

## Budget development as a civil society PR or SR in Global Fund Round 8 proposals

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This paper draws upon Global Fund, Aidspace and Alliance Round 8 guidelines and is a guide to apply to different contexts, institutional and programmatic needs apply to rather than a blue print. This paper presents the following **key messages** to Alliance Linking Organisations and Country Offices that have participated in GF training run by the Secretariat in 2007 and 2008 and are now developing their budgets as PRs or SRs for inclusion in R8 proposals.

### **Key message: risk management as a PR or SR in a context of performance-based funding starts NOW**

With regard to budgeting this means:

- Ensuring that all your costs necessary to effective grant management and implementation are included in the final proposal budget, to achieve this it is necessary to:
  - consider carefully what structure<sup>1</sup> you will require and what you will need in order to play an effective role as a PR or SR, i.e. your future staffing (human resources, and development), material (infrastructure, equipment and products), management systems (financial, programmatic, procurement, M&E, SR or SSR management and support, non-recoverable taxes, and administrative) and capacity building (people and systems) requirements.
  - assess and accurately cost these requirements and present the costs in the appropriate manner and place in the R8 proposal form according to the 13 cost categories
- Documenting your analysis, assumptions and workings in order to justify your position pre-submission and be able to track your specific costs in the final overall multi-stakeholder budget post-approval and in time for grant negotiations. Include your assumptions and workings within the detailed budget or in separate working files as clearly named and numbered annexes.
- For Years 1 and 2, providing sufficient information to be able to determine how all quantities and unit costs were calculated. For Years 3 to 5, providing sufficient information to show the basis for how the forecasted budget amounts were determined. Wherever possible provide a similar level of detail to years 1 and 2.

### **Key message: budgets affect the approval of proposals**

In Rounds 3-7, the TRP identified major weaknesses in the budget information contained in over half of the proposals submitted. The TRP found that in many cases the budget was incomplete or not detailed enough; that there were inconsistencies or errors within the budget; or that specific budget items were unclear or inadequately justified.<sup>2</sup> See Chapter 4, strengths #2 and weaknesses #9 of Volume 1 of The Aidspace Guide to Round 8 Applications to the Global Fund for actual examples of good and bad budgets.

This table below of Dos and Don'ts is derived from TRP Round 7 comments; some may sound obvious but are examples of real errors. The TRP comments on the budgets in Round 7 Category 3 proposals are annexed to this paper.

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<sup>1</sup> E.g. integrating the new function into the existing structure or establishing a distinct management or implementation unit.

<sup>2</sup> The Aidspace Guide to Round 8 Applications to the Global Fund, Volume 2: The Application Process and the Proposal Form, 12 March 2008

<b>Do</b>	<b>Don't</b>
Perform a detailed financial gap analysis including all existing funds. Request a budget that will complement the exiting funds.	Leave the financial gap analysis section unfilled. Request budget to perform activities that already have sufficient existing funds.
Link section 5.1 –Financial gap analysis to <ol style="list-style-type: none"> <li>1. Section 2.4.3 expected benefits of the proposal</li> <li>2. Section 4.3 –major constraints and gaps, section</li> <li>3. Section 4.4 –Round 8 priorities, section</li> <li>4. Section 4.6 Links to other interventions and programs.</li> </ol> <p>According to Aidsplan, sections 5 and 4.3 constitute a situational analysis or a gap analysis</p>	Do not provide insufficient or inconsistent information in sections 5, 2.4.3, 4.3 .4.4 and 4.6. The TRP was critical of proposals where there was no linkage between different sections of the proposal, or when the information provided was deemed insufficient.
Use the automated or partially automated budget template provided by the GF, or at least ensure the inclusion of the following: budget assumptions, detailed separate year 1 and 2 work plans with one detailed plan for year 3, 4 and 5.	Do not submit a budget with no assumptions or insufficient details.
Ensure that activities within each SDA relate to indicators (in the performance framework Attachment A). For example , technical assistance (TA) should have specific objective deliverables that will affect grant performance	Do not budget for activities that cannot be directly/indirectly linked to targets. Do not budget for infrastructure and equipment, TA and training if they do not serve a purpose.
Ensure that proposed activities increase or decrease in line with the budget.	Do not automatically use the same budget for each quarter if activities are expected to vary.
During proposal development, update programme description and budget regularly, ensure that there is always an updated consistent version where costs match proposed activities.	Do not submit a proposal where programme descriptions do not match proposed budget and work plan.
Use a single currency	Do not use more than one currency in the budget section.
Always include unit costs.	Do not submit a budget with no unit costs.
Include costs for all proposed activities.	Don't add a budget line for an activity which is not proposed and subsequently don't leave any proposed activity uncosted.
Research proposed costs. Get quotations for more expensive items.	Don't over /under budget. Ensure that costs are in line with international and national standards.
Before finalizing the budget, analyze % of each SDA and each cost category. Ensure that no specific cost category is substantially higher than the rest.	Do not over budget in one cost category unless it is technically sound. For e.g. if 60% of the budget is in HR cost category only 40 % goes to the rest of categories including programme activities.
Ensure that your organization administrative costs are budgeted in the right cost category (see table below).	Do not include all HR, M&E, infrastructure and FSM with your management overhead and end-up with 30% in the overheads budget line.
	Do not put costs in 'Other' cost category unless it is absolutely necessary and you could not allocate the particular activity to other cost categories. If this happens review the activity.

