

FSRP Phase II (PROACTIVE) Budget Narrative

(Policy Research for Organizing Agricultural Competitiveness, Trade and a Vibrant Economy – PROACTIVE)

For USAID: (Leader Cooperative Agreement No. GDG-A-00-02-00021-00 Food Security III)

It is proposed that this project will be jointly funded by USAID and SIDA. Although each of these organizations will enter into separate and standalone agreements for implementation with the Department of Agricultural Economics at Michigan State University (MSU), these two donors and MSU will cooperate closely in one unified project. USAID will amend the Scope of Work, project end date and budget in the Zambia FS III Associate Award with MSU, and SIDA will enter into a new contractual agreement with MSU. To facilitate transparent understanding of costs being covered by each organization, this budget narrative treats expenditures covered by both donors.

The total amount of the proposed project for the 46-month period (SIDA contributions start one month later making it a 45 month project for them) is \$6,501,805. USAID's total contribution is \$3,749,072 and SIDA's is \$2,752,733. Details about resources and funding necessary to implement the proposed program of activities are spelled out in the attached excel workbook which contains 4 worksheets, detailing: 1) USAID/SIDA summary costs; 2) USAID/SIDA combined summary costs; 3) detailed USAID/FSRP costs; and 4) detailed SIDA costs. Discussion of the composition of these costs follows:

Salaries (\$1,765,807): This line item includes a total effort (supported by both donors) of 309.2 person-months from MSU. This is composed of 189.2 person-months of MSU faculty (158.3 of which involves time spent in Zambia, with the remainder being analysis and planning support from campus), 45 person months from MSU administrative staff, and 75 person months for MSU-based graduate students in support of capacity building and research objectives. The total salary cost is comprised of: \$249,829 for on-campus analysis, project management, and training by MSU faculty; \$224,327 for faculty TDY time in Zambia; \$984,564 for the various MSU full-time in-country technical positions in Zambia; \$181,914 for MSU campus-based administrative support staff (accounting and finances, travel coordination, secretarial support, etc); and \$125,173 to support long-term capacity building and research through graduate assistantship support to the Zambia project.

Beginning salary rates are actual. At MSU, cost of living increases are effective October 1 of each year; thus, a 5% cost of living increase is budgeted effective October 1 of each year. The SIDA proportion of the salaries line item is only 18.6 percent because USAID has agreed to be responsible for MSU staff who have a campus base. SIDA's coverage in this line item is for one in-country African resident staff who is employed from Zambia but hired as a salaried MSU staff, not as a local consultant.

Fringe Benefits (\$617,689): Fringe benefits for both USAID and SIDA budgets are defined by MSU as falling into four categories and accounts will be charged only to the

extent that an employee receives, or in the case of health care is eligible to receive, those benefits. The categories are:

1. MSU retirement (10% of base salary) *if the employee is eligible AND participates*. If they don't participate, they won't be charged.
2. FICA, 7.65% up to salary cap, currently \$94,200 (for 2006), and 1.45% thereafter.
3. Other/miscellaneous category (2.1%) for small items like life insurance, workers compensation, unemployment compensation, long term disability, etc.
4. Health, dental & prescriptions using a flat dollar amount if an employee is eligible for health benefits. Since federal HIPAA regulations prevent employment discrimination based on health care costs, we are prevented from charging different amounts depending on if one is signed up for single, family or waived coverage. This amount for FY 2006-07 is \$11,200 and includes the costs of retirees (retiree health, dental and prescription costs account is \$2,600 or ~ 3% of the total).

All of the costs identified above will be distributed to the employee's base salary. The fringe benefit rate provided for each of the four project years is a weighted-average of the fringe benefit rate assigned to each individual listed in the salary section of the budget. USAID carries the majority of expenses in this category due to their coverage of the majority of MSU employed staff.

