involves the establishment of a significant, long-term physical presence of the University (including any of its schools, departments, or centers) outside the United States. Examples: the establishment of an international office; a project calling for two or more Harvard faculty or staff to relocate outside the United States for more than six months.



- The project involves the use of the name “Harvard University” or requires specific approval by the President or the Provost.
- The project might pose particular risks to, or especially complex commitments on the part of, the University or its students, faculty, or staff.

The Vice Provost may refer any such projects for review by the University Committee on International Projects and Sites (UCIPS). The UCIPS will ordinarily review projects involving the establishment of an international office or other long-term international presence.

Review by a School-based committee on international projects and sites: Each Harvard School now has or is preparing to establish its own faculty committee on international projects (e.g. the FAS Committee on International Projects and Sites, the Kennedy School’s Faculty Committee on Projects and Proposals). Proposals that do not require UCIPS review may require review by a School-based committee. Applicants should check with the appropriate administrator in their School about the criteria that would trigger a School-based review.

“Fast track”: Finally, most projects are small in scale and do not require approval by the UCIPS or a School-based committee. These projects will qualify for “fast track”. Examples of activities that may qualify for fast track are:

- An Executive Education program being rolled out in a foreign country by a school which already has executive education programs internationally. Faculty and staff travel to the location for a one or two week duration of the course. Annual revenues are expected to be below \$1 million.
- A research program which requires travel to a foreign country by 3-5 faculty and/or students for up to six months. The research project is similar to research projects undertaken by the school before, and the site of the research and the housing is hosted by a partner institution Harvard has partnered with in the past.
- A study abroad program being offered in a country by a school which has offered study abroad in the past. The program may be with a new partner institution and in a new country, but the process of approval within the school is consistent with the process of previous study abroad programs.

In short, these proposed activities can be planned without needing to engage the UCIPS or School-based committees. However, even these small scale foreign activities often include complexities like trademark registration, exportation of intellectual property, branding and legal considerations. As such, a P.I. or an appropriate administrator should always inform the Director of International Business Operations about new international activities. The Director of Business Operations can work closely with the P.I. or administrator to ensure that all appropriate administrative areas – e.g. the General Counsel’s Office, Finance, Human Resources – provide input on how to launch a legally and administratively sound activity abroad.



CONCEPT MEMO

No matter which of the three approval processes above is followed for a new activity, a Concept Memo should be prepared before any substantial commitments have been made and before any personnel or resources have been relocated to a foreign location. In brief, a Concept Memo explains the academic reasons to justify a new international activity and its relationship to the mission of the University (and, if appropriate, the School). The purpose of the Concept Memo is to allow the appropriate University administrative bodies (e.g. UCIPS, a School-based committee on international projects and sites, the Office of International Business Operations) to review a proposed international activity before its numerous administrative details are planned.

A typical Concept Memo may range from a few paragraphs to 10-15 pages in length, depending on the size and complexity of the proposed activity. Following are the topics that might be covered in a Concept Memo, though not all of these topics will apply to every proposed activity, especially those that are small and uncomplicated

- I. Introduction
 - A. Summary description of the project or program, and its purpose
- II. Mission of foreign program/office
 - A. Detailed discussion of proposed program, addressing:
 1. Academic justification for the program
 2. Program beneficiaries, e.g., faculty, students, and other schools or internal organizations
 3. Program's consistency with vision of the school and University
 4. Services to be provided to Harvard faculty/staff (country experts and non-experts), to Harvard students and/or local students, and/or to the local community
 5. Planned or possible collaboration with other segments of the University or other institutions
 6. Other considerations such as alumni affairs, endowment funding sources, etc.
- III. Program implementation plan
 - A. Description of steps in the process and planned timeline
 - B. Anticipated duration of program
 - C. The facilities and materials that will be required, including whether the lease or acquisition of space to establish an office or a branch will be necessary.
- IV. Financial considerations
 - A. High-level budget (note: start-up budget may be different from subsequent years)
 - B. Description of the planned sources of funding for the activity
- V. Human resources considerations
 - A. Expected size of staff, and outline of roles
 - B. Sources of staff (e.g. Harvard employees relocated to overseas site? local hires? etc.?)
- VI. Program Governance and Review
 - A. Organizational chart or description of governance structure, esp. as it relates to Cambridge-based entities
 - B. Description of how activity will be reviewed, and how often
 - C. Criteria for termination

