GUIDANCE NOTE 8

HOW TO DRAFT AN SHF BUDGET?

Through the budget, the SHF partner demonstrates how funds will be used. Cost estimates should be fair and transparent. To limit time spent on budget revisions, it is important that costs are broken down as much as possible and explained in the remarks box of the budget.

DIFFERENT TYPES OF COSTS
An SHF budget has three types of cost: direct, support and programme support.

While programme support costs (PSC) are included in the last box on the GMS budget, all other budget lines must be tagged as ‘direct of support costs’ in the relevant column (D/S).

Direct costs
These are costs directly related to implementation.

A minimum 75% per cent of the project budget (sub-total excluding PSC) should be direct costs.

Examples of direct costs include supplies, salaries of staff directly working on the project, their laptops, vehicle rent to transport project staff to the site, Daily Subsistence Allowance (DSA), and training.

Support costs
Support costs are made to support the implementation of the project.

There are two sub-categories:

Salaries of support staff
The salaries of the staff that enable the project such as the country director, grants manager, finance manager, monitoring and evaluation staff, advocacy person and security officer. The project budget can cover a proportion of their salaries. The support staff salaries combined cannot be higher than 8% of the project budget (sub-total excluding PSC).

General operating costs
Examples of general operating costs include the rent of the country office, rent of vehicles for support staff, telephone and internet costs. These support costs cannot be more than 10% of the project budget (sub-total excluding PSC).

Programme support costs
Programme support costs (PSC) are indirect costs.

They are made regardless of the project being implemented. Examples include costs associated with global HQ, regional office, legal services, among others, and can be a maximum of 7% of the approved project costs (direct costs and support costs).

SHARED COSTS
Support costs must be shared between the Partner’s projects in the country. They must be linked to the project implementation. The proportion allocated to the project (the percentage is identified in the total amount column) should be fair and reasonable. The comment box should always be used to explain how the cost will support the project implementation and how it was calculated (pro-rata, average...). These shared support costs should cover the entire duration of the project.

Direct costs can be shared as well. For example, a project manager is likely to cover more than one project. Hence, costs related to that position should be shared between these projects.

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1 This guidance note complements the budget guidance provided in the SHF operational Manual.
The budgets provided in the ERRM concept notes and RfE Cases for Funding should provide a succinct overview of the categories, indicating the costs of the main activities, support costs, PSC and total cost. When submitting the proposal in the Grant Management System (GMS), a more detailed budget is required.

**Budget elements**

The budget line description should briefly describe the cost and the location where the project will be implemented. If the project has more than one cluster, the relevant cluster name should be mentioned for each budget line. In the case of joint costs, the relevant cluster and the percentage of each cluster line should be specified.

In the remarks box, a detailed breakdown of the costs should be provided, describing the ‘what, why, how, when, where, and who’ of the cost. Quantity types should be explained in this box (litre, metre, kit, activity…) as well as the duration type (months, days).

The next column identifies the cost as a direct or support cost (D/S). The columns ‘unit quantity’, ‘unit cost’, ‘duration’ and ‘total cost %’ will, when filled in, provide you with the total cost of the budget line.

**Budget categories**

There are seven budget categories – see as well annexed box:

1. Staff and other personnel costs
2. Supplies, commodities, materials
3. Equipment
4. Contractual services
5. Travel
6. Transfers and grants to counterparts
7. General operating and other direct costs

**BREAKING DOWN BUDGET LINES**

Large activities must be split into separate budget lines. In the remarks box, these budget lines should provide a detailed calculation and technical specifications or should refer to an Excel table with a budget breakdown uploaded in the GMS ‘document’ tab. All amounts in the remarks box or attached sheets should be in US$. Excel sheets with breakdowns should be named after the budget line code (e.g. 2.1, 4.2, etc) and not the budget line description.

All budget lines should be explained in the remarks box. The unit cost or total cost of a budget line exceeding $10,000, as well as all training budget lines, should always be broken down. Occasionally SHF may request a breakdown for a lesser amount. If the total amount of a budget line exceeds $10,000 but is for a single item, detailed specifications instead of a breakdown are required (e.g. generator).

**MAXIMUM BUDGET AMOUNT**

NGOs must provide a budget in line with the SHF operational modalities, within their risk level. Maximum amounts per risk level:

- **High risk**
  1. Less than 7 months: $250,000
  2. More than 7 months: $400,000

- **Medium risk**
  1. Less than 7 months: $500,000
  2. More than 7 months: $700,000

- **Low risk**
  1. Less than 7 months: $1,000,000
  1. More than 7 months: $2,500,000

Individual NGOs with a high-risk rating are allowed to hold a maximum amount of $500,000 in active grants at any one time. Active grants are calculated as grants under implementation at the time of an allocation (estimated date of grant agreement signature as per Allocation Strategy timeline). Partners who are near that ceiling will have to ensure previous grants have either been closed or under final reporting or auditing before they can request additional funds.

