



Grand Challenges Canada®
Grands Défis Canada

Cost Directive for Grand Challenges Canada (GCC) applicable to Funding and Services agreements under the Being program funded by Department of Health and Social Care (DHSC) and Fondation Botnar¹

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 private 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 ("Recipient") have the necessary resources and guidance you need to meet the terms and requirements outlined in your Funding or Services Agreement ("Agreement" or "Project") 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.
- Is expensed within the stated Project period.

Eligible expenses include both direct and indirect costs:

- **Direct costs** can be traced to a specific task under the Agreement.
 - All direct costs need to be reasonable and directly related to the Agreement.

¹ For agreements funded under Government of Canada's Institutional Support Grant, please refer to separate cost directive here: <https://www.grandchallenges.ca/innovator-resources/>

- Section 1 provides further details on different types of direct costs.
- **Indirect costs** are costs that cannot be directly traced to a specific task defined in the Agreement.
 - All indirect costs need to be reasonable but do not need to be directly related to the Agreement.
 - Section 2 provides further details on different types of indirect costs.

Examples of ineligible expenses are included in Section 3 and include any costs that are not covered under Sections 1 and 2 below and those not included in the approved budget within the Agreement. If you have questions about whether a cost is eligible, please confirm with your GCC contact before the expense is incurred.

1. Direct Costs

1.1. Remuneration

Remuneration includes salary and daily wage rates paid to employees for tasks directly related to the Agreement. Salary rates should not exceed the salary rates in the approved budget within the Agreement.

1.2. Subcontractor Fees

Subcontractors are external individuals or groups who are engaged by the Recipient to provide goods and/or services as part of the Agreement. Payments are made under a subcontract agreement. The Recipient 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, located at <https://www.grandchallenges.ca/innovator-resources/> 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.

For DHSC-funded agreements, refer to specific procurement rules specified in signed Agreement (Attachment G).

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

Subcontractor costs are subject to the same eligible and ineligible expense requirements applicable to the Recipient.

1.3. Travel Costs

Actual and reasonable travel costs directly related to the Agreement and incurred by the Recipient in accordance with GCC's Travel Policy, located at <https://www.grandchallenges.ca/innovator-resources/>.

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 tasks under the Agreement, provided that such costs do not exceed the fair market value and are eligible expenses.

1.5. Equipment Costs

"Equipment" is defined as a good with a useful life of more than one year and costs more than \$500 CAD per unit or as a group of items. Any equipment and/or supplies purchased in part or fully from Grant funds are considered "Programme Funded Assets" if they:

- Have a useful life of more than one year; and either
 - the purchase price or development cost of the Asset is in excess of \$500 CAD or equivalent in local currency;
 - they form a group of lower value items (e.g. pharmaceutical products, food, relief packs, etc.) where the combined value is in excess of \$500 CAD or equivalent in local currency; or
 - they can be considered an attractive item regardless of cost (e.g. mobile phones, cameras, laptops, tablets, satellite phones, vehicles, etc.).

The price paid for Programme Funded Assets must be reasonable compared to alternative options in the market. Costs may include the basic purchase price, freight, and installation of the equipment.

Equipment which costs more than \$25,000 CAD annually must be tendered competitively in accordance with GCC's Procurement Policy, located at <https://www.grandchallenges.ca/innovator-resources/> 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.

All DHSC funded Recipients must manage the risk of assets being lost, stolen, damaged or destroyed and cover the cost of repairing or replacing lost, stolen, damaged or destroyed assets. If the Recipient decides to take out project specific commercial insurance to cover lost, stolen, damaged or destroyed assets, this commercial insurance would be eligible as an Indirect Cost.

All DHSC funded Recipients must maintain the asset register as outlined in Section 6 of the Agreement.

1.6. Administration Costs

Examples of actual and reasonable administrative costs directly related to the execution of the Agreement include:

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

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 Agreement and cannot be easily replaced by a vendor or supplier. Sub-grantee costs are eligible expenses if 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 Recipient.
- Sub-grantees must keep track of expenses incurred in a detailed format and shared with the Recipient to be maintained.

2. Indirect Costs

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

Recipients are entitled to indirect costs limited to the amount approved in the budget.

Recipients 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 expenses under the Recipient's Agreement include, but are not limited to, the following:

- Advertising and promotion (not specific to tasks under the Agreement);
- Bank charges (not specific to the Agreement);
- Board activities;
- Business development activities (not specific to tasks under the Agreement);
- 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, project-specific commercial insurance);
- Internal or external audits of the organization;
- Office supplies and equipment of the Organization's office(s) (not specific to tasks under the Agreement);
- 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 (not specific to tasks under the Agreement);
- 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) (not specific to tasks under the Agreement);
- Workstations of indirect staff, including computers;
- Membership fees;
- Travel (not specific to tasks under the Agreement);
- 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.

Transactional detail of indirect costs must be provided for Recipients and any sub-grantees.

3. Ineligible Expenses

Costs that are considered as ineligible under the Agreement 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 Agreement;
- Activities which may lead to civil unrest;
- Using the Grant to petition for additional funding;
- Input VAT (specific to value added tax chargeable in the United Kingdom only);
- Activities in breach of the UK's obligations under the Trade and Cooperation Agreement or the terms of any UK subsidy control legislation;
- Payments for activities of a political or exclusively religious nature;
- Goods or services that the 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 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 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 Agreement unless agreed in writing by GCC;
- Costs incurred before and after the effective date of the Agreement;
- Costs related to non-authorized accompanying family members;
- Costs specifically disallowed under the Travel Policy included in section 1.3, above;
- Bad debts to related parties;
- Payments for unfair dismissal and associated legal costs;
- Costs related to replacing or refunding any funds lost to fraud, corruption, bribery, theft, terrorist financing or other misuse of funds;
- Project specific insurance premiums intended to cover medical expenses, injury or disablement, and death unless, by exception, explicitly approved by the Authority in writing in advance.
- Foreign exchange gain or loss adjustments;
- Inflation
- Contingency or risk premium;
- Alcohol and Cannabis;

- Activities which discriminate against any group on the basis of age, gender reassignment, disability, race, colour, ethnicity, sex and sexual orientation, pregnancy and maternity, religion or belief;
- Any other costs that GCC considers ineligible cost elements.

Last Updated: August 2023