E-Module Navigation

• The toolbar on the left allows you to monitor your progress through the e-module. You are free to navigate through the slides of the e-module. The slides you already have seen will appear in BLUE.

• On the top toolbar, this timer shows the overall length of the e-module and how much of the session you have completed.

• On the right-hand side of the top toolbar, note the attachments link for important documents related to this e-module.

• On the bottom toolbar, you can click anywhere on the progress bar to hear the audio again, as well as pause or continue playing using this button.

• When you have completed a slide, click on the play or forward button to move on.
• The volume control is on the left-hand side at the bottom of the screen.

• You can see the complete text for the audio portion of the slides by clicking Notes, either here on the left-hand toolbar, or here on the bottom right.

• Also note that at the end of the e-module, you will be asked to complete some Knowledge Checks that will give you a better idea of how well you have mastered the content of this E-Module.
I am a contracting, or agreement officer, here at USAID.

I will be presenting e-module number 4, which is designed to help you prepare your budget for your USAID assistance application.

As you work through this e-module, it will be helpful for you to print out all the slides so you can reference them at different points in the presentation.
So the objective of this e-module focuses on how you submit your cost application budget in response to a USAID assistance solicitation such as an APS or RFA. The next slides will describe the details of how you formulate your budget figures and organize your budget overall as part of your cost application, since an accurate and complete budget is integral to the credibility of your application for USAID assistance.
Keeping in mind our main objective, here are the topics we will cover in this training:

• First, we want you to understand how to read the USAID Solicitation carefully so that you can determine the amount of USAID funding available, and therefore, the size and scope of your own program budget. We also need to emphasize the importance of reading and closely following the cost application instructions in the USAID solicitation so that your application will respond to USAID’s requirements.

• Second, we will help you prepare your cost application budget tables. We want you to understand the three basic ways you would present your budget figures to USAID. We will go through each of the major cost categories and line item cost categories, and we will also have a special section devoted to indirect costs and cost share.
Remember, this e-module focuses on how to prepare your budget for an assistance mechanism.

As I mentioned before, when we talk about assistance, we are referring to grants and cooperative agreements.

The rules for submitting a budget in response to a contract solicitation can be very different, and we will devote a separate e-module to cover that topic.
Before we get started, I’d like to review some terminology you should have learned from previous e-modules that are specific to assistance at USAID. The attachment to this e-module has definitions for these terms.

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>APS</td>
<td>Annual Program Statement</td>
</tr>
<tr>
<td>Application</td>
<td>Technical and Cost</td>
</tr>
<tr>
<td>Assistance</td>
<td></td>
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<tr>
<td>ADS</td>
<td>USAID’s Automated Directives System</td>
</tr>
<tr>
<td>Award</td>
<td></td>
</tr>
<tr>
<td>Biographical Data Sheet</td>
<td></td>
</tr>
<tr>
<td>CCN</td>
<td>Cooperating Country National (local staff)</td>
</tr>
<tr>
<td>CFR</td>
<td>Code of Federal Regulations</td>
</tr>
<tr>
<td>Contract</td>
<td></td>
</tr>
<tr>
<td>Cost Share</td>
<td></td>
</tr>
<tr>
<td>CO/CO</td>
<td>Contracting/Agreement Officer</td>
</tr>
<tr>
<td>COR/AOR</td>
<td>Contracting/Agreement Officer’s Representative (formerly COTR/AOTR or CTO)</td>
</tr>
<tr>
<td></td>
<td>Cooperative Agreement or “CA”</td>
</tr>
</tbody>
</table>
These are all terms you should have learned in previous e-modules, and you can keep these glossary pages printed out and jot down the definitions as we go through this e-module as a review.
Our glossary review will be useful as we start preparing our cost application budget in response to a relevant USAID solicitation. Prior e-modules explained where you can find USAID contracting grant opportunities on the internet, so you should already be familiar with the websites featured on this slide.

Today’s e-module assumes you already identified an USAID assistance solicitationation, such as an RFA or APS, on www.grants.gov.

Of course, when you considered applying for USAID assistance, you determined that your organization’s mission and capabilities are aligned with USAID’s proposed program.

You understand your organization will be financially and programmatically responsible for complying with the terms of the USAID assistance award, and your organization will be accountable for achieving USAID’s desired results in line with your organization’s own objectives.