High-Risk partners that have never implemented an SHF project can apply for a maximum amount of $250,000 (total grants) the first time.

Partners can request their current risk level status by sending an email to shfsudan@un.org.
OTHER TIPS

• In GMS, the percentages of the clusters on the cover page of the proposal should indicate the actual costs per cluster component over the overall sub-total of direct and indirect costs. Once the budget is drafted, these percentages should be checked again.

• Disbursement schedules depend on the risk level, project duration and project value. The schedule figures are in table 7, Operational Modalities, in the SHF operational manual.

• Financial reporting is required before each disbursement, by the 31st of January, as well as part of the progress report and the final report.

OVERVIEW OF BUDGET CATEGORIES

Category 1 (Staff and Other Personnel Costs)

• No remarks box of the budget lines shall be left blank.

• Every staff member/position with different functional title, TORs and salaries shall be added as a separate budget line. Lump sum salary costs are not accepted.

• For each staff indicate the location (either in the budget line description or remarks box), where the person is/will be based (e.g. Field Coordinator – Kassala);

• Indicate for each position what specific role is played in the implementation of the project, explain how the unit cost has been estimated, whether salaries are net or gross and in the latter case what costs are included in unit cost (e.g. salary and associated taxes, social security/SGK, medical and life insurance, hazard pay, fringe benefits, work permit fees, etc.);

• Staff salaries should be as per the organization salary scale and the partner’s salary scale must be uploaded under the documents tab;

• Do not include non-partner staff costs such as daily workers (category 2), seconded staff’s payment (category 2) or consultancies (category 4).

Example

• Budget line:
  • Emergency health manager – Direct - Unit quantity 2 – unit cost 2,000 – duration 6 – Percentage 25% - Total cost 3000usd

• Remarks Column
  • Emergency Health Manager is a national position. One is based in Khartoum and another position in Al Fasher. The position is responsible for Project implementation and coordination of activities relating to the Health component of the project. 25% of the salary and benefits are charged to this budget for 6 months (full project duration).

Category 2 (Supplies, Commodities, Materials)

• Only supplies provided to beneficiaries/facilities shall be indicated in this category (no office supplies, etc.);

• For supplies, associated transportation, freight, storage and distribution costs must be included and detailed;

• Group of items (e.g. kit, bag, etc.) shall be broken down within the remarks box showing content list. Alternatively, a budget breakdown can be provided.

• Labor costs and essential materials (item, material, unit/sq m…) for construction works should be explained in remarks box or attached excel sheet.
Example

- **Budget line:**
  - Minor rehabilitation of sewage system in Ag Geneina hospital – Direct - Unit quantity 1 – unit cost 16,000 – duration 1 – Percentage 100% - Total cost $16,000

- **Remarks Column**
  - Minor rehabilitation of sewage system in Ag Geneina hospital budgeted @16,000 including:
    - Replacement of UPVC pipes = $4,000
    - Septic tank rehabilitation = $4,000
    - Boreholes and drainage system rehabilitation = $4,000
    - Labor cost = $4,000
  - Total cost = $4,000+$4,000+$4,000+$4,000 = $16,000

- **Budget line:**
  - Procurement of high-quality generator for Ag Geneina Hospital – Unit quantity 1 – unit cost 16,000 – duration 1 – Total cost 100% $16,000

- **Remarks column**
  - Procurement of high-quality generator (50Hz, 20 KW, diesel), includes two-year maintenance, transport to El Fasher

- **Budget line:**
  - Training of staff in BCC & refresher training – Unit quantity 6 – unit cost 2400 – duration 1 – Total cost 100% 14,400

- **Remarks column**
  - This activity involves the training of 180 community members to act as Hygiene Promoters distributed in the three targeted camps. Each group will have approximately 60 HP and participate in 3-5 sessions. The HPs will then train 300 other community members each for a total of 900 trained. Training costs include transportation expenses, refreshments, and supplies, storage bags, caps and vests. Lead HP will also participate in Protection Training offered to Water Use Committees. Refresher training will be conducted every three months.
  - 2400 usd for one training session (30*15 USD transportation) + (30 * 10 USD snacks) * 3 days + 125 USD trainer + 25 USD for stationary (pens, papers, boards, markers). A total of 6 trainings will be conducted, 2 trainings per camp with 30 participants.