**Key message: consider carefully your choice of currency, exchange rate fluctuation and inflation**

Take some time to look at trends in the exchange rates of \$US and Euros and get opinion/s from finance experts on what they anticipate will happen during Years 1 and 2. Perhaps the CCM can get an opinion from the Ministry of Finance to give an opinion and/or ask the private sector representatives to get an opinion. Then, as a PR, take your decision – losses and gains from exchange rate fluctuation may be substantial and are managed by the PR. Note that gains can be re-invested by the PR based on reasoned analysis. Seek financial advice on inflation as this may reduce the amount of cash available for expenditure.

**Key message: consider carefully where to best place your costs in the 13 cost categories in the proposal form**

As a PR, one way of doing this is to consider your five broad areas of future responsibility, brainstorm, organise and prioritise and your needs in each of the 13 cost categories. These five areas of responsibility are: Financial Management, Program Management, Sub-recipient Management, Pharmaceutical and Health Product Management and Monitoring and Evaluation. More detail about what the Global Fund considers to be the minimum capacities to meet these responsibilities can be found in the LFA Guidelines for Assessing PRs.

Cost categories	Responsibilities				
	Financial Management	Program Management	Sub-recipient Management	Pharmaceutical and Health Product Management	Monitoring and Evaluation
Human Resources					
Technical and Management Assistance					
Training					
Health Products & Health Equipment					
Pharmaceutical products (medicines)					
Procurement & Supply Management					
Infrastructure and Other Equipment					
Communication materials					
Monitoring & Evaluation					
Living support to clients/target populations					
Planning and Administration					
Overheads					
Other					

*What is needed to meet the role and responsibilities, activities and targets proposed for our organisation?*

*Do our assumptions make sense and fit logically with the analysis, prioritisation and targets in the narrative? Are our calculations reasonable and clear?*

*Where do the costs best fit in the cost categories?*

*Are we confident that with these resources we can deliver on our responsibilities?*

## Cost categories: definitions and guidance

### Human Resources

Salaries, wages and related costs (pensions, incentives and other employee benefits, etc.) relating to all employees (including field personnel), and employee recruitment costs.

Develop a clear GF programme management organogram including all the existing and proposed staffs required to meet the extra work load of the responsibilities of your organization – you'll recall from training in 2007 and 2008 that GF effective grant management and reporting within a performance-based context requires significant resources and oversight.

For existing staff allocate a realistic % of time spend in GF project management and implementation. What the applicant needs to clearly demonstrate is the INCREMENTAL cost that is associated with taking on the new Round 8 Global Fund grant.

Consider how you will manage any implications to your salary scale and how any changes (e.g. to attract and retain key professionals) will impact on your organization.

10% of the total approved for Round 7 was for this category<sup>3</sup>

### Technical and Management Assistance

Costs of all consultants (short or long term) providing technical or management assistance, including consulting fees, travel and per-diems, field visits and other costs relating to program planning, supervision and administration (including in respect of managing sub-recipient relationships, monitoring and evaluation, and procurement and supply management).

GF principles and practices are unique; don't hesitate to plan and budget technical support, in a context of performance-based funding it is essential that we invest adequately in people, systems and tools.

In Round 7, \$43m over 5-years was approved for technical support, country budgets for TS varied from <1% to 22%

Categories of TS mentioned in Round 7 plans were:

- M&E
- PSM
- Management of SRs; capacity building of NGOs and PWH communities
- Technical capacity building
- Financial management and capacity building
- Operational research and surveys
- Quality Assurance

In Round 8, under Community Systems Strengthening, we recommend that you give particular attention to activities for building capacity, building partnerships and sustainable financing of community-based and other civil society organizations. In doing so, consider the bulleted list of Round 7 TS categories above and the following:

- Governance, leadership and strategy
- Networking & advocacy
- Collaboration with health system entities<sup>4</sup>

<sup>3</sup> Global Fund, April 2008 – we include this information for INDICATIVE purposes only, cost allocations will vary in line with the priorities identified in the proposal, the important thing is to present a logical flow of narrative and budget

<sup>4</sup> Entity = policy and planning authorities and service providers

- Coordination
- Planning for financial requirements
- Institutional relations

Include costs for proposed technical assistance needed by your organization and any TS that you shall be providing to SRs and/or SSRs. It is important to highlight your most obvious needs but they must be well-assessed and the objective of the TS well-defined.