Finally, you determined that you are an eligible applicant based on the terms of the USAID solicitation and you understand that profit is not allowed under
USAID assistance funding.
Now that you have your solicitation, the next important lesson is how to read it carefully. This is probably the most important message we hope you take away from this e-module; how important it is to follow the instructions and the information that is provided in the USAID solicitation.
When you review the solicitation with an eye toward preparing your budget and your cost application, you want to read it very closely, to determine the available funding; to be sure you understand the program description and how the work that is proposed will translate into costs; and that you are certain to respond to the cost-application instructions so that your application will be complete.
Of course, your request for USAID funding will be limited by the amount of money USAID has available for a given program. The solicitation will indicate the amount of funding that will be the basis for your own budget.

For example, this slide includes a screen shot of the cover page of a solicitation from USAID Ethiopia. The highlighted text clearly states that USAID’s total available funding is $1,028,000 for two years of program activities.

This figure is stated as approximate, however, you would need a very strong and compelling reason for requesting funds that exceed USAID’s estimate. So it is best to stay within USAID stated amount always.
Next, you need to re-read the program description in the USAID solicitation. The program description will describe USAID's desired development results, goals, and objectives for a given project.

So when you prepare your technical application that will outline your programmatic approach, you need to ask yourself basic cost related questions.

For example:

- How many short-term technical experts will I need?
- Where will the program staff need to travel?
- What office costs, equipment or supplies are necessary to implement the program?
- What are the associated administrative costs that I need to factor in, like writing and producing reports?
• What about unique USAID costs, such as branding & marking, or security costs

All of these questions are important for you to ask yourself as you determine your program's costs.
After studying the program description, the next important part of the solicitation to learn carefully is the cost-application instruction section. This part of the solicitation will detail how you submit your cost and what formats USAID expects to see in presenting your budget information.

Every USAID assistance solicitation will require you to use the SF (or Standard Form) 424 budget form format. This is a requirement of all USAID and U.S. Federal Government funding.

The cost application will also require you to submit an additional budget to present costs in different ways, such as by year, or by activity, or by country. These additional formats are in addition to, and can sometimes be slightly different from, the SF-424; but your costs should always roll up to the same total amounts.

Lastly, remember that if you propose any sub-awards, or contractors, that are going to be implementing your program alongside you as the prime recipient, you would have to submit separate budgets detailing

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**Study the Cost Application Instructions**

- The Instructions will describe submission details:
  - Ex. Separate cost applications from technical applications

- Every USAID Solicitation requires budgets to be submitted in SF-424 format (always required for US federal funding)
  - SF-424 is included in Solicitation Instructions (or here)

- Cost Applications also require an additional budget format
  - Allows you to break down program costs and detail.
    - Ex. by Year; by Activity; by Country
  - In addition to and different from SF-424

**Note:** Prime and Sub-Award budgets must be submitted separately.
costs associated with each of those sub-awards.
So at last, we are at the point where you prepare the actual budget figures as part of your cost application. Let’s get into the particulars of how you come up with the numbers.
As you begin to prepare your budget, here are some important concepts for you to keep in mind as you work through the process.

• First, describe all the costs associated with your proposed program fully and accurately, so that USAID can have the full picture of the cost implications of your program.

• Next, keep in mind that any costs that are missing from your original application may be added later by a modification to any award that must be authorized by the agreement officer and can only happen after negotiations have been concluded.

• Thirdly, your finance officer should be aware of the cost principles applicable to your organization. The U.S. Code of Federal Regulations, or CFR, has different sections that describe cost principles relevant to different types of organizations. The table on this slide breaks down the cost principles that are applicable for each different kind of organization.

<table>
<thead>
<tr>
<th>Non-Profits:</th>
<th>2 CFR 230 (OMB Circular A-122)</th>
</tr>
</thead>
<tbody>
<tr>
<td>For-Profits:</td>
<td>48 CFR 31.2 (FAR)</td>
</tr>
<tr>
<td></td>
<td>48 CFR 731.2 (AIDAR)</td>
</tr>
<tr>
<td>Educational Institutions:</td>
<td>2 CFR 220 (OMB Circular A-21s)</td>
</tr>
</tbody>
</table>
Remember when we talked about the cost application instructions, I told you that the SF-424 family of forms is required for assistance solicitations, to be used when you present your budget. USAID will also require you to submit your budget in other formats to present your costs in ways so that we can fully understand your program.

