



The African
Academy of Sciences

AAS Costs Guidelines

Date	Version No.	Updated by	Reason
21 st October 2016	Version 1.0	AAS	New
13 th March 2017	Version 1.1	Hannah Ngugi	Amendment

This document has received endorsement for use by the SMT of the AAS and remain a Live document effective from 21st October, 2016

1.0 Background

AAS appreciates that different entities have different definitions, understanding as well as treatment of various costs incurred during their research works. It is important to note allowable costs and reasonableness may vary from one scheme to another depending on the schemes rules and guidelines and therefore the need to have a uniform and standard cost guidelines for all grants implemented by AAS. This has led to the development of “AAS POLICY STATEMENT ON COSTS in October 2016.

2.0 Purpose

The purpose of these guidelines is to define allowable costs and disallowable costs. It also provides clear guidance on charging of direct and indirect costs. As a general principal, costs charged to AAS whether direct or indirect should be actual costs attributable to the activity being funded by the grant (or a reasonable approximation thereof). These guidelines apply to all AAS grantees.

3.0 Allowable Costs

Grantees should ensure that costs claimed under AAS grants are allowable and reasonable. In determining the allowable costs, costs must fulfill the following conditions;

- Must be necessary for the performance of the grant.
- Must be reasonable
- Must be allocable
- Must be in conformity with the grant policies, rules and guidelines, special provisions, and grantee internal policies.
- Must be accorded consistent treatment.
- Must be adequately documented.
- Must not be against the law.

Allowable costs are usually pre-determined at the application and award stage. Allowable costs may be classified as direct costs or indirect costs.

3.1 Direct Costs

The following may be included as direct costs in both grants and contracts if:

- i. Directly attributable to the project:
 - Salaries of Employees
 - Fringe benefits of employees.
- ii. Include Project Management costs which can be directly attributable administrative support, legal or accounting functions, with distinct and measured effort on the project.
 - Travel for employees (All travels should be pre-approved).
 - Consultants
 - Supplies
- iii. Sub-grants (defined as work sourced from the primary grantee to another organization, where funding is provided up front)

- iv. Sub-contracts (defined as work sourced from the primary grantee to another organization, where funding is provided in arrears)

The following may be included as direct costs *in grants only if directly attributable to the project and newly acquired specifically for the project*;

- Equipment purchases *[Note that all existing equipment would represent indirect costs]*.
- Newly acquired facilities such as:
 - A new field clinic
 - New testing laboratories
 - New project implementation unit office*[Note that all existing facilities would represent indirect costs.]*
- Utilities for newly acquired facilities
- Newly acquired Information Technology equipment and support for the project.

3.2 Indirect Costs

AAS defines Indirect costs as follows;

- i. Overhead expenses or ongoing operational costs incurred by the applicant organization on behalf of the organization's activities and projects, but that are not easily identified with any specific project.
- ii. Administrative or other expenses which are not directly allocable to a activity or project.
- iii. Expenses related to general operations of an organization that are shared among projects and/or functions.
- iv. Basic examples include executive oversight, existing facilities costs, accounting, grants management, legal expenses, utilities, and technology support.

To further aid the interpretation of Indirect Costs, AAS has established examples for the use of our grantees and prospective grantees, which are included in Appendix A.

3.2.1 Maximum Indirect Cost Rates

Indirect cost rates for grants and contracts are subject to the following limitations:

- **0% Rate – Government agencies, other private foundations, for profit organizations.**
- **Up to 15% Rate – Non-Governmental Organizations, International Organizations, African Institutions /Universities**

This is computed as below;

- **Indirect Costs Reimbursements = Rate *Total Project Costs (incl. personnel, , supplies, equipment, etc).**
- Rates and limitations apply to *both* the primary applicant organization and any sub-grantees and subcontractors. Each respective organization may receive indirect costs up to the rate applicable to their organization type. *Example- a*

grantee if an international organization can receive up to a 15% rate for indirect costs.

- The rates provided above are the *maximum* rates allowed under the Academy policy. A grantee or contractor with an actual indirect cost rate lower than the maximum rate provided above should *not* increase the funding request to the maximum allowed.
- Application of indirect rate is grant specific and does not apply to all AAS grants.

Given the policy provides an 'UP TO' percentage amount, the indirect cost rate approved may be anywhere from 0% to 15% depending on the specific situation. For example:

- *Example 1:* At the discretion of the AAS, a large grantee may be awarded a lower indirect cost rate to reflect reduced overhead required to adequately manage a large grantee direct costs. Actual administrative and maintenance costs do not necessarily increase in direct proportion to grant funds.
- *Example 2:* If a primary grantee is receiving grant funds which are largely sub-granted to another organization, the AAS may limit the indirect costs the primary grantee receives on the sub-granted funds. Therefore, to reflect this, the rate could be less than the maximum allowed rate for the primary grantee.
- *Example 3:* The AAS at its discretion may not give an indirect rate, the grantee would therefore budget for all expenses that would be incurred in relation to the grant activities.

3.2.2 Other Funding

AAS is a charitable entity and is not committed to matching the indirect cost rates of governments or other entities. We recognize that this means that:

- a. Some grantees may need to engage in cost sharing between projects, tap into unrestricted funds or conduct other fundraising to cover operations;
- b. Some grantees/contractors may choose not to contract with the AAS.

4.0 Disallowable Costs

These are costs which are specifically identified in the grant/contract as being disallowed. Examples of disallowable costs include but are not limited to;

- Alcoholic Beverages (regardless of the circumstances),
- Bad Debts including losses whether actual or estimated,
- Contingency Provisions,
- Contributions and Donations
- Entertainment and related costs,
- Fines and Penalties (allowable only if they are being incurred because of compliance with the award or instructions in writing from the awarding agency),
- Fund Raising Costs,
- Gift Cards (regardless of the circumstances),
- Interest on Borrowed Capital,

- Lobbying Costs and donations to political causes,
- Social Memberships.

4.1 Appendix A

- Existing facilities costs (e.g. rent, maintenance etc.) such as; University headquarters, Country/ Regional offices.
- Utilities for existing facilities (e.g. water and electricity).
- Existing Information technology equipment and support (e.g. centralized IT systems, networks, etc.)
- Existing shared equipment.
- Existing equipment maintenance.
- Depreciation on equipment
- Insurance
- Communications expenses (e.g. phones, etc.)
- Administrative office supplies
- General administrative support such as:
 - a. Executive management (CEO, COO, CFO, etc.)
 - b. Executive administrators
 - c. General ledger and grants accounting
 - d. General financial management staff
 - e. Internal audit function
 - f. Institutional legal support
 - g. Research management personnel
 - h. Information technology support staff
 - i. Facilities support personnel
 - j. Scientific support functions
 - k. Environmental health/safety personnel
 - l. Human resources
 - m. Library & information support
 - n. Shared procurement resources
 - o. General logistics support
 - p. Material management (e.g. tracking procurement, inventory management, shipping)
 - q. Other shared resources not directly attributable to the project.