Other items that might be considered for inclusion in the Concept Memo:

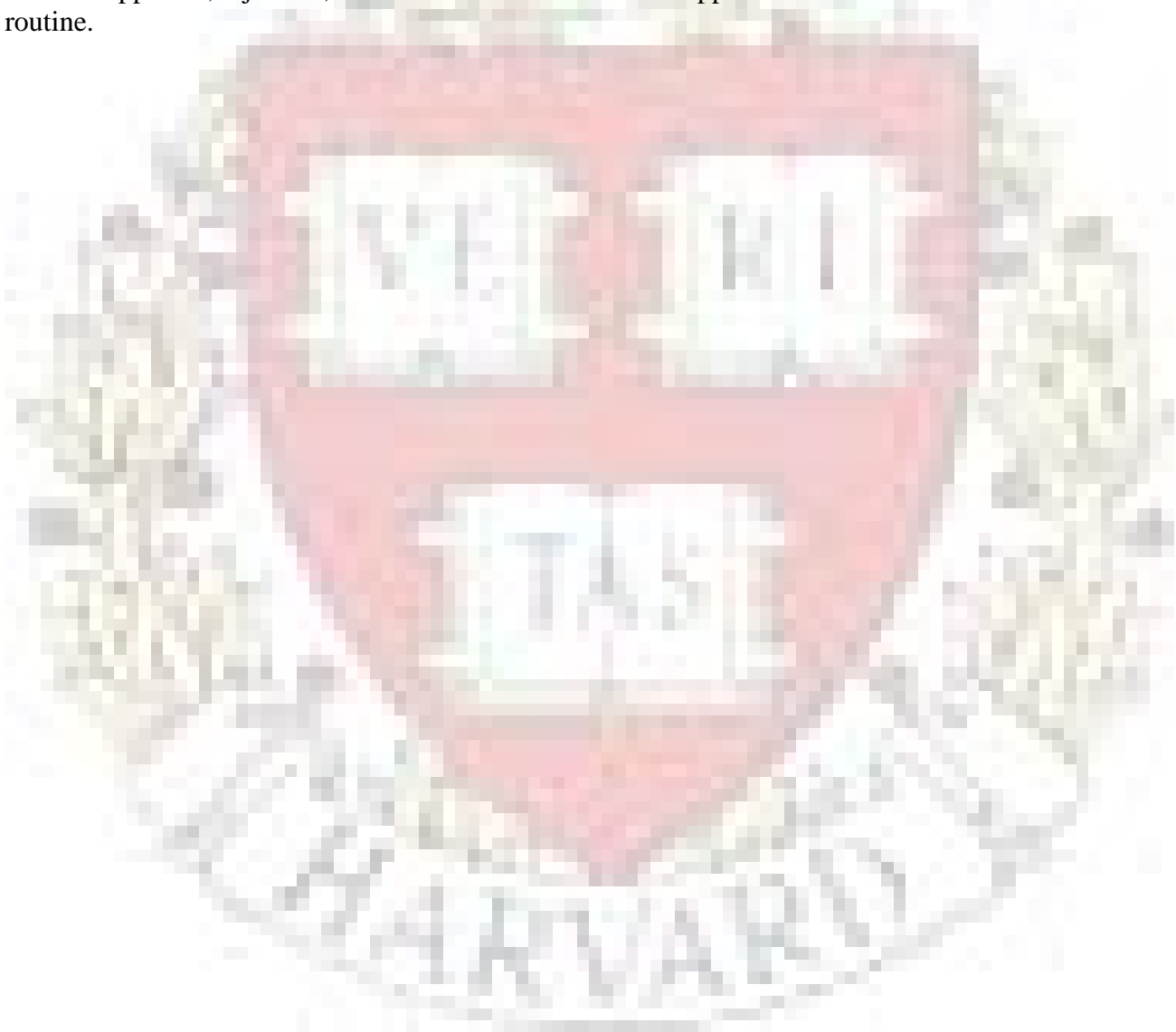
- Request for the use of the Harvard name and discussion of how it will be used
- Organization of a regional or country Advisory Committee of Harvard alumni or important local figures to protect local reputation and obtain support from the community
- Long-term expansion plans
- Assurance that the foreign office will not be used by alumni to borrow the Harvard name to advance private objectives



- Understanding faculty and school engagement, plans to reduce the risk that the office will become disconnected from the school's mission. Budget should include travel for regular visits back to Cambridge/Boston for sharing of intellectual capital realized by the international program.
- Plans to divert donor support from other University activities (should also be discussed with the school's Development Office)

In the case of Concept Memos that require UCIPS review, the Vice Provost for International Affairs may distribute it to Deans of Faculties to inform them of the proposal.

