ATTACHMENT F: BUDGET INSTRUCTIONS AND COST PRINCIPLES

Section I: Budget Instructions

All applicants must submit a completed budget spreadsheet utilizing Attachment D, *Full Application Budget Template* as well as a budget narrative (refer to Attachment E, *Budget Narrative Template*). The budget must clearly outline the costs of the proposed project. The budget narrative must explain in a detailed but concise manner the assumptions made in order to arrive at each cost.

All mathematical calculations must be presented clearly in the budget spreadsheet, provided in Attachment E. Please note that the spreadsheet contains broad cost categories and some of them may not be applicable to all organizations or your project. Only fill out those categories that apply to your specific proposed project.

Section II of this document (*Grant Budget Cost Principles*) presents a broad explanation of the costs that are allowed under this grant program. This section also contains a list of the costs that are not allowed or require prior approval under this program. In preparing your budget, please refer to this list for what can and cannot be included in your budget.

Applicants have the option of offering cost share for the grant activity, but it is not mandatory. Cost share is defined as any in-kind or cash contributions offered by the applicant or a third party toward the fulfillment of the proposed grant activity. Note that if offering cost share, applicants must provide the same amount of detail in the budget narrative and budget spreadsheet as they would for the grant fund budget. Cost share must also be realistic and cannot come from another grant or subcontract issued by USAID or any other US Government Agency.

The following are the possible cost items which can be used in preparing the budget:

Salary: This refers to the cost of services of project staff directly involved with project activities. Salaries should be budgeted in the units in which they are paid. For example, if an organization pays its employees in monthly rates, then the unit of measure in the budget should be the month and the applicant must use the rate per month for each employee.

Staff Fringe Benefits: These are any employment benefits that staff paid from this project will receive. These may be health insurance, social security payments, unemployment benefits, educational benefits, etc. Benefits should be calculated based on the standard employment benefits offered by the organization where they will work and should follow the minimum requirements mandated by law.

Consultants: This refers to costs for the payment of expert services rendered by consultants.

Midterm Evaluator: All organizations are required to perform a mid-term evaluation. The evaluator must be impartial, with no ties of duties with the applicant. Employees, former employees, board members, or their families are not considered impartial and are therefore inappropriate to fulfill this duty. If the applicant cannot identify an independent evaluator, CBP technical advisors are available to complete the site visit and/or to make recommendations for an appropriate expert. Please develop your budget and budget narrative using estimated daily rates. These rates will be reviewed and adjusted, if necessary, during Phase II: Project Negotiations (if applicable).

Travel and Transport: This covers costs related to the travel and transport expenses of staff or consultants involved in the day-to-day project management activities and must cover only those travel expenses directly related to the implementation of the CBP funded proposed project. This does not include travel and transport costs of participants during training events, seminars or workshops.

Trainings, Seminars, Orientations, Workshops: This refers to all of the costs incurred for organizing and actually conducting training events, workshops, orientations or seminars, including travel. The budget template currently only includes space to budget for two training events. Applicants are encouraged to add additional lines to the budget if more trainings are envisioned.

Equipment and Supplies: This refers to the costs of both durable and expendable equipment and supplies. Durable equipment is defined as any item valued at USD $5,000 or more and an expected life of two years or more. Expendable equipment or supplies are items valued at less than USD $5,000 and with an expected life of two years or less. All costs for durable equipment must be determined through formal price quotes and the applicant must be ready to provide these quotes to CBP during negotiations.

Other Direct Costs: Other costs associated with the implementation of the grant activity that are not included in any other cost category specified above. Examples include communications, office supplies, etc. Please include in this section the cost of marking equipment and public outreach materials with the USAID logo. Prices for USAID logo stickers can be found at http://www.usaid.gov/branding/suppliers. Note that all public outreach materials (posters, manuals, banners, leaflets, etc.) must be marked with the USAID logo, and logos may be downloaded free of charge for print and web materials at http://www.usaid.gov/branding. Organizations will not be required to design the USAID or logo identity.

Indirect Costs: Indirect costs are costs used to support the operation of the applicant and which will not be directly billed to the grant. These may be overhead or general and administrative costs. **All applicants claiming indirect costs in their budget must submit proof that this rate has been independently verified by a third party. This may be through a copy of their Negotiated Indirect Cost Agreement (NICRA) with a US Government**

Federal Agency or independently audited financial statements which clearly show the indirect rate and how the organization has determined it.

All proposed grant activity costs must be within the normal operating practices of the applicant and in accordance with its written policies and procedures.

