



Grand Challenges Canada®
Grands Défis Canada

Eligible & Ineligible Expenses Directive for Grand Challenges Canada (GCC) Humanitarian Projects (FCDO (UK) and 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 primarily 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.

GCC will ensure that you have the necessary resources and guidance you need to meet the terms and requirements outlined in your Grant 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 guidance on verifications conducted by GCC's Compliance team.
- 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 Project 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 direct 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, benefits (in accordance with internal policies), 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 with 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-oa/policy_salary_ida-politique_salariales_adl.aspx?lang=eng.

The Innovator should be able to support remuneration charged to GCC using a timesheet or other time management system. Innovators without a time management system nor the capacity to manage timesheets should follow the guidance by Global Affairs Canada found at:

<https://www.international.gc.ca/world-monde/funding-financement/partners-timesheet-feuille-temps-partenaires.aspx?lang=eng>.

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 over \$25,000 CAD for goods and over \$40,000 CAD for services in each fiscal year, should be tendered competitively, unless there is a valid reason not to, which would require prior approval from GCC.

Where multiple contracts are signed with the same vendor, the cumulative value of these contracts should be considered when applying the thresholds noted in the Procurement Policy.

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

Subcontractor costs are subject to the same eligible and ineligible expense requirements 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's employees 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. The cost of any import, customs duties or any other taxes or similar charges applied by local Governments or by any local public authority are eligible expenses if they form part of direct frontline Project costs and not reclaimable via other sources.

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 in a given fiscal year should 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;
- Costs related to office space and associated utilities, required to implement the Project;
- Publication fees during the Project 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 if the following requirements are met:

- Sub-grantees must be able to 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 may be required to submit this detailed general ledger to GCC (where applicable). Refer to your Grant Agreement for details.

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:

- Administrative IT System (e.g. financial or HR system) (non-Project specific);
- All legal costs other than those identified in Sections 1.2 and 1.6 above;
- Amortization/Depreciation for assets whose purchase price is not captured under the GCC budget;
- Board activities;
- Business development activities (non-Project specific);
- Capital taxes;
- Costs related to obtaining passports;
- Employee bonuses;
- Expenses above cost of lowest economy flight (e.g. Business Class);
- Facilities management;
- Financing costs (e.g. interest expense, service charge payments, loans for finance leases, costs to obtain irrevocable letters of credit);

- General Staff training;
- Gratuities/tips;
- Human Resources;
- Immunizations and medications;
- Internal or external audits of the organization;
- Maternity and paternity leaves;
- Membership fees;
- Merit based salary increases, bonus payments, remuneration or fees that include profits;
- Office supplies and equipment of the Organization's office(s) (non-Project specific);
- Other indirect/overhead type of expenditures relating to the organization's office(s) or employees deemed as indirect staff;
- Payment(s) for works or activities which the Innovator, or any member of their partnership has a statutory duty to undertake, or that are fully funded by other sources;
- Professional fees relating to the administration of the organization (e.g. accounting);
- Proposal preparation activities;
- Recruitment fees and staff recruitment;
- Recurrent costs for head office;
- 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;
- Severance;
- Strategic planning activities;
- Travel (non-program/Project specific);
- Workstations of indirect staff, including computers;
- Any 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:

- Alcohol and Cannabis;
- Bad debts to related parties;
- Chlorofluorocarbons (CFCs);
- Contingency or risk premium costs;
- Costs to replace or refund any funds lost to fraud, corruption, bribery, theft, terrorist financing or other misuse of funds;
- Costs incurred before and after the Project Period;
- Costs incurred prior to a formal agreement being executed including those associated with preparing bid or grant proposals;
- Costs related to non-authorized accompanying family members;
- Costs specifically disallowed under the Travel Policy included in section 1.3, above;
- Debt repayments;
- Drugs not on the World Health Organization Model List of Essential Medicines (with limited exceptions);
- Entertainment expenses;

- Expenses previously paid for by another funder or another source of funds;
- Exploitation of adult workers or employment of children;
- Foreign exchange gain/loss and inflation adjustments;
- Gifts (non-Project specific);
- Input VAT reclaimable by the Innovator from His Majesty Revenue & Customs (HMRC) (UK);
- Interest on borrowed capital, or service charge payments for finance leases
- Luxury goods (including alcohol, tobacco, fur skins, pearls, precious and semiprecious stones);
- Non employment related insurance (e.g. office, board of directors, liability, vehicle, travel);
- Payment(s) for activities in breach of EU legislation on State Aid;
- Payment(s) for 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;
- Payment(s) for activities which may lead to civil unrest;
- Payment(s) for unfair dismissal or other compensation and associated legal costs;
- Pesticides, unless agreed by a Climate and Environment Adviser;
- Refundable taxes;
- Statutory fines, criminal fines or penalties, and associated legal costs;
- Activities which are not aligned with the Paris Agreement on climate change;
- Any relationship, financial, programmatic or bilateral - with Breast Milk Substitute manufacturers that violate the International Code of Marketing of Breast Milk Substitutes. The FCDO may on a case-by-case basis engage with these companies in multilateral or multi-donor funded programmes or initiatives, if approved by the relevant Director General;
- Settlement or Confidentiality Agreements (also known as non-disclosure agreements or NDAs) which could be used to prevent staff or downstream partners from raising allegations of wrong-doing, including sexual exploitation, abuse and harassment (SEAH), bullying, general harassment or discrimination;
- Any other costs that GCC considers ineligible cost elements;

The following costs are ineligible unless they are a specific requirement of the Grant Agreement, in which case they are eligible direct costs:

- Payment(s) that supports lobbying the UK government, i.e. activities which aim to influence or attempt to influence Parliament, UK government or political activity, or UK legislative or regulatory action;
- Payment(s) for activities which directly enable one part of government to challenge another on topics unrelated to the agreed purpose of the grant;
- Payment(s) to petition UK government for additional funding;
- Costs associated with fundraising, advocacy and campaigning, marketing and communications, policy, retainer fees, capital expenditure, land and bank charges.

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