Once the Concept Memo is reviewed and approved by the appropriate individual or body, that individual or body then asks the Office of General Counsel, Office of International Business Operations, Human Resources, and others as pertinent, to work with the proponents to develop a more detailed proposal. This more detailed proposal will return to the reviewing body in due course for final approval, rejection, or modification. This second approval should in most instances be routine.



DECISION-TREE GUIDE FOR USING CHECKLIST

Program Characteristic(s)	Please Read
Practical recommendations for all foreign programs, regardless of size or duration	Section A
Program is longer than 90 days in duration and not a student exchange program or student study abroad at a partner institution	Sections B, F
Program will be generating income of any kind	Sections B, C, F
University employees will be traveling for greater than 90 days	Sections B, D, F
Hiring employees or contractors in foreign country	Sections B, E, F
Renting, leasing or buying real estate in the foreign location	Section B
Opening a University bank account in a foreign country	Sections B, G
Payment(s) to a partner institution or vendor in a foreign country (including contractors or other businesses)	Section E



SECTION A – PRACTICAL RECOMMENDATIONS FOR ALL PROGRAMS

GENERAL

- o University employees (U.S.-based and on Harvard's payroll) who will be working in foreign countries may be required to obtain visas or work permits that allow entry into the country. These requirements may also apply to any family members who are accompanying the employees. Copies of these visas should be retained by the school's management in the U.S. in the event that they become lost or otherwise unavailable to these personnel.
- o Human resources management must be consulted on applicable immigration and customs rules, import and export restrictions and other local rules.
- o Project management must inform employees engaged in the program/activity of the any conflict of interest.
- o Project management must alert overseas employees to US legal requirements relevant to their projects, such as export controls, embargoes, and the Foreign Corrupt Practices Act, violations of which are subject to Federal fines and penalties.
- o Monitoring procedures must be established to address the personal safety of employees on overseas assignments or of students studying abroad. Specifically, procedures must be developed for maintaining contact with personnel and students on assignment, communicating Department of State security alerts (e.g. U.S. State Department travel warnings) and removing personnel in the event of local political conflict. Contact the International SOS Travel Assistance Program or visit the website at http://vpf-web.harvard.edu/rmas/4_insurance/Intnlsos.html for more information on safe student, staff and faculty travel.

FINANCIAL AND OTHER RECORDKEEPING

The following steps should be undertaken with respect to financial administration and recordkeeping:

- o Assigning financial personnel to oversee program/activity income and expenses, either at the school or operating unit or in the field.
- o Developing processes for reporting expenses incurred by the program/activity to school or operating unit management on a monthly basis.
- o Developing processes to procure goods and services locally and coordinate activities to submit payments and report to authorities as required. If purchasing with sponsored funds, the *University Procurement Manual* (<http://vpf-web.harvard.edu/OFS/procurement>) contains guidance.
- o Defining responsibilities for monitoring compliance with laws and regulations.

The school or operating unit financial management should, in advance of the assignment and on an ongoing basis, advise overseas program/activity management of the following:

- o Payments should not be by cash, where possible.
- o Policy that all transactions, particularly for sponsored research projects, must be documented with written receipts to the extent reasonably possible, whether or not this is a common practice in the local country;



- o Applicable regulations restricting a) the amount of cash that can be hand-carried into the foreign country, and b) the expatriation of capital out of the foreign country.