All line items must be clearly explained in the budget narrative (please refer to Attachment E to see a sample budget narrative) with enough detail to allow CBP to determine if the cost is allowable under the grant. Budgeted amounts must also be supported by justification and the applicant must be able to provide supporting documents to CBP if requested.

Section II: Cost Principles

All costs included in the budget must be *reasonable, allowable and allocable* as defined below. In preparing the budget, the following cost principles should be considered:

Allowable cost
Allowable costs are those strictly for the achievement of the project and which are not subject to any restrictions or limitations in the award.

Allocable cost
Allocable costs are costs which are incurred specifically for the attainment of the objective of the grant.

Reasonable cost
Defined as a cost which is generally recognized as ordinary and necessary and would be incurred by a prudent person in the conduct of normal business

Restricted goods
Restricted goods are items that require USAID approval before they can be purchased. If a grant is awarded CBP will request approval on behalf of the organization but the applicant must be aware that this is a lengthy process that will require additional work and is subject to additional requirements.

Unallowable cost
Unallowable costs are those costs that cannot be paid for with CBP funds or cost share.

The following table presents a list of the costs which are unallowable or restricted under a CBP grant:

Cost	Unallowable	Restricted
Agricultural Commodities		X
Motor Vehicles, including motorcycles		X

Cost	Unallowable	Restricted
Pharmaceuticals		X
Contraceptives and Condoms		X
Pesticides		X
Used Equipment		X
Fertilizer		X
Military Equipment	X	
Surveillance Equipment	X	
Commodities and Services to Support Police/Law Enforcement	X	
Abortion Equipment/Services	X	
Luxury Goods	X	
Gambling Equipment	X	
Weather Modification Equipment	X	
Purchase of real property defined as land, including land improvements, structures and appurtenances, but excluding movable machinery and equipment	X	
Cost for ceremonies, parties, celebrations, or “representation” expenses.	X	
Any grantee headquarters expenses that are not directly linked to the implementation of the proposed project	X	
Previous obligations	X	
Bad debts	X	
Fines	X	
Penalties	X	
Creation of endowments	X	
Contingency Fees - a fee for services (as of a lawyer) paid upon successful completion of the services and usually calculated as a percentage of the gain realized for the client	X	

Budget Guidelines per Cost Category

Salary
For staff to be hired directly for the purpose of the grant activity, the rate will follow the existing salary structure within the organization for a similar position.

Consultants
Cost estimates for the payment of consultants should be based on the established rate of the company or organization. If this cannot be used, the salary history of the consultant can serve as a basis for budgeting. Quoted rates must be supported by appropriate documents (e.g. employment certificate or payroll sheet).

Travel and Transport
Please specify the cost per person of travel expenses, including transportation, accommodation and per diem.

Trainings, Seminars, Workshops
Base the cost estimates on the prevailing rates in the area where the activity will be conducted. Include all the possible cost items in the computation. Please see the example below:

Activity:	Conduct of training for ophthalmologists in locality X
Possible Cost items:	Lodging Venue and food Equipment rental Training materials Speakers/Lecturer Speakers fee/honorarium

In computing the budget, take note of the number of participants and duration of the training.

Equipment and Supplies
Indicate the number of items to be purchased and the unit price. All costs above USD $5,000 must be fully supported by formal quotes. All shipping and handling costs should be included in the unit price and the budget narrative must indicate that the unit cost is inclusive of these costs.

Other Direct Costs (ODCs)
For other costs associated with the grant activity, these should be specified in the budget notes and budgeted per item. Examples of ODCs include prepaid card/communication, courier or mailing expenses, reproduction cost, office supplies, equipment leasing, office rental and utilities, if these are <u>not</u> part of your indirect cost structure. If office rent and utilities <u>are</u> included under this item, CBP funds should only be used to pay those rental and utilities expenses that are directly related to CBP activities and should be pro-rated accordingly.

Indirect Costs

Indirect costs are costs used to support the operation of the applicant which will not be billed directly to the grant. These may be overhead or general and administrative (G&A) costs. Applicants should only budget indirect costs when they have an established indirect cost rate which has been determined through a financial audit. **All applicants claiming indirect costs in their budget must submit a copy of their established indirect cost rate (e.g., NICRA) or audited financial statements which clearly show how the organization has determined the indirect rate.**

Additional Restrictions

1. Budget for contingency cost is not allowed. Every cost item should be associated with an activity.
2. Budget for payment of taxes should be built-in in the cost per item. No separate allocation for taxes will be made or proposed.
3. Payment of profit/ fee on top of all other expenses or costs incurred for conducting activities related to the grant proposal is not allowed.