The SF-424 forms are actually a family of forms and this slide presents 424-A, which is where you would actually indicate your budget figures. The 424-A contains major line item categories that I’m going to use in this e-module to breakdown your costs.

- You will notice on the left-hand side of this slide the nine different major categories that are listed alphabetically as A-J: “personnel”, “fringe”, “travel”, etc. I will be covering each of these major line item categories in the remainder of the e-module.

Another very important point to make is that you must present all of your budget figures in U.S. dollars ($). You cannot submit an application for USAID assistance in a foreign currency.
To assemble your budget for the cost application package you will almost always present your costs in the following three basic ways:

- First you will prepare and present a summary budget, breaking down costs by major line item categories as described on the previous slide.

- Second, you will breakdown those major line item categories into sub-categories that provide detail about your major costs.

- Third, you will prepare a narrative document that justifies and provides evidence to support each proposed cost with sufficient detail for USAID to understand how you propose to spend its funding for your important program.

The next series of slides will show each of these budget elements and demonstrate how all three will match and reference each other in harmony.

**Three Basic Elements**

The Cost Application Budget should present costs in three basic ways:

1. **Summary Budget**
   - Breaks down by major line-item categories.

2. **Detailed Budget**
   - Breaks down categories into sub-categories.

3. **Budget Notes/Narrative**
   - Describes each cost with sufficient detail for USAID to understand how you propose to spend your program funding.

**Note:** These documents should match and reference each other!
Here is a summary budget that shows how you can breakdown your costs based on the Standard Form 424 categories. Please note, this slide is not a copy of the SF-424 itself, but it does describe costs using the SF-424 categories.

Let's look at this table more closely. Here you can see costs broken down by year and a column for your proposed cost-share contribution to the program. USAID solicitations do not always require cost-share, so you may not always need to fill in this column. I will talk more specifically about cost-share later in the training.

Looking at line item one in this summary table, you can see “Personnel” costs are budgeted at $200,000 for year one. Because this is a summary budget, we cannot see what makes up that $200,000 in labor costs. This is why you need to provide USAID with your detailed budget and narrative, as I will explain more fully later.

You also see a line item called "Construction" in line 7. This line is normally not applicable to USAID projects since USAID rarely uses assistance instruments for construction. I will also talk more about construction later in
the training.

Mainly you should understand that the summary budget is where USAID can see that your total program costs are within USAID's available funding as stated in the solicitation.
2. DETAILED BUDGET

- Describe subcategories of costs that make up categories of your Summary Budget.
- Numbers and descriptions should be consistent with your Summary Budget.
- Break down financial data into unit costs.

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>TYPE OF UNIT</th>
<th>UNIT COST</th>
<th>YEAR 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td># of Units</td>
<td>Total Cost</td>
</tr>
<tr>
<td>1. PERSONNEL</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Project Management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Manager (Obj 1 – 50%; Obj 2 - 50%)</td>
<td>US day</td>
<td>288.46</td>
<td>260</td>
</tr>
<tr>
<td>Program Officer (Obj 1 – 50%; Obj 2 - 50%)</td>
<td>US day</td>
<td>192.31</td>
<td>260</td>
</tr>
<tr>
<td>Medical Officer (Obj. 1-Health)</td>
<td>US day</td>
<td>144.23</td>
<td>260</td>
</tr>
<tr>
<td>Education Officer (Obj. 2 – Education)</td>
<td>US day</td>
<td>144.23</td>
<td>260</td>
</tr>
<tr>
<td>Sub-total Project Management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SUB-TOTAL PERSONNEL COST</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The detailed budget is your opportunity to describe the sub-categories of costs that make up the major categories in your summary budget. Remember, the sub-categories must be consistent with, and roll-up into, the major line item categories from the summary budget.

The detailed budget is also where you describe your unit costs, so USAID can understand the resources required for your program in different terms. For example, if you refer back to our glossary, you see the term “level of effort”, or LOE. LOE is the unit of time your personnel will devote to his or her work. So the detailed budget is where you can present your labor costs in terms of time, or LOE, and money, or the unit cost.

