



# AfricaRice

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## **Full Cost Allocation Policy Version 2**

**Effective Date: 1 December 2024**

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## Document Management

<b>Functional Area:</b>	Financial Services
<b>Owner/Contact:</b>	Planning and Budget Manager
<b>Directorate</b>	Finance and Corporate Services
<b>Approved by:</b>	Board of Trustees
<b>Date of approval:</b>	22 November 2024
<b>Date of Next Review:</b>	November 2027
<b>Title in English:</b>	<b>Full Cost Allocation Policy</b>
<b>Title in French:</b>	
<b>Related Policies and Procedures</b>	Full Cost Allocation Procedures/Guidelines, Authorization Policy, Capitalization Policy, Accounting Policies, Reserves Policy
<b>History of versions</b>	1 <sup>st</sup> Version Approved in September 2017
<b>Key points</b>	<ul style="list-style-type: none"> <li>- The policy document has been updated using the newly proposed standard format. Track changes on the previous policy document were therefore not practicable.</li> <li>- Specific Changes <ul style="list-style-type: none"> <li>○ 1<sup>st</sup> Version of Policy and cost structure governed by the CGIAR Cost Allocation Guidelines, Financial Guidelines Series No. 5, also known as FG5 of 2008 – Now repealed</li> <li>○ Cost classifications definitions and descriptions have been aligned with the CGIAR Cost Principles and Indirect Cost Guidelines -2019</li> <li>○ Emphasis on the Audited Indirect Cost Rate and alternative options.</li> <li>○ Incorporating value for money statement.</li> <li>○ Clearly defines what recovered indirect cost/overheads are utilized for.</li> <li>○ Cost Allocation procedures/guidelines document to be developed</li> </ul> </li> </ul>

## 1. Purpose

- 1.1. To clearly define the cost structure of AfricaRice with the primary focus of serving as a reference for calculating the indirect cost rate for AfricaRice.
- 1.2. To standardize the structure for achieving the full cost allocation for AfricaRice research activities.
- 1.3. Establish the basis of ensuring full costing of projects.
- 1.4. Ensure that project proposals budgets are fully costed at the design phase by including all associated costs.
- 1.5. To inform staff, donors and other stakeholders what constitute indirect costs, why it is important for AfricaRice to recover indirect costs from all projects and the methodology used to achieve the full cost of projects.

## 2. Scope

- 2.1. This is a center-wide Policy and is applicable to all cost centers, projects, hosted organizations, and all countries where AfricaRice operates.

## 3. Definitions.

- 3.1. **Recurrent and non-recurrent costs:** Recurrent costs are those that are regularly occurring or estimated costs which include staff salaries and allowances, consultants, sub-grants to partners, travel, depreciation, supplies and services, whereas non-recurrent costs are those that are irregular, unlikely to be repeated, and/or extraordinary items.
- 3.2. **Direct activities (Research):** are those that are necessary and potentially sufficient to achieve the center's Rice Research and Innovation Strategy.
- 3.3. **Indirect activities (Support)** are those that are necessary but inherently insufficient to achieve elements of AfricaRice's mission related objectives. In general, indirect activities are of a supporting or enabling nature as they primarily provide overall direction (governance) and support services (research and corporate) to all AfricaRice's endeavors.
- 3.4. **Direct Costs:** are the expenses required to execute a research or project activity and that are directly attributable and can be reasonably allocated to the project, including the services that provide direct support to each project which are allocated through an appropriate allocation methodology.
- 3.5. **Allocable Direct (Service Support) Costs** - These Direct Service Support Costs provide vital services managed by Centers but are directly allocable to research or projects based on actual costs. These costs should be allocated as direct costs in an economically feasible manner based on how they are performed. The services units (costs) can be charged directly to the research projects using an allocation methodology which consists of using the most appropriate base prorated and allocated according to the services provided to the research projects.
  - 3.5.1. **Research support costs:** These are the total staff and operational costs incurred to directly support the research capacity in the Center and the benefits of such services are shared across all research projects. Examples of research support costs are: Capacity building, farms and greenhouse services and Laboratory services.
  - 3.5.2. **Operational support costs:** These are costs incurred to cover the cost of running the Centre's facilities. They are pooled within a particular unit and charged to projects/activities, research support units and indirect activities based on agreed cost drivers. For example, Sq ft

for office space, number of computer terminals, and mileage for use of pool vehicles, service charge for purchase orders processed etc. Some units may provide services on a need basis, in such instances appropriate charge back methods to be determined.