PERSONNEL HEALTH AND SAFETY RISKS

It is recommended that the program/activity designate one person to provide risk advisories and ensure that employees are connected with International SOS (Visit the RMAS website or see the contact information in the addendum to this guide). The administrators of the program/activity must give appropriate attention to safety issues, which in any given case may include:

- o Providing health and safety information and orientation for prospective project employees or students so that they can make informed decisions concerning participation in and behavior during the program, and updating such information as necessary;
- o Communicating applicable codes of conduct and the consequences of noncompliance to employees. Taking appropriate action when employees are in violation;
- o Developing and maintaining an emergency preparedness and crisis response plan.

Program administrators should ensure that students sign applicable liability release documents (waivers) that have been prepared by OGC. Release documents are to be retained on file by program administrators throughout the duration of the assignment period plus three years.



SECTION B - CORPORATE REGISTRATION, FILINGS AND FACILITIES

The University's schools, operating units, programs/activities or projects cannot typically register on their own to do business in foreign countries because they are not considered legal entities. Determining whether to register the University as a legal entity in another country is a strategic decision that must be made centrally.

The University prefers to limit the number of countries in which it is registered. However, the University will register itself or set up an entity to register if doing so is required to comply with country laws and regulations, and more expedient alternatives are not available. "Partnering" with an established institution in the local country is generally a more practical and expedient alternative to registration, particularly for sponsored research or other projects of limited duration. Agreements can be made with partner institutions to pay local employees, process transactions and provide existing facilities in which research, teaching or business operations can be conducted. Entering into such agreements can reduce the administrative burdens associated with corporate registration, tax reporting and withholding, licensing, and hiring and paying local employees. It may also be possible to obtain an exemption from registration through a sponsoring U.S. government agency or where activities will be performed for a foreign government.

DETERMINATION OF REQUIREMENT TO REGISTER

To determine whether registration is required, the following actions are recommended:

- o OGC should be contacted regarding the proposed program/activity, either directly or through the Director of International Business Operations. OGC may be aware of an existing registration or other activities in the same location. OGC will often need to retain local counsel to determine whether registration of the University as a legal entity conducting business in the foreign jurisdiction will be required, and whether non-profit entity status may be available. Schools or operating units of the University should not independently retain local counsel.
- o Factors in determining whether to register locally include; extent of local "presence," such as whether an office is needed; duration of activity; request/requirement of sponsor; licensing or accreditation rules; local banking rules. In some cases an agreement might be reached with a foreign government sponsor to exempt the university from registration requirements (and perhaps also from taxation of funds received).



TIMING OF REGISTRATION, IF REQUIRED

- o If registration is required, OGC will assist in the process.
- o Financial management must ensure that the project continues to comply with local requirements (e.g., by re-establishing partner agreements with local institutions providing administrative support, filing annual tax and/or statutory returns, updating business registration, etc.).
- o Financial management must contact the RMAS Insurance Office regarding business insurance coverage (property and liability), including coverage that may be required by the foreign jurisdiction.
- o Project management must contact the Harvard University Trademark Program regarding possible registration of the Harvard name within the foreign jurisdiction.
- o Consideration should be given to periodic reviews by RMAS, external auditors or other independent review bodies to review processes, reporting and financial controls.

FACILITIES AND OTHER

- o Developing procedures to administer facilities lease or rent payments and obtain leasehold improvements, as necessary.
- o Determining whether accounting records must be maintained according to U.S. GAAP or foreign country accounting standards, or both.
- o Determining methods for reporting foreign currency translation gains and losses on a monthly and annual basis.



SECTION C - TAXATION OF PROGRAM/ACTIVITY

While the University is exempt from U.S. and Massachusetts tax on income related to its charitable activities, and on certain other passive income, the University may not be exempt from taxes in foreign countries. Unless a specific exemption exists under the laws of the foreign country or under an income tax treaty between the United States and the foreign country, the University could be taxed on income like any for-profit entity. The program management must undertake the following activities in the area of taxation:

- o Contacting OGC to determine whether tax-exempt status should be sought, or tax payments and filings may be required, in the foreign country. Generally local legal counsel will be required in the foreign country to assist in this determination.
- o Ascertaining rules governing required filings (annual, quarterly, monthly).
- o Assigning responsibilities for preparing and submitting required filings.
- o Maintaining copies and records of filings with school sponsor in U.S.

