



Grand Challenges Canada®
Grands Défis Canada

Eligible & Ineligible Expenses Directive for Grand Challenges Canada (GCC) Humanitarian Projects (USAID, FCDO and MFA-NL (Dutch), DFAT-D (Canada))

OUR COMMITMENT

GCC funds innovations to save and improve lives in low- and middle-income countries and Canada. GCC's funding for the Humanitarian Grand Challenges comes from various governments around the world. Our commitment to our funders is to ensure that their funds deliver real impact and are used for their intended purposes.

As an innovator funded by GCC, we 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.

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 [Procurement Policy](#), and shall not exceed the fair market value for the service or good in question. Contracts greater than \$25,000 CAD for goods and \$40,000 CAD for services 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, assets 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 CAD annually must be tendered competitively in accordance with GCC’s [Procurement Policy](#), unless there is a valid reason not to which requires prior approval from GCC.

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;
- Publication fees during the funding period;
- 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 up to 10% of its Modified Total Direct Cost (MTDC) to cover indirect costs. MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$30,000 CAD of each subaward. MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$30,000 CAD. The Innovator must consistently charge its costs as either indirect costs or direct costs but 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:

- Amortization/Depreciation;
- Board activities;
- Business development activities (non-project specific);
- Bank charges (non-project specific);
- Gratuities/tips;
- Internal or external audits of the organization;
- Logistics and procurement;
- Office supplies and equipment of the Organization's office(s) (non-project specific);
- Rent and utilities for shared office space (head office);
- Repairs and maintenance expenses;
- Computer maintenance expenses;
- Travel (non-program/Project specific);
- Membership fees;
- Merit based salary increases;
- Maternity/paternity leave;
- Severance;
- Bonus payments, remuneration or fees that include profits;
- Recruitment fees;
- Salaries and fringe benefits relating to the administration of the organization;
- Strategic planning activities;
- Administrative IT System (e.g. financial or HR system) (non-project specific);
- Workstations of indirect staff, including computers;
- Immunizations and medications;
- Costs related to obtaining passports;
- Other indirect/overhead type of expenditures relating to the organization's office;
- All other costs that GCC considers indirect cost elements

2. Ineligible Expenses

Ineligible costs are costs that are not Eligible Costs and include but are not limited to the following:

- Costs incurred before and after the effective date of the funding agreement for the Project;
- Entertainment expenses;
- Foreign exchange gain/loss and inflation adjustments;
- Alcohol and Cannabis;
- Gifts (non-project specific);
- Insurance (e.g. office, board of directors, liability, vehicle, travel);
- Interest on borrowed capital;
- Costs related to non-authorized accompanying family members;
- Costs specifically disallowed under the Travel Policy included in section 1.3, above;
- Retainer fees (non-project specific);
- Debt repayments;
- Fundraising costs;
- Advocacy costs;
- Contingency or risk premium costs;
- Marketing/promotional communications that don't directly contribute to project objectives;
- Refundable taxes;
- Statutory fines, criminal fines or penalties;
- Bad debts;
- Payments for unfair dismissal or other compensation;
- To replace or refund any funds lost to fraud, corruption, bribery, theft, terrorist financing or other misuse of funds;
- Military equipment;
- Surveillance equipment;
- Commodities and services for support of police or other law enforcement activities;
- Abortion equipment or services;
- Luxury goods and gambling equipment;
- Weather modification equipment;
- Ammunition and weapons;
- All other costs that GCC considers ineligible cost elements.

Please refer to your funding agreement for funder specific ineligible expenses that apply, in addition to the above.