- In the table in this slide, 260 represents the time each staff member will devote to this project, and in year one, a total of 1,040 days will be devoted in personnel time to this activity.

Remember, the solicitation instructions will normally specify how USAID expects you to present your costs and other resources devoted to your program. So we’ll say it again to help you remember:
Remember to read your solicitation very carefully!

Before we leave this slide, I want to make sure you notice the $200,000.00 total cost for year one in the line item category “Personnel” in the lower right hand corner. Where did we see that figure before? That’s right; it’s from our summary budget. Don’t forget, the summary and the detailed budgets, and the narrative, must always match and complement each other so that they present the costs consistently.
Getting deeper into our detailed budget, let’s think about what types of costs should be included in each of our major line item categories.

Here we begin with line item category 1: “Personnel”. Within your personnel costs, you will need to breakdown key personnel from your other staff members. The USAID solicitation will specify the key personnel that are required at minimum to implement your project in accordance with USAID’s description.

In the detailed budget and narrative, you should provide details about key personnel such as:

- each candidate’s name;
- position;
- whether they will be engaged as regular employees or independent contractors;
- whether their positions will be long, or short-term;
- and their nationality in three basic categories: USN (or United States National), TCN (or Third Country National), and CCN (Cooperating Country National)
Country National)- You should remember these from our glossary at the beginning of this e-module.

• TCN refers to any non-U.S. and non-local employees. CCN will refer to any employees that are employed at the local level. This is especially important to explain in your budget submission so USAID can understand why you may have budgeted other costs associated with your employees—such as fringe benefits and allowances—as a separate cost matter. I’ll explain each of these costs separately in subsequent slides.

Your cost application should be clear about other key details about your personnel, such as whether they are actually employees of your sub-award recipient or whether you are offering their time and services as cost-share.
In the details about your personnel costs, you should be clear about your proposed key personnel. USAID solicitations normally stipulate key personnel positions USAID has determined are necessary for the implementation of your program. Your detailed budget and notes should highlight these positions and indicate each candidate by name, justify their proposed rates, and identify each candidate’s nationality- either as USN, TCN, or CCN.

Other than expatriate or key personnel, your project will also normally require local staff who must be described in your budget. Local staff salaries should be based on the local labor market, and one resource you may request in writing from the USAID staff that are handling the solicitation is the local compensation plan. The local compensation plan is maintained by the U.S. Embassy in the country, and is sometimes available to the general public upon request.

While the local compensation plan is a good measure of local market rates, USAID may use other market research to determine the reasonableness of your proposed labor costs.

<table>
<thead>
<tr>
<th>Cost Category: Other Personnel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Describe all non-key personnel for your project.</td>
</tr>
<tr>
<td>• Technical and Professional staff, Supporting Administrative Staff</td>
</tr>
<tr>
<td>• Distinguish non-key personnel by nationality: USN, TCN, CCN.</td>
</tr>
</tbody>
</table>

Conduct market research for local labor costs:
- US Embassies maintain personnel “Local Compensation Plans” (LCP)
- You may request a copy from the US Embassy in-country
- USAID may use the LCP to gauge local labor costs, but may also use other sources
- You may use Biographical Data Sheets to support your proposed personnel costs.
In explaining personnel costs, you should justify your daily or annual labor rates, and USAID may request a salary history, such as a Biographical Data Sheet, which is an optional format available on USAID's web site, to support these labor costs.
The next major cost category is “Fringe Benefits”.

- Fringe benefits are non-wage, or non-salary compensation that you provide to your organization’s employees.

- Fringe benefits cover such costs as: employee health insurance, tax contributions, or public transportation subsidies for example. Depending on how you allocate costs, sometimes holidays, sick and vacation days can be included in fringe.

- When you are looking at your local staff fringe costs, the local labor laws will dictate what kind of fringe benefits you must provide to local staff. You should always consult the cost principles applicable to your organization to understand all the different allowable types of fringe costs.

- Although some organizations can easily calculate fringe as a direct cost, organizations with various different sources of funding may
express fringe as an indirect cost percentage rate. I will talk more about
direct costs versus direct costs and the application of indirect cost rates as
a separate matter later on in the presentation.
Our third major line item category is for “Travel Costs”.

- Your detailed budget and narrative should explain the need for all project travel and justify the travel costs as necessary to achieve USAID's desired development goals.