Research Consultants (\$574,102): These expenses are covered 100% by SIDA and are comprised of Zambian research fellows who are to work full time in the field in collaboration with MSU-employed faculty to engage in policy analysis, outreach activities and training of Zambian counterparts in the Ministry of Agriculture, Central Statistical Office, and other local clients of the project as designated in the Project Proposal. These Zambian research fellows will expand the pool of local researchers to eventually help staff-up the local organization to sustain the kind of applied research and outreach to be conducted under this project. The consulting rates are estimated based on knowledge of market conditions in Zambia for the various levels of expertise which will be sought.

Travel, Transportation and Allowances (\$973,400): These costs are primarily covered by USAID. Included under this line item are \$612,014 to support MSU in-country researchers' living expenses in Zambia (conforming to USAID regulations); \$249,528 is for air tickets and per diems for MSU short- and long-term faculty to travel to Zambia to work with local staff in accomplishing project objectives. In this expense category, SIDA is responsible for; \$111,857 for air tickets and per diems for Zambian participants to engage in short-term training courses and study tours outside of Zambia (some at MSU and some in other African countries).

Other Direct Research Costs (\$850,513): The majority of costs under this category are covered by SIDA and are to support the Zambia field office's activities as described in the PROACTIVE proposal, including: office support staff, computer hardware and software, office rental, telephone, fax, express mail charges, field trips, petrol, per diems for local travel away from post in Zambia, project vehicle maintenance and insurance, office supplies, policy extension workshops and conferences, costs of implementing surveys in the field, enumerator wages, and costs of producing policy analysis and extension publications. Some of these resources will also be used to support a Zambian organization to help increase local capacity to sustain this kind of work. In addition, \$23,732 is devoted to supporting the Ministry of Agriculture's Agricultural Market Information Centre, as specified in the project proposal.

The direct-cost component of this support includes enumerator training sessions, office supplies and communication equipment. Lastly, \$69,269 is covered by USAID and is allocated to MSU campus-based office costs, including communications with the field office and other stakeholders in Zambia, computer hardware and software, publications, outreach and policy dialogue materials.

MSU on-campus field research backstop costs are estimated based on expenses incurred in previous Zambia cooperative agreements. Off-campus (in-country) field research and management costs are estimated based on known costs of supplies and services and information obtained about local market conditions.

Research Equipment (\$35,000): There is no equipment in the USAID budget. Equipment required is covered by SIDA and is for the purchase of one project vehicle in year one to replace one of the project's existing field research vehicles. This vehicle would eventually become the property of a Zambian successor organization.

Subordinate Agreements (\$429,102): As specified in the PROACTIVE proposal, two subordinate agreements are planned. One will be undertaken with SIDA funding, and is with the Central Statistical Office (CSO) to implement a large-scale household survey in Zambia in 2007, to collaborate with CSO in the design and sampling methods, to enter the data into SPSS spreadsheet files, and to clean the data. This will help form an expanded empirical foundation for the project to facilitate panel-date analysis and resulting insights on household behavior to enrich the policy analysis to be carried out under the proposed project. The cost of the survey has been estimated based on costs of two similar surveys previously conducted by the Central Statistical Office in collaboration with the Project. The second is supported by USAID funds and goes in support of a Zambia policy research and outreach organization (tentatively ACF –The Zambian Agricultural Consortium Forum) to begin the process of strengthening a specific Zambian organization to sustain the lines of applied research and outreach being conducted under this project.

Overall Comments: The majority of the resources requested are to be spent directly for services and products in Zambia in support of project objectives, or for Zambians to travel to MSU or elsewhere for in-service training. Specifically, of the major line items in the budget, 68% of salaries are for services provided in Zambia, 100% of the research consultants' time is for work in Zambia, 100% of the travel allowances are for either MSU staff to travel to or live long-term in Zambia, or for Zambians to travel to MSU or elsewhere for in-service training, 92% of the other direct research costs are for in-country research and management activities, with 8% for communication and supplies for MSU to communicate with the field office, and to undertake computer programming or related activities in support of in-country research.