SECTION D – U.S. PERSONNEL TRAVELING TO A FOREIGN COUNTRY

The University must comply with all applicable local laws governing taxes, benefits, insurance, labor, immigration, etc., and project management should become familiar with local requirements. Following are considerations that may apply.

- o University employees working in foreign countries should have appropriate business visas or work permits (maybe both), and may be permitted to file declarations of foreign residency with local tax authorities exempting them from local taxes.
- o U.S.-based University employees should be informed of the tax regulations in both the U.S. and in the foreign country, and any associated benefits and liabilities associated with long-term overseas assignments, including possible income exclusion under Section 911 of the Internal Revenue Code. HR should be consulted regarding Section 911 exclusions.
- o Expatriate (or “expat”) salary adjustments and benefits for employees on long-term overseas assignment may be necessary. Expatriate benefits allowable under a sponsored award must be negotiated into the award contract. Such benefits may include: coverage of relocation expenses, dependent benefits, local quarters allowances, cost-of-living adjustments, and home leave. HR Benefits should be consulted and can provide guidance in determining the nature and taxability of these benefits.
- o Job descriptions for specific roles and responsibilities related to program/activity must be developed and communicated to employees on expat assignments. Written expat agreements must be created and reviewed by HR to address compensation, benefits, and various sponsor/government requirements or allowances related to foreign assignments. Tax treaties between the foreign country and the U.S. must also be considered to ensure proper withholdings.



- o Personnel documentation – expat job descriptions, applicable employee benefits selections - must be submitted to register personnel for expat payroll processing purposes.
- o Project/program employees on expat assignment who will be or continue to be paid by Harvard in the U.S. must maintain their own U.S. **personal** bank accounts into which payroll distributions can be made by direct deposit. (International direct deposits will not be made.)
- o Certain employees will qualify for out-of-network health insurance, which qualifies the employees and their families for overseas treatment and reimbursement from the U.S. insurance carrier. Local HR should be contacted in advance of trip to determine appropriate insurance coverage for employees and families.
- o The RMAS Insurance Office must be contacted to arrange for other insurance coverage related to U.S.-based University employees' overseas assignments. Specific insurance needs include the University's insurance:
 - o International SOS
 - o War-Risk Travel Insurance

SECTION E – HIRING LOCAL EMPLOYEES/CONTRACTORS

- o All countries apply their own employment laws to employment relationships with their citizens in their territory. It will frequently be advisable to retain local counsel to understand local laws for any long-term project involving foreign employees.
- o Compared to the U.S., foreign employment laws frequently make it more difficult (or even impossible) to terminate employees and often require severance payments in more situations. Programs should consult with HR about these risks and budget accordingly.
- o Programs should consult with HR about compensation and benefits in order to ensure a competitive and equitable compensation package. In most cases, local employees will not receive Harvard benefits, so local benefits packages will need to be developed in consultation with HR and in compliance with local law.
- o If local employees will be hired, local payroll expertise must be acquired or subcontracted in order to file with the local authorities for payroll tax registration. Hiring personnel in a location typically requires sufficient administrative capacity to withhold, remit, pay and report payroll taxes.
- o HR must be notified of employees in foreign countries so potential tax implications and reporting responsibilities for the University can be considered with regard to the administration of overseas employee payrolls. Payroll taxes and other fringe costs can be significantly more expensive and complex than in the U.S., and should be investigated during the initial program budgeting process to avoid surprises.
- o If possible, provision should be made to pay local hires through an established local institution or another entity that can administer the withholding, remittance and reporting requirements of the foreign jurisdiction relating to income taxes, pension payments, social welfare contributions, unemployment compensation contributions and any other taxes.



- o Standard practices with respect to job descriptions and written employment contracts should be followed for overseas employment.
- o Personnel documentation – appointment forms, employee personal data, job descriptions, applicable employee benefits selections - must be submitted to HR (for U.S. hires) or appropriate payroll administration personnel for the project (for foreign country payroll) to register personnel for payroll processing purposes. Programs will need to maintain documentation in accordance with local law (which can sometimes be extremely specific).
- o The project must consider training needs for local hires and plans to deliver them.

