This guidance provides partners with a common framework to facilitate appropriate preparation of project budgets. It focuses on defining eligible and ineligible costs, direct and indirect costs (e.g. Programme Support Costs – PSC), shared costs, budget categories and the adequate breakdown of budget lines. This guidance applies to all partners.

**Basic Principles of the Project Budget**

The South Sudan Humanitarian Fund (SSHF) aims to ensure that the principles of economy, efficiency, effectiveness, transparency and accountability are adhered to in the sense that the project budget inputs are aligned with the planned activities and the expected outputs, more specifically, that the project budget is a correct, fair and reasonable reflection of the project proposal/logical framework.

In the budgeting process, partners are expected to:

i. Provide a correct and fair budget breakdown of planned costs that are necessary to implement activities and achieve the objectives of the project.

ii. Use and comply with the budget template and guidance provided by SSHF for the classification and itemization of planned costs.

iii. Provide a budget narrative for every budget line (as an essential component of the budget) that clearly explains its object and rationale.

I. **Eligible and Ineligible costs**

**Eligible costs**

Eligible costs:

i. Must be necessary and reasonable for the delivery of the objectives of the project.

ii. Must comply with the principles of sound financial management, in particular the principles of economy, efficiency, effectiveness, transparency and accountability.

iii. Must be identifiable in the accounting records and backed by original supporting evidence as incurred in accordance with the approved project proposal and period.

These may include:

i. All staff costs (including salaries, social security contributions, medical insurance, hazard pay (when applicable) and any other cost included as part of the salary benefits package of the organization. Salaries and costs may not exceed the costs normally borne by the partner in other projects.

ii. Costs for consultancies involved in the implementation of the project.

iii. Support staff costs at country-level directly related to the project.

iv. Travel and subsistence costs directly linked to the project implementation for project staff, consultants, and other personnel that may also be eligible, provided the costs do not exceed those normally borne by the partner.

v. A contribution to the partner’s Country Office costs, as shared costs charged on the basis of a well explained calculation and reasonable allocation system. Shared costs must be itemized.

vi. The financial support to beneficiaries, including cash and voucher-based distribution.

vii. Purchase costs for goods and services delivered to the beneficiaries of the project, including quality control, transport, storage and distribution costs.

viii. Costs related to non-expendable items (assets) such as equipment, information and technology equipment for registration and similar field activities, medical equipment, water pumps and generators.
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Ineligible costs

The following costs are ineligible:

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.

x. 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; these are direct costs paid directly by the SSHF.

Other Types of costs

On a case by case basis and depending on the objectives of the project, the Fund Manager retains the flexibility to consider the following costs as eligible:

i. Government staff training as a component of a project activity that contributes to the achievement of the overall project objectives.

ii. Visibility material of the implementing partner directly related to projects funded by SSHF.

iii. International travel costs when directly linked to the delivery of the project objectives.

iv. Vehicles.

v. Depreciation costs for non-expendable/durable equipment used for the project where such equipment is not funded by the SSHF through the current project grant.

II. Direct and Indirect Costs

There are two categories of eligible expenditures: direct costs and indirect costs.

Direct Costs

Direct costs must be clearly linked to the project activities described in the project proposal and the logical framework. They are defined as actual costs directly related to the implementation of the project in respect of goods and services delivered to beneficiaries, and the costs related to the support activities (even partial, such as a security guard or a logistician partially working for the project), required for the delivery of services and the

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1 Sub-granting is accepted on exceptional circumstance by SSHF
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Direct costs include:

i. Staff and related personnel costs, including consultants and other personnel.
ii. Supplies, commodities, materials.
iii. Equipment.
iv. Contractual services.
v. Travel costs, including transportation, fuel, and daily subsistence allowances for staff, consultants and other personnel linked to the project.
vi. Transfers and grants to counterparts.

Indirect Costs

Indirect costs are referred to as Programme Support Costs (PSC). PSC are all costs that are incurred by the implementing partner regardless of the scope and level of its activities and which cannot be traced unequivocally to specific activities, projects or programmes. These costs typically include corporate costs (i.e. headquarters and statutory bodies, legal services, general procurement and recruitment etc.) not related to service provision to a particular project. PSC is charged as a maximum 7 per cent of the approved direct expenditures incurred by the implementing partner.

PSC of sub-implementing partners must be covered by the overall maximum 7 per cent of the actual project expenditures.

Indirect costs do not have to be itemized in the project budget.