- This category is where you normally include costs for travel by air, or other mode of commercial transportation, for your project implementation staff.

- Although you could use this category to include travel costs for project beneficiaries to receive services under your project, you may alternatively indicate those costs as a separate sub-category under “Other Direct Costs”, of ODCs. This is sometimes useful if you need to distinguish between administrative and programmatic travel costs.

- You can explain precisely how you allocated your costs in the corresponding budget narrative. Of course, international travel costs tend to be more expensive than domestic travel. So USAID will expect your detailed budget and narrative to be clear about which type of travel costs are included.
you are budgeting. U.S. grant administrative rules require USAID to approve all international travel costs.

- So your budget must include information about the number of travelers, proposed days and dates of travel, and the proposed destinations. This way, your international trips will be pre-approved as part of your cost application if you are selected to receive an award from USAID.
The travel category is also where you can include per-diem costs as a subcategory.

- Per-Diem costs include items such as: lodging, meals and other incidental expenses associated with individual travel. Again, you should be sure to breakdown per-diem costs, and make clear in the detailed budget and narrative, how they are associated with the trips you have planned.

- Although you may follow your organization’s own per-diem policy, which must be uniformly and consistently applied, USAID normally looks at the State Department Travel Regulation’s per-diem rates to judge the reasonableness of your proposed per-diem costs.

Otherwise the travel cost category should not include items such as vehicles you plan to purchase and related vehicle maintenance or service fees. These costs should be indicated separately under “Equipment” or “Other Direct Costs” as we will cover in upcoming slides.
The fourth major line item category is where you should include costs for equipment you plan to purchase under your USAID–funded program.

- USAID and US Government Grant Administration rules define equipment as “all non-expendable items valued at over $5,000 per unit.”
- USAID must expressly approve your organization’s acquisition of all such equipment using USAID funding.
- Equipment valued at under $5,000 per unit and expendable supplies should be budgeted and described separately under the “Supplies Cost” category.
- Note that special categories of equipment require separate approvals from USAID and therefore, should be highlighted separately.
- Motor vehicles, which are broadly defined as cars, motorcycles and other motorized vehicles, must be approved individually regardless of
unit cost. Also, special procurement rules apply when purchasing motor vehicles under USAID-funded assistance instruments. Therefore, your narrative should describe your planned competitive procurement process for purchasing motor vehicles, and should demonstrate that you attempted to obtain vehicles from sources inside the United States.

Looking a bit forward, once you win an USAID award (after everything you’ve learned from this training) just note that you will be responsible for maintaining an inventory list and tracking all non-expendable equipment acquired with USAID funding over the course of your project life-cycle.
The fifth line-item category is where you would include supplies necessary for the functioning of your project office and any other operational supplies.

Project activity supplies, for beneficiaries, can be listed separately in “ODCs”, similar to how you divided travel for beneficiaries as opposed to travel for your project staff.

Examples include paper stock that would be necessary for training materials would be listed separately in ODCs, as opposed to those same papers that might be used to supply your project office.

Remember to use this category to include consumable supplies and materials, and any expendable equipment valued at below $5,000 per unit cost as was described in the previous slide.
USAID solicitations will almost always require you to break down costs for implementing partners who will receive funding under your USAID award, whether you engage them under sub-grants or contracts.

Always remember to prepare separate budgets for these types of sub-level partners, and be sure these sub-budgets add up to the total summary cost in this "Contractual" category.

Do not be confused by the misleading word of "Contractual" used in this category. Let's refer to our glossary terminology.

As a USAID award recipient, you are called the **prime recipient, prime awardee or prime grantee**, which means you have a direct relationship with USAID under the award. However you may use contracts or grants to engage sub-level partners, depending on which type of mechanism is appropriate. Remember contracts and grants are different.

So if you are funding other partners' relevant programs, you would use sub-grants and these types of partners would be called **sub-awardees, sub-grantees, or sub-recipients.**
Although this line item has the word "contract" in it, this category would be used to capture sub-grants you plan to issue to implement your program.
The same way I told you to break out your sub-grant recipients under this category, you would similarly break out any contractors you might use to purchase goods and services to implement your program.

Again, submit a separate budget for each sub-contractor and be sure those budgets add up to your summary cost in this "Contractual" category. Note that it is not necessary to include contracts used to purchase equipment and supplies since those costs are more appropriate for other line item categories.