- 3.6. **Indirect costs:** are general management and administrative expenses that support the entire operations of a Center and are therefore shared across the entire project portfolio. These kinds of costs usually cannot be directly allocated to an individual project in an economically feasible manner. Expenses that would be incurred regardless of whether the grant is funded are often indicative of indirect costs. While these costs may not be directly attributable to a project, they are real and necessary to operate as a Center.
- 3.7. **Indirect Cost Rate:** is a device for determining fairly and conveniently within the boundaries of sound administrative principles, what proportion of indirect cost each project or research activity should bear. The indirect cost rate is designed to be an equitable, logical and consistent method for allocating costs not directly associated with a single award, research activity, or project. General management and administrative expenses, which include institutional costs are generally recovered through charging a fixed percentage on direct project expenses. This percentage is what is referred to as the Indirect Cost Rate (ICR).
- 3.8. **Cost Sharing Percentage (CSP):** In addition to the Centers established Indirect Cost Rate, the CGIAR System Office requires a cost share percentage (currently 2%) to be applied across all Window 1, Window 2, Window 3, and bilateral funds (excluding infrastructure grants) that are aligned to CGIAR Research Portfolio.
- 3.9. **Value for Money:** Best value for money (VfM) is defined as the most advantageous combination of cost, quality, and sustainability to meet stakeholder needs.

## 4. Policy Statement

- 4.1. All AfricaRice research activities/projects must be fully costed. All direct research cost, on station and outstation must be covered by the projects.
  - 4.1.1. **Assignable:** If an activity directly benefits from an item of cost, such costs should be directly assigned to that activity.
  - 4.1.2. **Allocable:** Apart from the costs that are directly assigned, all projects should bear a fair share of the costs of the organization's services and institutional expenses. Such costs should be allocated to the projects using an appropriate allocation method. All activities which benefit from the Center's indirect costs will receive an appropriate allocation of indirect costs.
  - 4.1.3. **Reasonable:** A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time of the decision was made to incur the costs and meet basic principles of value for money, cost, quality and sustainability.
  - 4.1.4. **Allowable:** Be necessary and reasonable for the performance of the activity. Conform to and be consistent with any limitations or exclusions set forth in the donor, CGIAR System, and/or Center policies. Be adequately documented.
  - 4.1.5. **Consistent:** Policies for cost allocations should be consistently applied to avoid variability either between research projects, donors or between different time periods.
  - 4.1.6. **Value for Money:** Goods, services and organizational systems are proportional to the capacity and need to manage results and/or deliver better outcomes and be calibrated to maximize efficiency

- 4.2. Projects budgets (including proposal budgets) must include the applicable official indirect cost rate (Overhead rate) as per the annual Audited Financial Statements of AfricaRice.
  - 4.2.1. Ongoing projects and proposal already submitted to donors/funders will continue to apply the indirect cost/overhead rate as per the signed agreement/proposal
  - 4.2.2. The current audited indirect cost rate will be applicable to all new proposals, CGIAR initiatives and hosted institutions
- 4.3. Where donors/funders impose restrictions on the indirect cost rate applicable in a proposal, then alternative direct cost recovery methodology will be applied to ensure the full costing of project is achieved and/or apply a different overhead rate as agreed with the funders..
- 4.4. Indirect Costs/Overheads generated are strictly to be used for institutional cost, Governance, other specific corporate expenses and as a last result, any residue auxiliary expenses not fully charged to projects.

## 5. Roles and Responsibilities

### 5.1. Board of Trustees

- 5.1.1. Review and approve the annual indirect cost rate as presented in the Audited Financial Statement.
- 5.1.2. Review and approve the cost structure of the center.
- 5.1.3. Review and approve changes and revisions to this policy.

### 5.2. Director General

- 5.2.1. Recommend the cost structure of the Centre.

### 5.3. Executive Management Committee (EMC)

- 5.3.1. Recommend updates and revisions to this policy.

### 5.4. Director of Finance and Corporate Services

- 5.4.1. Ensure the appropriate cost allocation methodologies established and maintained.
- 5.4.2. Ensure compliance with the provisions of this policy.
- 5.4.3. Provide the annual Indirect Cost Rate

### 5.5. Planning and Budget Manager

- 5.5.1. Prepare updates and revisions to this policy.
- 5.5.2. Ensure the application of the policy.