III. Shared Costs

Sharing costs between different donors and projects under a country programme of an implementing partner is an acceptable practice for the SSHF. The implementing partner may share certain Country Office costs to different uses and projects, for example staff, office rent, utilities and rented vehicles.

The following guidance applies to shared costs in the project budget:

i. All shared costs must be directly linked to project implementation.
ii. All shared costs must be itemized in the budget, following standard accounting practice and based on a well-justified, reasonable and fair allocation system, to be clearly explained in the budget narrative of the project and assessed and approved by the SSHF Technical Secretariat.
iii. The partner must be able to demonstrate how costs were derived and explain in the project proposal/logical framework how the calculation was made (e.g. pro-rata, averages)².
iv. If a position is cost-shared, the percentage of the monthly cost corresponding to the time that the person will dedicate to the project shall be budgeted. Portions of a unit may not be budgeted as staff costs; only percentages are acceptable.

² This should be calculated as a percentage against the overall amount of the shared cost and charged as a percentage of the project value. It is preferable to charge shared costs for the entire duration of the project. Partners have the option to record expenditures within the budgeted amount according to modalities that better suit their requirements (e.g. to cover half of the rent of an office in a 12 months’ project, the partner should budget
Accordingly, percentages in the budget must be assessed and approved by the SSHF TS. vi. Shared-costs, including staff-related costs, should be charged for the entire duration of the project. If this is not possible, the rationale of the apportionment must be explained in the budget narrative.

IV. Itemization of budget lines

Each budget line requires the following cost breakdown:

i. Itemize each national and international staff, consultant and other personnel by function, and provide unit quantity and unit cost (monthly or daily rates) for each staff position.

ii. Any budget line whose total value exceeds $10,000 (as cumulative value) requires a clear explanation of the calculation in the budget narrative.

iii. When budget lines contain costs of multiple items (exceeding $10,000) a budget breakdown should be included listing item unit, quantity, value or cost per unit and total cost. Documentation must be uploaded in the GMS.

iv. Provide unit and quantity (e.g. 10 kits, 1,000 metric tons) and unit cost for commodities, supplies and materials to be purchased. The budget narrative should properly reference unit measures (length, volume, weight, area, etc.).

v. Provide technical specifications for items whose unit cost is greater than $10,000.

vi. Provide technical specifications for items whose unit costs can greatly vary based on specifications (e.g. for generators, a reference to power capacity would be sufficient to properly evaluate the accuracy of the estimated cost).

vii. Provide details in the budget narrative so that the objective of the budget line can be clearly identified.

viii. Itemize general operating costs (e.g. office rent, telecommunications, internet, utilities) for project implementation providing quantity and unit cost. A lump sum for operating costs is not acceptable.

ix. Travel costs can be estimated as long as the calculation modality is accurately described in the budget narrative (e.g. providing estimates on the number of trips and average duration in days, daily subsistence allowance rates, etc.).

x. In-country travel: estimate number of trips and cost per trip.

xi. Provide list of items and estimated cost per item for kits when the cumulative budget line value exceeds $10,000.

xii. Provide the list of items for globally standardized kits such as Post-Exposure Prophylaxis kits and Interagency Emergency Health Kit. This does not include standard kits agreed upon in each country.

xiii. In the case of construction works exceeding $10,000, only labour costs and known essential materials may be budgeted and itemized, providing unit/quantity and unit cost. The budget narrative should explain how construction costs have been estimated on the basis of a standard prototype of building (e.g. latrine, health post or shelter), type of materials (e.g. wood, prefabricated or brick/cement/concrete) and the formula or rationale used to estimate construction cost (e.g. per square foot or meter or previous experiences).

xiv. The partner is responsible and accountable to ensure the budget(s) of any sub-implementing partner(s) adheres to the principles of economy, efficiency, effectiveness and transparency. The partner must ensure the sub-implementing partner(s) budget(s) are commensurate with the planned activities and outputs, and is reasonable in the specific country context. The sub- implementing partner budget should be provided as a single line under the budget category Transfers and Grants to Counterparts. The breakdown details are required to be provided in GMS. The sub partner’s budget and expenditure details written in the same level of detail as the main partner.

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the rent for 50 per cent of the monthly cost for 12 months’ period. The partner may pay the full rent of the office for 6 months with the allocated budget

Staff positions must be charged per unit. If staff costs are only partially charged to the given budget this must be reflected in the percentage (50 per cent of a staff, and not half of a staff at 100 per cent).

The list should be provided as an annex to the budget.