



Grand Challenges Canada®
Grands Défis Canada

Cost Directive for Grand Challenges Canada (GCC) applicable to Global Mental Health Initiatives

OUR COMMITMENT

GCC funds innovations to save and improve lives in low- and middle-income countries and Canada. GCC's funding comes primarily from the Government of Canada along with other governments, companies and organizations. Our commitment to our funders is to ensure that their funds deliver real impact and are used for their intended purposes.

GCC will ensure that you have the necessary resources and guidance you need to meet the terms and requirements outlined in your funding agreement including:

- Sample templates that can be used to monitor, track and report on expenses
- Guidance on the types of supporting documentation that will help GCC understand and verify expenses
- Information packages, including best practices, detailed instructions, FAQs and Spot-Check Audit guidance.
- Financial information sessions and recorded instructional videos.

If you have any questions or concerns regarding these resources, or the requirements outlined below, please reach out to your GCC contact for additional information.

COSTS

GCC will pay for eligible expenses that are incurred while implementing project activities. An expense is considered eligible, if it is:

- Necessary to support the delivery of the Project
- Included as part of the approved Project Budget, and
- Is expensed within the funding period.

Eligible expenses include both direct and indirect costs:

- **Direct costs** are expenses necessary to complete the Project that are associated with a specific Project activity.
 - All direct costs need to be reasonable and directly related to the Project.
 - Subsections 1.1 - 1.7 below, provide more detail on each category of direct costs.
- **Indirect costs** are costs that cannot be directly traced to a specific project activity.
 - All indirect costs need to be reasonable but do not need to be directly related to the Project.
 - Subsection 1.8 provides further details on indirect costs.

Examples of ineligible expenses are included in Section 2.0 and include any costs that are not covered under subsections 1.1 – 1.8 below and those not included in the approved Project Budget. If you have questions about whether a cost is eligible, please confirm with your GCC contact before the expense is incurred.

1. Eligible Expenses

1.1. Remuneration

Remuneration includes salary and daily wage rates paid to employees for work directly related to the Project. Salary and wage rates should be comparable to the local market for similar types of work.

Salaries paid by the Innovator to its employees may be increased in accordance to Global Affairs Canada's Policy on Salary Increases Under Contribution Agreements for the Delivery of International Development Assistance found at:

https://www.international.gc.ca/development-developpement/partners-partenaires/bt-0a/policy_salary_ida-politique_salariales_adi.aspx?lang=eng.

The following costs are considered remuneration: direct salaries and benefits in accordance with internal policies.

1.2. Subcontractor Fees

Subcontractors are external individuals or groups who are engaged by an Innovator to provide goods and/or services as part of the Project. Payments are made under a subcontract agreement. The Innovator and the subcontractor must have an arm's length relationship to avoid real or perceived conflicts of interest.

Individual rates or amounts negotiated under a subcontract agreement must comply with the requirements of GCC's [Contracting and Procurement Policy](#), and shall not exceed the fair market value for the service or good in question. Contracts greater than \$25,000 annually, must be tendered competitively, unless there is a valid reason not to, which would require prior approval from GCC.

Legal fees related directly to the Project are eligible subcontractor costs.

Subcontractor costs are subject to the same eligible and ineligible expense requirements, as applicable to the Innovator.

1.3. Travel Costs

Actual and reasonable travel costs directly related to the implementation of the Project and incurred by the Innovator in accordance with the provisions of GCC's [Travel Policy](#) are eligible expenses.

1.4. Goods and Supplies

Actual and reasonable costs arising from the purchase, rental, maintenance, transportation, and installation of goods, and supplies directly related to the Project, provided that such costs do not exceed the fair market value and are eligible expenses. Office administration expenses should be included in 1.6 Project Administration Costs.

1.5. Equipment Costs

“Equipment” is defined as a good with a useful life of more than one year and costs more than \$1,000 CAD per unit. The price paid for this expense must be reasonable compared to alternative options in the market. Costs may include the basic purchase price, freight, and installation of the equipment.

Innovators are required to submit a Disposal of Assets plan at the end of their Project. If equipment purchased for the project is still valuable at that time but will no longer be used towards project activities, GCC can request that the Innovator sell the equipment at fair value and refund GCC the proceeds from that sale.

Equipment which costs more than \$25,000 annually must be tendered competitively in accordance with GCC’s [Contracting and Procurement Policy](#), unless there is a valid reason not to, which requires prior approval from GCC.

The acquisition or improvement of fixed assets are ineligible for reimbursement. Fixed assets are defined as a one-time large purchase of property, land or equipment used for revenue generation over a long period of time.