The "Contractual" category may also capture costs you break down for consultants or independent contractors. Consultants are not usually included under "Personnel" because fringe will apply to employees in the "Personnel" category and does not apply to consultants.

So here you would breakdown the daily rates and time each consultant will devote to the project so USAID can see the short-term technical assistance you are proposing.

In explaining consultant costs, you should justify the daily rate proposed and

<table>
<thead>
<tr>
<th>Cost Category: “Contractual” (continued)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2. Contracts</strong></td>
</tr>
<tr>
<td>• Separately list any contractor(s) you as prime recipient may procure for project implementation.</td>
</tr>
<tr>
<td>• Remember: Just as with sub-grants, USAID requires separate budgets for each contractor with the same detail as the prime.</td>
</tr>
<tr>
<td>• Do no include equipment/operational item purchases; those go in ODCs.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>3. Consultants/Independent Contractors</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• This cost category OR a separate labor sub-category under &quot;Personnel&quot;.</td>
</tr>
<tr>
<td>• Indicate the daily rate and time devoted to the project (LOE/FTE)</td>
</tr>
<tr>
<td>• Justify the rate! USAID may request salary history – Ex. Employee Biographical Data Sheet</td>
</tr>
</tbody>
</table>
USAID may request a salary history, such as a Biographical Data Sheet, which is an optional format available on USAID's web site you may use to explain a consultant's salary history.
SF-424 cost category 7 for “Construction” is rarely applicable under USAID assistance solicitations.

USAID has strict rules about how it can fund and carry-out construction activities under assistance instruments such as cooperative agreements or grants. If, in the rare occasion the solicitation requests construction activities, it would provide instructions about how an applicant can include those costs. Otherwise, you would simply indicate zero dollars under this category in your SF-424 form and you would not include construction costs in your summary or detailed budgets.
The “Other Direct Costs”, or ODC, category is where you include sub-cost categories that do not fit neatly into other categories. These costs must be explicitly identifiable and necessary for the implementation for your proposed program.

The right side of the slide lists some ODCs that are normally necessary for the implementation of an USAID program. Notice that in our sample list, the various other direct costs are clearly identified, and you would budget values for each of these costs as discreet estimated amounts.

You cannot include a so-called contingency or other category of costs here. Your budget must show USAID precisely where and how you are proposing to use USAID’s funds. So don’t even think about including a miscellaneous category that cannot be described; you should not budget that type of line-item at all.

Also, this is not the opportunity to include Indirect Costs that are normally expressed as percentage rates. I’ll talk about those types of
costs in a subsequent slide.

As I explained on the prior slide about construction, program costs are sometimes used as a major sub-category under ODCs and lower levels of sub-sub categories can be identified under the program costs ODC category. As I also explained before, this is how you may distinguish between costs necessary to run your program from costs that are intended to reach your targeted beneficiaries directly. Sometimes, the USAID solicitation will even require you to present your costs to show the differences between administrative and program costs.

So once again, this makes clear how important it is to, say it with me, "read our solicitation instructions very carefully."
Our final cost category is where you indicate “Indirect Costs”.

Organizations can choose to charge each expense to the corresponding program award under a direct costing method. In contrast, some organizations recover certain pooled costs using indirect cost rates.

Indirect costs are costs that cannot be attributed to any one project. You would use an indirect cost rate to capture cost pools that must be spread and shared among various projects.

Let's look at two simple examples:

• In example one, you have a project office in Cairo which has utility expenses that are incurred only by that one project and that project is funded by one donor—let's say USAID. In that case, all of the utility costs would be charged as a direct cost against the USAID award.

• In example two, you have utility costs for the headquarters in the United States that supports 50 overseas and 20 U.S. based projects. Since it would be very difficult to attribute utilities to any one donor-funded project, you
could calculate an indirect cost rate, or a percentage, that estimates the amount of the headquarters utility expenses that each project incurs.
When you want to propose an indirect cost rate to capture those expenses that are necessary for the general operation of your organization, you can take one of two approaches when you prepare your budget submission.

- First, you can include a proposed rate in your cost application with a detailed explanation about how the rate was calculated. You would need to support your rate with audited financial statements and make it clear how your indirect cost rate is applied.