### 5.6. Staff

- 5.6.1. Adhere to the provision of this policy.

## 6. Review

- 6.1. This policy will be reviewed every three years or earlier if required by the Planning and Budget Unit.
- 6.2. Any changes made to the Policy will be presented to the Executive Management Committee (EMC) for endorsement and thereafter submitted to the Board of Trustees for approval.

## 7. Related Documentation

- 7.1. Cost Allocation Procedures/Guidelines

- 7.2. Authorization Policy
- 7.3. Accounting Policies
- 7.4. Reserves Policy
- 7.5. CGIAR Cost Principles and Indirect Cost Guidelines -2019

## **8. Annexes**

- 8.1. Computation of Annual Indirect Cost sample
- 8.2. AfricaRice Full Cost Model/Structure

*Any Annexes relating to the policy should be included here. This includes diagrams and flow charts.*

## Annex 1 Computation of Annual Indirect Cost Model

A summary of the computation of indirect cost based on the current year data should be included in the audited financial statements. Figures should be in accordance with the Statement of Activity, and the computation may take the following form.

<b>Indirect Cost Rate with Collaborators</b>	<b>US\$</b>
General and Administration Expenses	160
Research Expenses+Non-CGIAR Collaboration costs	1,000
<b>Indirect Cost Rate</b>	<b>16%</b>
<b>Indirect Cost Rate without Collaborators *</b>	
General and Administration Expenses	160
Research Expenses without Non-CGIAR Collaboration costs	900
<b>Indirect Cost Rate</b>	<b>18%</b>
<b>Indirect Cost Rate where Indirect Costs include Ancillary Support Services</b>	
	<b>US\$</b>
<b>Indirect Cost Rate with Collaborators</b>	
General and Administration Expenses	160
Direct recoveries	167
Sub total	327
Research Expenses+Non-CGIAR Collaboration costs	1,000
<b>Indirect Cost Rate</b>	<b>33%</b>
<b>Indirect Cost Rate without Collaborators</b>	
General and Administration Expenses	160
Direct recoveries	167
Sub total	327
Research Expenses without Non-CGIAR Collaboration costs	900
<b>Indirect Cost Rate</b>	<b>36%</b>

<sup>1</sup> Research Expenses may include applicable CSP costs which is currently set at 2% of gross CGIAR Trust Fund Contributions and Bilateral Funding

## Annex 2– AfricaRice Full Costing Model/Structure

Cost Category	Description of Cost Category	Proposed Cost Structure for the FCM at AFRICARICE	Basis for Charge Backs Global	Basis for Charge Backs on
<b>A. Direct research costs</b>	These are costs directly identified with research projects/activities.	<ul style="list-style-type: none"> <li><input type="checkbox"/> Research Project/Activity Costs</li> <li><input type="checkbox"/> Cost of the following Research and Innovation units (Lead Scientists, Scientists, Research and Field Assistants)</li> <li><input type="checkbox"/> Crop Diversification and Genetic Improvement</li> <li><input type="checkbox"/> Climate Change Modeling and Adaptation</li> <li><input type="checkbox"/> Gene banks</li> <li><input type="checkbox"/> Research Laboratories               <ul style="list-style-type: none"> <li><input type="checkbox"/> Grain Quality Lab</li> <li><input type="checkbox"/> Plant Genetic Resources Lab</li> <li><input type="checkbox"/> Plant Biotechnological Lab</li> </ul> </li> <li><input type="checkbox"/> Capacity building(external)-</li> <li><input type="checkbox"/> Farms (Farm equipment maintenance etc.)</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Activity Based Costing – ABC - Costs directly identified with projects/activities</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Catalog of services provided by each lab with a price for each service.</li> <li><input type="checkbox"/> SQM2 farm in use</li> <li><input type="checkbox"/> SQM2 greenhouse</li> <li><input type="checkbox"/> CM3 of water used</li> </ul>