1.6. Project Administration Costs

Examples of actual and reasonable administrative costs directly related to the implementation of the Project include:

- Telecommunication expenses (internet, fax, cellular), mail and courier costs;
- Translation and word processing costs, printing and production costs associated with Project reporting and production of reading material;
- Meeting, workshops, conference costs (includes; meal and travel costs for participants);
- Bank transfer fees;
- Costs related to office space and associated utilities, required to implement the Project;
- Publication fees during the funding period;
- Purchase of advertisement space to promote project activities;
- Hosting services, such as servers or databases required to implement the Project;
- Software subscription services directly required to implement the Project;
- Ethical approvals and review board costs;
- Patent costs required to implement the Project, as deemed reasonable by GCC;
- Other administrative type of expenditures relating directly to project activities.

1.7. Sub-grants

A sub-grantee is defined as an external organization that acts like a partner to provide key services required to complete the Project and cannot be easily replaced by a vendor or supplier. Sub-grantee costs are eligible expenses as long as the following requirements are met:

- Sub-grantees must be legal entities, which can enter into legal agreements.
- Sub-grantees are subject to the same eligible expense requirements and policies as the Innovator.
- Sub-grantees must keep track of expenses incurred in a detailed general ledger and submit this detailed general ledger to GCC with the Innovator's final financial report.

1.8. Indirect Costs

Innovators are entitled to indirect costs, calculated as a percentage and not exceeding 10% of all direct costs.

Innovators must consistently charge costs as either indirect or direct costs and must not double charge or inconsistently charge the same cost, or categories of costs, as both.

Examples of costs that could be considered as indirect under the Innovator's Project include, but are not limited to, the following:

- Advertising and promotion (non-project specific);
- Bank charges (non-project specific);
- Board activities;
- Business development activities;
- Capital taxes;
- Financing costs (e.g. interest expense, costs to obtain irrevocable letters of credit);
- General Staff training;
- Insurance (e.g. office, board of directors, liability, vehicle, travel);
- Internal or external audits of the organization;
- Office supplies and equipment of the Organization's office(s) (non-project specific);
- Professional fees relating to the administration of the organization (e.g. accounting);
- All legal costs other than those identified in Sections 1.2 and 1.6 above;
- Proposal preparation activities;
- Rent and utilities for shared office space (head office);
- Repairs and maintenance expenses (non-project specific);
- Salaries and fringe benefits relating to the administration of the organization (i.e. indirect staff);
- Recruitment fees and staff recruitment;
- Strategic planning activities;
- Employee bonuses;
- Maternity and paternity leaves;

- Administrative IT System (e.g. financial or HR system) (non-project specific);
- Workstations of indirect staff, including computers;
- Membership fees;
- Travel (non-program/Project specific);
- Severance;
- Immunizations and medications;
- Costs related to obtaining passports;
- Expenses above cost of lowest economy flight (e.g. Business Class);
- Gratuities/tips;
- Other indirect/overhead type of expenditures relating to the organization's office(s) or employees deemed as indirect staff;
- Any other costs that GCC considers indirect cost elements.

2. Ineligible Expenses

Costs that are considered as ineligible under the Innovator's Project include, but are not limited to the following:

- Payment that supports for lobbying or activity intended to influence or attempt to influence Parliament, Government or political parties, or attempting to influence the awarding or renewal of contracts and grants, or attempting to influence legislative or regulatory action;
- Using grant funds to directly enable one part of government to challenge another on topics unrelated to the agreed purpose of the Grant;
- Using the Grant to petition for additional funding;
- Input VAT (specific to value added tax chargeable in the United Kingdom only);
- Payments for activities of a political or exclusively religious nature;
- Goods or services that the Funding Recipient has a statutory duty to provide;
- Payments reimbursed or to be reimbursed by other public or private sector grants;
- Contributions in kind (i.e. a contribution in goods or services, as opposed to money);
- Depreciation, amortization or impairment of fixed assets owned by the Funding Recipient;
- The acquisition or improvement of fixed assets (defined as one-time large purchase of property, land or equipment used for revenue generation over a long period of time) by the Funding Recipient;
- Interest payments (including service charge payments for finance leases);
- Gifts;
- Entertaining (entertaining for this purpose means anything that would be a taxable benefit to the person being entertained, according to current UK tax regulations);
- Statutory fines, criminal fines or penalties;
- Liabilities incurred before the beginning of the Project unless agreed in writing by GCC;
- Costs incurred before and after the effective date of the funding agreement for the Project;
- Costs related to non-authorized accompanying family members;
- Costs specifically disallowed under the Travel Policy included in section 1.3, above;
- Bad debts;

- Costs related to replacing or refunding any funds lost to fraud, corruption, bribery, theft, terrorist financing or other misuse of funds;
- Foreign exchange gain or loss adjustments;
- Alcohol and Cannabis;
- Any other costs that GCC considers ineligible cost elements.