- The second option is to establish a **negotiated indirect cost rate agreement, or NICRA**, with a US federal agency. You would also, in this instance, need to support and justify your rate with a detailed explanation and audited financial statements. You would establish this rate the US federal agency that you normally do business with and you’d have to understand that once your NICRA is established, you’re obligated to use that rate every time you submit a proposal or application to do business with the US federal government.
Typical examples of costs expressed as indirect cost rates include:

- fringe benefits, as mentioned earlier
- overhead expenses associated with labor costs
- general and administrative expenses that cut across your organizations’ activities
- and sub-grants or contracts management expenses.

Usually smaller organizations can allocate costs directly to just a few funding sources such as two or three grants. Larger organizations with numerous, complex grants, contracts or other funding streams will typically establish pre-negotiated indirect cost rates to recover costs subject to an audit. If your organization chooses to use an indirect cost rate just remember to consult the cost principles that correspond to your organization, since some costs can never be recovered, even under an indirect cost rate.
So we've covered all of the major SF-424 cost categories and you have prepared a detailed budget that rolls up into your summary budget.

Our third major element of your budget submission is the budget narrative. This is your opportunity to describe and explain each line item in your budget. You should provide enough detail for USAID to understand exactly how its money will be spent on your proposed project. You must fully elaborate on any unique or excessively high costs so that USAID can determine whether you are making effective use of its funding.

The example block on the bottom of this slide refers back to our first line item category for personnel. This sample language gives you an idea of what USAID would expect to see in your budget narrative to explain the personnel cost line item. Of course, you must tailor the content and level of detail in your budget narrative to your own program.
You may remember earlier, I mentioned the non-federal contributions to your program are also known as cost share. Cost share represents contributions to your program that are outside your request for USAID funding and in addition to all US government funding support for your program.

The USAID solicitation will always make clear whether cost share contributions are required or not. Applicants are free to propose cost share and USAID may view cost share proposals favorably in making an award decision if it was not a part of the requirements of the solicitation.

Cost share can be either cash or “in-kind” donations such as volunteer time or donated equipment.

Just remember that if you promise to obtain cost share contributions, you will be responsible for meeting those commitments as a condition of your USAID award. So only commit to cost share you can reasonably attain.

See the links in this slide for more details about the cost share rules.
We will cover budget submissions for contracts in a separate e-module; however this slide highlights some important differences between contract and grant budget submissions.

First USAID Assistance awards never allow an award recipient to recover “profit”, since USAID's assistance is only meant to cover operating and program implementation expenses.

We learned before that RFPs are different from RFAs and are each advertised in different places on the internet.

Contracts can sometimes involve grant awards under a contract or subcontracts to additional implementing partners, but the rules governing these sub-instruments is different under acquisition versus assistance.

Lastly remember the SF-424 form is unique to US federal assistance solicitations, whereas most contract solicitations and awards follow a uniform contract format, and they do not require the SF-424 budget format.
So we've come to the conclusion of our training on how to prepare your budget for a USAID assistance opportunity. The next few slides have some hyperlinks to useful resources so you can start to work on your own.

This slide features the hyperlinks to where you can find the SF-424 forms.
Of course, I mentioned the **Cost Principles** a number of times in today’s training and here are the hyperlinks so that you can find the appropriate Cost Principles for your organization on the internet.
This slide contains hyperlinks to the regulations that USAID must follow in administering its assistance award instruments. The Code of Federal Regulations contains the rules for the administration of awards to US NGOs. USAID's own automation directive system contains its separate policies for managing awards with non-US NGOs.

Lastly, the biographical data sheet is an optional form you may use to present the salary history of staff proposed in your budget submission.
So we've come to the end of this E-Module and I hope that I have given you some tools, resources and guidance that will help you win an award from USAID. Thank you for your attention and good luck.
Cumulative Knowledge Check!

The following questions will check how well you have understood the content in this E-Module.

Instructions: Read each question carefully and select your answer before clicking “submit” and moving on to the next question.

After you have finished all of the questions, click “finish” to proceed to your results. After reviewing your results, you may decide if you have an adequate understanding of the content of this e-module.
Budgeting Grants Quiz

Preparation a budget in response to an assistance solicitation involves the same formats and all the same costs as are used in an acquisition solicitation.

- True
- False
This E-Module was produced by the United States Agency for International Development.

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