Cost Category	Description of Cost Category	Proposed Cost Structure for the FCM at AFRICARICE	Basis for Charge Back s- Global	Basis for Charge Backs Request
<p><b>B. Allocable Research Support costs</b></p>	<p>These are costs incurred for direct support to the research capacity in the Center and the benefits of such services are shared across all research projects.</p> <p>Most of these services are for the benefit of all researchers and thus associated costs are not optional and <b>must</b> be allocated directly to all research projects.</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> 50% of the cost of the Office Director for Research and Innovation</li> <li><input type="checkbox"/> Data integration and Biometrics</li> <li><input type="checkbox"/> Capacity Building –Costs that cannot be directly identified with a research project/activity</li> <li><input type="checkbox"/> Research Laboratories (residue of costs that cannot be directly charged to project/activities) <ul style="list-style-type: none"> <li><input type="checkbox"/> Grain Quality Lab</li> <li><input type="checkbox"/> Plant Genetic Resources Lab</li> <li><input type="checkbox"/> Plant Biotechnological Lab</li> </ul> </li> <li><input type="checkbox"/> Residue of cost that cannot be directly charged to projects/activities: <ul style="list-style-type: none"> <li><input type="checkbox"/> Farms (Farm equipment maintenance e.t.c)</li> <li><input type="checkbox"/> Biometrics</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Pooled and charged as a fixed cost per research staff or a % of cost of scientific staff</li> </ul>	
<p><b>C. Allocable operational support costs</b></p>	<p>These are costs that cannot be <u>directly</u> identified with a project/ activity or an</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Physical Facilities &amp; Office Facility building maintenance, electricity, janitorial services, reception, security, mail</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> SQM2 office space Included in total cost of employment</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Monthly based on actual usage</li> </ul>

Cost Category	Description of Cost	Proposed Cost Structure for the - On	Basis for Charge Back	Basis for Charge Backs
	<p>administrative support unit. These costs can be allocated to a project or activity using acceptable cost drivers such as office space utilized, land allocated for experiments, staff time, number of computers connected to the network. In addition, some of these costs can be charged to projects/activities based on actual usage of the service. Unit rates for charge out needs to be developed.</p>	<ul style="list-style-type: none"> <li>delivery, cafeteria services etc.),</li> <li><input type="checkbox"/> Information Technology services</li> <li><input type="checkbox"/> Telephone/Communications</li> <li><input type="checkbox"/> Warehouses/Inventory</li> <li><input type="checkbox"/> Transportation Services/Repairs &amp; Maintenance</li> <li><input type="checkbox"/> Procurement services</li> <li><input type="checkbox"/> Photo copying</li> <li><input type="checkbox"/> Human resources</li> <li><input type="checkbox"/> Finance and Budget section</li> <li><input type="checkbox"/> Travel section</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Rate per computer-included in total cost of employment</li> <li><input type="checkbox"/> Included as a service fee in total cost of employment.</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Charge supplies on actual use/Apply mark-up.</li> <li><input type="checkbox"/> Charge based mileage used &amp; to include salary for driver</li> <li><input type="checkbox"/> Service charge per purchase order processed</li> <li><input type="checkbox"/> Catalog of services provided with a price.</li> <li><input type="checkbox"/> Charged based on usage based on fixed price per print</li> </ul>
<p><b>D. Institutional/ Indirect costs</b></p>	<p>These relate to any cost(s) for services which cannot be reliably charged to research projects.</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Council of the Ministers</li> <li><input type="checkbox"/> National Experts Council</li> <li><input type="checkbox"/> Board of Trustees</li> <li><input type="checkbox"/> Office of the Director General</li> <li><input type="checkbox"/> Corporate Services Directorate</li> <li>Strategic Business Initiative Directorate</li> <li><input type="checkbox"/> Unrecovered residual costs of the Facilities and Operation, Procurement, Accounting, Budget and Human Resources units</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> % charge on all direct cost, research support and operational support.</li> </ul>	

Cost Category	Description of Cost	Proposed Cost Structure for the - On	Basis for Charge Back	Basis for Charge Backs
		<ul style="list-style-type: none"> <li data-bbox="800 266 1220 532">☐ 50% (Estimated time spent in management and governance of the Centre) of the cost of the offices of the Deputy Director General and Director for Research and Development and Director for Strategic Partnerships</li> <li data-bbox="800 537 1108 597">☐ Resource Mobilization Section</li> <li data-bbox="800 602 1157 743">☐ Communication unit – Institutional and corporate communications (annual report, web site etc.)-</li> <li data-bbox="800 748 1016 776">☐ External Audit</li> <li data-bbox="800 781 1010 808">☐ Internal Audit</li> <li data-bbox="800 813 1094 846">☐ Legal Office/services</li> </ul>		