



## INSTITUTIONAL OVERHEAD POLICY

### **Policy Objective:**

It is recognized that indirect/overhead costs are a necessary part of an organization's operations and that the organization will be compensated for some of this overhead as part of the Partner's agreement with the Global Crop Diversity Trust ("Crop Trust").

The objective of this policy is to inform organizations how the Crop Trust will contribute towards their indirect costs or overheads when they enter into an agreement with the Crop Trust. The policy provides direction to determine which costs are eligible for compensation. It aims to ensure uniformity of application in order to be fair to all organizations. This policy covers the allowable level of indirect cost overhead that can be charged on project agreements with Partners either on their indirect costs or on flow-through funding.

### **Policy Statement:**

It is the Crop Trust's policy to provide a contribution towards an organization's indirect costs or overhead only for the period covered by the Partner agreement. This policy is applicable once the Crop Trust has agreed on which costs it is willing to cover under the specific Partner agreement.

This policy is effective starting 1 September 2014. This policy will be reviewed two years after the implementation date and periodically thereafter. *As at March 2017, this policy is currently being reviewed.*

### **Definitions:**

"Direct Costs"	Expenditure items that are identifiable, demonstrable, can be directly linked to and have actually been incurred through the project activity. The Crop Trust will only recognize full cost recovery as a direct cost when these costs are directly attributable to the project or activity, they are fairly calculated and can be directly measured. The measurement system used must accurately quantify the cost and rate of use (i.e. reflect its actual true value), be supported by sufficient persuasive evidence and be auditable. Examples of direct costs are included in Appendix 1.
"Indirect Costs"; "Overheads"; "Facility & Administrative Costs" etc.	These terms refer to shared costs that are related to several objectives or projects and which cannot be readily identified as being incurred solely as a result of a single project or a particular activity. Examples of indirect costs are included in Appendix 1.
Lead Partner	The project partner who directly enters into an agreement with the Crop Trust.
"Overhead Rate"	Percentage of an institution's indirect costs expressed in relation to its direct costs. The indirect cost rate is applied as a method of charging projects or activities for



their share of the institution's total indirect costs.

"Pass-through" Funding	Funds included in the agreement between the Crop Trust and the Lead Partner that will be passed on to and expended by sub-contractors (sub-contracted by Lead Partner).
Sub-contractor	Any project partner who enters into an agreement with the Lead Partner. The Crop Trust has no direct agreement with these sub-contractors.

**Overhead Rate:**

The contribution to indirect costs is based on:

- The **audited or official indirect overhead rate** of Lead Partner and sub-contractors is to be applied up to a *maximum* overhead rate of 15% applicable on the Crop Trust's contribution towards the eligible direct costs. If the audited institutional rate is lower, this lower rate is to be applied.
- The maximum allowable indirect overhead costs on newly acquired capital shall be calculated on the first US\$30,000 of total capital expenditures only (not annual capital expenditures).
- The overhead rate allowable on pass-through funds depends on the level of administrative and financial management responsibility the Lead Partner has and will continue to have if the funds have been passed on to sub-contractors:

**Level of responsibility:**    **Overhead Policy:**

<b>Lead Partner has full responsibility</b>	The partner may charge up to a maximum overhead rate of 15% on their eligible total direct costs of the sub-contractor's budget. In case the sub-contractor requires overhead costs, the Lead Partner has to negotiate a cost sharing arrangement with the sub-contractor.
<b>Lead Partner continues to have some level of responsibility</b>	The partner may charge 2% on total pass-through funds and the sub-contractor can charge a maximum overhead rate of 15% on their eligible total direct costs.
<b>Lead Partner has no level of responsibility</b>	An administrative fee is payable to the Lead Partner only and the sub-contractor can charge a maximum overhead rate of 15% on their eligible total direct costs.



The organization's audited or official indirect overhead rate must be calculated based on the total indirect costs of the organization as a % of total eligible direct costs (as outlined in Appendix 1). The Crop Trust will review the audited or official indirect overhead rate annually and the organization must keep full records to substantiate this rate.

**Monitoring:**

The policy may be assessed and evaluated as part of a formal review process within the Crop Trust. The calculations relating to the overhead rate being applied to the project should be properly documented by both the organization and the Crop Trust.

**Information requests:**

Any request for clarification or interpretation should be made to the Project Manager.

## APPENDIX 1 - DIRECT AND INDIRECT COST EXAMPLES

### Direct Costs:

Depending on the specific terms of the agreement, the following **may** be included as direct costs if they are directly attributable to a specific project or activity and can be directly measured:

<b>Personnel Costs</b>	Salaries for staff members involved in the project or activity and directly attributable administrative support, legal or accounting function, with distinct and measured effort on the project. The salary figure can be determined by using the current salary rate, but multi-year project should allow a percentage for salary increases.  May include fringe benefits of staff. Under the specific agreement or contract, these benefits are usually estimated as an average percentage of salaries and wages. Multi-year projects will need to make allowance for bonuses and inflationary increases (e.g. 1% per year).
<b>Travel</b>	Travel can include transport costs, accommodation costs, per diems, cost of meetings or workshops etc.
<b>Capital Equipment</b>	The cost of purchasing equipment that is needed to conduct a project. Only <i>newly acquired</i> equipment hardware that is specific to a project or activity can be included in direct costs. The depreciation cost of all existing equipment is included under indirect costs.
<b>Service contracts and consultants</b>	Costs for services outsourced to external organizations, service providers or consultants.
<b>Facilities</b>	New facilities acquired for a specific project or activity. Can include the cost of space rental.
<b>Alterations and renovations</b>	When space has to be altered for a specific project or activity.
<b>IT</b>	Newly acquired IT equipment and IT support for a project or activity.
<b>Supplies</b>	Includes all supplies such as printing, stationary, small equipment etc. and utilities relating to specific project activities (e.g. for genebank operations)
<b>Communication</b>	Telecommunications and postage expenses related to a project or activity.
<b>Services</b>	Costs for services directly attributable to a project or activity including repair and maintenance of equipment.
<b>Other costs</b>	May include: <ul style="list-style-type: none"> <li>• Donor-required audits</li> <li>• Training or Professional Development</li> <li>• Reference materials, including books, subscriptions etc.</li> </ul>



**Indirect Costs:**

Indirect costs or overheads relates to the costs of general operations of an organization that are shared among projects, activities or functions and are not directly attributable to a specific project or activity. Indirect costs may include:

<b>Building and Equipment</b>	Depreciation, general maintenance and operation of buildings and major equipment. Running costs for building space can include items such as heating, cooling, electricity, water, cleaning, landscaping and insurance.
<b>IT</b>	Use of existing equipment and provision of IT support e.g. centralized IT systems, networks etc.
<b>Administration</b>	<p>This many include</p> <ul style="list-style-type: none"> <li>• Executive management and administrators</li> <li>• Material management (e.g. tracking procurement, inventory management, shipping)</li> <li>• General-ledger accounting</li> <li>• Grants accounting,</li> <li>• Financial management</li> <li>• Internal audits</li> <li>• Research management</li> <li>• Support services</li> <li>• Intellectual property management</li> <li>• Information and communication services</li> <li>• Legal services</li> <li>• Human resources services</li> <li>• Environmental health/safety personnel</li> <li>• Security</li> <li>• Library services</li> <li>• Student registration services</li> <li>• Secretarial support</li> <li>• Other shared resources not directly attributable to the project or activity</li> </ul>
<b>Other</b>	Auditing fees, security services, liability insurance, quality assurance, marketing and branding.