CONTRACTED SERVICES

- o Contracts with partner institutions for services (e.g., exchange programs, leases, payroll services) must be created and reviewed in advance by OGC.
- o Local laws must be reviewed (by OGC through local counsel) to determine whether they permit the University to engage local workers as independent contractors, thereby reducing the administrative efforts associated with benefits and payroll taxes.
- o Where possible, consulting contracts should be entered into with local contractors evidencing the contractor's responsibility for their own benefits, taxes, insurance and any associated compliance with reporting requirements.
- o Cash management arrangements (i.e., paying a foreign vendor in their local currency) must be established as early as possible to facilitate transfers from Cambridge to foreign sites in order to meet local accounts payable requirements.

SECTION F – PROGRAM OVERSIGHT

OVERSIGHT MECHANISM

How the foreign undertaking will be monitored by responsible officials in Cambridge and Boston must be determined in advance. Geographic distance should not inhibit effective oversight of such operations.

- o Each program/activity should be assigned both an academic program manager and a financial manager whose role it is to provide oversight for the activity.
- o An academic oversight process must be established, which should include a periodic review by the school's academic dean (or equivalent) to ensure that the program/activity remains consistent with University policies and objectives and that it does not deviate from its original undertaking or contractual terms.
- o Financial/operational oversight procedures must be established, including periodic review of procedures to ensure:



- Satisfaction of foreign country regulatory filing and reporting requirements;
- Appropriateness of program/activity income, expenses and operating controls;
- Compliance with the laws of the foreign jurisdiction and regulators; and
- Complete and accurate recording of financial activity, in accordance with University financial accounting policies, in the University's general ledger.

SECTION G – OPENING BANK ACCOUNTS IN A FOREIGN COUNTRY

The procedures for establishing bank accounts in the name of the “President and Fellows of Harvard College” can be found at <http://vpf-web.harvard.edu/documents/> in the Cash Management section under *Long Term Operating Advances and Foreign Bank Accounts*. Additionally:

- o Contact Cash Management if a foreign bank account will be required;
- o Designate on-site University employee(s) as officer(s) entrusted with authority (through power of attorney) to act in representation of the University in the locale in which the program/activity is conducted;
- o Contact Cash Management to select a multinational bank, as a local banking relationship may already exist in the foreign country;
- o Provide a letter from an officer of the school or business unit to Cash Management requesting the establishment of an account with the selected bank for the handling of project/activity expenses;
- o Specify an authorized bank account signer who is a University employee or designated agent. The school or operating unit financial dean must also be designated as an authorized user of the bank account;
- o Retain authorized signer records (cards) and other associated bank documents on file;
- o Provide monthly bank account reconciliations to Cash Management.
- o Enforce policy that local bank account signature authorization may not be delegated or locally assigned, in particular to non-employees, and that any exception will require the written approval of the financial dean of the school or Cash Management;
- o Establish processes and responsibilities for administering local bank accounts, including rules regarding deposits, withdrawals, distributions or wire transfers of funds, and the monthly reconciliation of transaction activity to project records;
- o Establish procedures for closing University bank accounts when the program/activity is completed;
- o Establish procedures for employees to establish personal bank accounts to accept payroll disbursements, as well as a policy that project or program funds must not be commingled with personal bank account funds. Any exception to the latter rule must require the written approval of the financial dean of the school or operating unit.





ADDENDUM



INTERNATIONAL PROGRAMS GUIDE

CONTACT INFORMATION

ENTITY	PHONE NUMBER
INTERNATIONAL BUSINESS OPERATIONS (CONTACT: CATHERINE GORODENTSEV)	617-495-9132
PROVOST OFFICE (CONTACT: JORGE DOMINGUEZ)	617-495-5982
RISK MANAGEMENT & AUDIT SERVICES GENERAL INFORMATION INSURANCE OFFICE	617-495-3641 617-495-7971
OFFICE OF SPONSORED PROGRAMS (CONTACT: ETHLYN O'GARRO)	617-496-3117
INTERNATIONAL SOS TRAVEL ASSISTANCE PROGRAM	617-495-7971
OFFICE OF HUMAN RESOURCES PAYROLL AND BENEFITS	CONTACT SCHOOL HR DEPARTMENT
OFFICE OF CASH MANAGEMENT	617-495-2913
OFFICE OF GENERAL COUNSEL	617-495-1280
TRADEMARK PROGRAM (CONTACT: RICK CALIXTO)	617-495-0380

