



## 3ie Direct Costs Policy

### Introduction

This policy outlines the direct costs which shall be funded by 3ie for grants under Development Priorities Window (DPW1) and the restrictions that apply to different categories of expenditure. This cost policy may be updated from time to time.

The governing cost policy will be posted on 3ie's website. The indirect cost policy is presented in a separate document.

### The purpose of 3ie funding

3ie's mission is to increase development effectiveness through better use of evidence in low- and middle-income countries. 3ie funds the conduct and dissemination of formative research related to impact evaluations, quality impact evaluations, and systematic reviews.

3ie will provide complete funding for an approved project according to the approved budget—that is, 3ie does not require cost sharing for the projects it funds. However, it will co-finance studies or specific parts of studies that have funding from other sources.

### Allowable direct costs

All eligible costs associated with the project may be included in the budget submitted to 3ie. The following policies and practices apply to the direct costs that 3ie funds. 3ie conducts a line-item review of all budgets of awarded grants according to these policies and practices and issues a budget comments for response (budget c4r) document as part of the grant signing process. Satisfactory responses, which may include a revision of the budget, are a requirement for grant signing. Supporting documentation for costs included in the budget is not required at the application stage, but 3ie reserves the right to request supporting documentation for any and all costs presented in the budget.

### Personnel

Annual starting salary must be the *gross* salary paid to the employee. The salary

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may not include any other costs, such as overhead, management, fringe, administrative support, etc. It should include any employee tax withholdings remitted by the employer to the government, but it may not include any employer tax obligations. The salary listed should be supportable by paystubs. Academic year salaries may be annualized by adding 2/9 of the academic year salary.

The fringe rate can be the percentage applied to a specific employee fringe category (e.g. faculty, graduate assistant) or an average percentage across the organisation (the average should be weighted by total payroll in each employee fringe category). The fringe rate should be the organisation's established fringe rate, supportable by the organisation's financial statements. It can include a variety of non-wage compensation including retirement contributions, health insurance, and employer payroll taxes.

The annual salary inflation presented in the budget is the forecasted salary inflation to be used for budgeting purposes. The utilisation statements submitted with tranche deliverables must reflect actual salaries paid in each time period.

3ie funds may not be used to remunerate government officials (through either salaries or consulting fees) or pay other staff costs associated with government officials.

3ie funds may not be used to pay for time attending a workshop or conference for an individual who is not making a presentation related to the grant-funded study.

## **Consultancy**

Consultants' daily rates must be supportable by salary history and previous consulting contracts. Daily rates are calculated by dividing the gross annual salary by 260 (where academic year salaries may be annualized by adding 2/9) or the gross monthly salary by 21.67. Consultants who serve as principal investigators or who will otherwise be included as authors on articles submitted for publication should only charge the daily rate equivalent of an academic or research salary and not a commercial consulting rate that would be charged to consulting firms or donor organizations for advisory services not leading to publications.

Consultants' daily rates may only include other costs, such as an allowance for individual health insurance premiums, if the individual works full time as an independent consultant. Any such costs included in the daily rate must be established, charged equally to all clients, and supportable by documentation. To the extent possible, any direct expenses incurred by consultants, such as communications costs, should be included in the budget as direct costs.

3ie funds may not be used to remunerate government officials (through either salaries or consulting fees) or pay other staff costs associated with government officials.

Consultants' travel cost policies are covered in travel cost section.

## Travel cost

The authorized class of air travel is economy.

The authorized class of rail travel is economy unless the total travel time is greater than 4 hours, in which case business class (not higher) may be budgeted.

Per diem and lodging costs: 3ie encourages grantees to set reasonable per diem rates and lodging ceilings. The amounts should not exceed US\$175 plus taxes per day for lodging and US\$80 per day for per diem (meals and incidental expenses) when breakfast is included by the hotel in the lodging rate or US\$95 per day for per diem where breakfast is not included by the hotel in the lodging rate.

Per diem will start from the day of arrival in the city of destination and end on the day of departure from that city. For a person traveling to more than one city during a single day other than stopovers, the per diem should be budgeted for the one city where traveller will spend the maximum time during the day. In case of stopover and stay at the airport for more than 3 hours then a flat per diem of US\$20 may be budgeted for individuals traveling in economy or premium economy class.

For individuals (whether expatriate or local) who are resident in the country of study, the per diem for within country travel should be commensurate with local standards, such as those set for government employees in that country. An explanation of how the per diem is set should be included in the budget notes.

## Survey cost

Names and salaries budgeted under survey cost should only be those not already budgeted under personnel. For those listed under personnel who will be conducting survey related tasks, the level of effort for separate categories must be listed separately on the personnel worksheet with the appropriate category selected.

For individuals (whether expatriate or local) who are resident in the country of study, the per day allowance for within country travel should be commensurate with local standards, such as those set for government employees in that country. An explanation of how the per day allowance is set should be included in the budget notes.

## Other Direct Costs

Other Direct Costs should be charged in accordance with the organisation cost allocation policy. Expenses for shared offices should be appropriately pro-rated to reflect the usage specific to the 3ie-funded study in cases where project cost accounting is not possible.

## Equipment

No equipment costs are allowed for systematic review grants, proposal preparation grants, or related to workshops or conferences.

If any part of the grant is used to purchase any durable assets (e.g., vehicles or computers), such assets shall be either (i) transferred upon the completion or termination of the project to 3ie or 3ie's designee at 3ie's expense; or (ii) disposed of in accordance with the recipient's asset disposal policy after receiving the prior approval of 3ie. No grant funds may be used to purchase an asset costing more than US\$2,500.00.

## Sub-agreements

A complete budget with budget notes is required for each sub-agreement, and the summary costs should be included in the main grantee's budget.

The same direct costs policies apply to all sub-agreements. Please take careful note of the indirect cost policy related to sub-agreements. Regardless of the legal form of the partner organisation or of the sub-agreement document (contract or grant), 3ie funds will not cover fee.

## Non-allowable costs

3ie funds may not be used for the following categories of expenditure:

- Prohibited goods: Alcohol, tobacco and any illegal substances
- Salaries and other staff costs of staff from implementing agencies
- Salaries and other staff costs of government officials