

**FSRP Phase II (PROACTIVE)
Budget Narrative (USAID Expenditures Only)**

**(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, the budget narrative will be written in two formats: one which treats expenditures covered by both donors, and another which treats USAID expenditures alone. This is the version for USAID supported expenditures.

The total amount of the proposed project for USAID for the 46-month period is \$3,794,072. 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 for USAID follows:

Salaries (\$1,436,576): This line item includes a total effort supported by USAID of 264.2 person-months from MSU. This is composed of 144.2 person-months of MSU faculty (113.3 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 USAID 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; \$655,333 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 MSU salaries. 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.

Fringe Benefits (\$503,446): Fringe benefits for the USAID budget is 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 (\$000): There are no research consultant expensed anticipated in the USAID budget.

Travel, Transportation and Allowances (\$861,542): Included under this line item in the USAID budget 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.

Other Direct Research Costs (\$66,269): These costs are covered by USAID and are 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 (\$000): There is no equipment in the USAID budget.

Subordinate Agreements (\$129,102): The subordinate agreement supported by USAID funds 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.

As specified in the PROACTIVE proposal, the second subordinate agreement planned is to be undertaken with SIDA funding.

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 USAID budget, 61% of salaries are for services provided 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, 100 % of the subordinate agreement is for Zambian in-country application. The small charge for other direct cost in the USAID budget is for MSU based office supplies, costs to communicate with the field office, and to undertake computer programming or related activities in support of in-country research.