**Category 3 (Equipment)**

- All direct costs, non-consumables items procured for the project, such as laptops, camera...
- Explain in remarks box or, if relevant, uploaded excel sheet:
  - to which staff, facility, location etc. the equipment is allocated to;
  - Justification for need to procure new equipment;
  - Technical specifications of equipment;
  - Location of procurement;
  - If relevant, breakdown into costs of item, custom costs, transportation, installation, maintenance...
Example

- **Budget line:**
  - Laptop and licenses – Direct - Unit quantity 3 – unit cost 800 – duration 1 – Total cost 100% 2400
- **Remarks box**
  - 3 laptops and licenses will be purchased in Sudan for project staff. (Project Manager, WASH officer & Protection Supervisor, all based in Ag Geneina). Two replacements and one laptop for additional staff.

**Category 4 (Contractual Services)**

- All activities that partner is contracting with a third party should be included in this category (not DSA, not seconded staff payment).

Example

- **Budget line:**
  - Vehicle rent – Direct - Unit quantity 2 – unit cost 1,540 – duration 6 – Percentage 100% - Total cost $18,480
- **Remarks box**
  - Two vehicles will be hired for a period of six months to transport the project staff during the implementation of the activities. 100% of the vehicle rental costs will be charged to the project. The unit cost has been estimated using the current rental costs on July 2021. Cost includes one driver per vehicle.
  - Total cost - $70 X 22 days x 6 Months x 100% = $18,480

**Category 5 (Travel)**

- Project related travel cost should be broken down either in budget breakdown or itemized in budget narrative (into quantity of trips, transportation/ticket, accommodation, DSA/Per diem, etc.), how the calculation/estimation was made and specifying the travelers;
- The locations and the necessity of travels for the implementation of the project should be provided in the narrative.

Example

- **Budget Line**
  - DSA – Direct - unit quantity 14 - unit cost 60 - duration 5 days - percentage 100% - total cost $ 4,200
- **Remarks column**
  - The cost will cover DSA for staffs travel for project monitoring. 100% of the cost will be charged to the project. The unit cost estimated based on the organization DSA rate.
  - Total cost= $60 x 14 staffs x 5 days= 4,200 USD.
Category 6 (Transfers and Grants to Counterparts)

- Each sub-implementing partner must have its separate budget line and names of organizations must be indicated. Total costs of these budget lines in this category should match the ‘Sub-Grants to Implementing Partners’ section under the ‘other info’ tab.
- Budget for each sub-implementing partner shall be uploaded as an excel file under ‘documents’ tab. Online budget breakdown will not be accepted for sub-implementing partner (pdf or scan of excel tables are not accepted either);
- Activities carried out by the sub-implementing partner shall be indicated briefly in the budget line narrative;
- The budget of the sub-implementing partner should exclude PSC costs. Instead, the sub-implementing partner must receive a fair proportion of the overall 7% PSC calculated over the total budget amount. This amount is provided in the remarks box

Example

- Budget line:
  - XXXX National NGO – Direct - Unit quantity 1 – unit cost 130,000 – duration 6 – Total cost 100% 30,000
- Remarks box
  - XXXX is a sub-partner with a total budget of $130,000, excluding PSC. PSC amount provided by partner lead is 7,000 usd. XXXX will provide Health and FSL services in two target localities. The budget breakdown is uploaded in the GMS under document tab with the reference “XXXX budget breakdown”

Category 7 (General Operating and Other Direct Costs)

- All general operating expenses should be itemized (such as office supplies, utilities, stationery, communication costs, etc.);
- Money transfer fees (if any) shall be indicated in this category and the costs explained;
- Lump sums are not permitted;

Example

- Budget line:
  - Utility (Water) – Support – unit quantity 1 – unit cost 250 – duration 12 months – percentage 33% - total cost $950
- Remarks Column
  - The cost covers water consumption expense for the XXX office. The unit cost refers to one-month consumption. 33.33% of the cost will be charged to the project. The estimation has been calculated according to previous consumption rate.
LIST OF INELIGIBLE COSTS

i. Costs not included in the approved budget (taking into consideration duly approved budget revisions).

ii. Costs incurred outside the approved implementation period of the project (taking into consideration duly approved no-cost extensions).

iii. Debts and provisions for possible future losses or debts.

iv. Interest owed by the implementing partner to any third party.

v. Items already financed from other sources.

vi. Purchases of land or buildings.


viii. Cessions and rebates by the implementing partner, contractors or staff of the implementing partner of part of declared costs for the project.

ix. Government staff salaries.

tax. Hospitality expenses, provision of food/refreshments for project staff (not including water and hospitality for trainings, events and meeting directly related to project implementation).

xi. Incentives, mark-ups, gifts to staff.

xii. Fines and penalties.

xiii. Duties, charges, taxes (including VAT) recoverable by the implementing partner.


xv. Audit fees/system audit fees – these costs are paid directly by the fund.