#### Training

Workshops, meetings, training publications, training-related travel, including training per-diems that are related to grant management and implementation.

Be clear about the outcomes of training and reflect that they are directly related to grants objectives and targets.

Include here all training costs of PR, SR, SSR employees (whose salary is proposed to be paid fully or partially by the R8 grant), other relevant staffs, stakeholders and volunteers in all areas related to grant management and implementation.

Include here the costs of trainers hired for specific tasks BUT NOT the salaries of full-time trainers, these costs should be included in HR.

12% of the total approved for Round 7 was for this category

#### Health Products & Health Equipment

Health products such as bed nets, condoms, lubricants, diagnostics, reagents, test kits, syringes, spraying materials and other consumables. Health equipment such as microscopes, x-ray machines and testing machines (including the 'Total Cost of Ownership' of this equipment such as reagents, and maintenance costs). (**Total cost of ownership** includes the cost of reagents and other consumables, and annual maintenance to ensure that the equipment operates effectively.) *Do not include other types of non-health equipment, as these costs should be included under the Infrastructure and Other Equipment category below.*

25% of the total approved for Round 7 was for this category

#### Pharmaceutical products (medicines)

Cost of antiretroviral therapy, medicines for opportunistic infections, anti-tuberculosis medicines, anti-malarial medicines, and other medicines. *Do not include insurance, transportation, storage, distribution or other like costs. These costs should be included in Procurement and Supply Management costs below.*

13% of the total approved for Round 7 was for this category

#### Procurement & Supply Management

Transportation costs for all purchases (equipment, commodities, products, medicines) including packaging, shipping and handling. Warehouse, PSM office facilities, and other logistics requirements. Procurement agent fees. Costs for quality assurance (including laboratory testing of samples), and any other costs associated with the purchase, storage and delivery of items. *Do not include staff, management or technical assistance, IT systems, health products or health equipment costs, as these costs should be included in the categories above.*

*If substantial procurement is planned, acquire quotations at least for the more expensive items. This will reduce chances of improper budgeting ,*

Do not forget to budget for insurance costs of all procured items.

7% of the total approved for Round 7 was for this category

#### Infrastructure and Other Equipment

This includes health infrastructure rehabilitation and renovation and enhancement costs, non-health equipment such as generators and beds, information technology (IT) systems and software, website creation and development. Office equipment, furniture, audiovisual equipment, vehicles, motorcycles, bicycles, related maintenance, spare parts and repair costs.

Include all IT requirements under each area of responsibility, particularly financial management, M&E and any operations research. IT hardware can be added as long as it is clearly justified. PR's will be assessed on their infrastructure, so requests for equipment must be in line with proposed activities and kept to a reasonable level for the PR's office. Include audiovisuals, vehicles, motorcycles and related maintenance costs. Make sure these costs are in line with your proposed activities and all equipment is allocated to the PR or an implementing agency.

7% of the total approved for Round 7 was for this category

#### Communication materials

Printed material and communication costs associated with program-related campaigns, TV spots, radio programs, advertising, media events, education, dissemination, promotion, promotional items.

5% of the total approved for Round 7 was for this category

#### Monitoring & Evaluation

Data collection, surveys, research, analysis, travel, field supervision visits, and any other costs associated with monitoring and evaluation. *Do not include personnel, management or technical assistance or IT systems costs, as these costs should be included in the categories above.*

Obviously this is the major cost category in this process, so include the cost of data collection, surveys including baseline surveys, research, analysis, travel, field supervision visits, and any other costs associated with monitoring and evaluation.

The Round 8 guidelines recommends that 7 to 10% is budgeted for M&E

#### Living support to clients/target populations

Monetary or in-kind support given to clients and patients E.g.: school fees for orphans, assistance to foster families, transport allowances, patient incentives, grants for revenue-generating activities, food and care packages, costs associated with supporting patients' charters for care.

4% of the total approved for Round 7 was for this category

#### Planning and Administration

Office supplies, travel, field visits and other costs relating to program planning and administration (including in respect of managing sub-recipient relationships). Legal, translation, accounting and auditing costs, bank charges etc. Green Light Committee contributions (refer to s.4.10.7). *Do not include human resources costs here - they should be included under the Human Resources category above.*

The PR will have to carry out regular verification visits to SR/SSRs so make sure you include these costs. These may be combined with M&E field visits, however separate planning visits /meetings may be necessary.

Also include legal, translation, accounting and auditing costs, bank charges etc. Audit charges are usually annual and assess both financial and programmatic performance

Include the cost of planning field visits, cost of SR/SSR assessments, quarterly review meetings.

4% of the total approved for Round 7 was for this category, in Round 7 the TRP commented on 10%

#### Overheads

Overhead costs such as office rent, utilities, internal communication costs (mail, telephone, internet), insurance, fuel, security, cleaning. Management or overhead fees. This should include only your actual

overheads, for example: office rent, utilities, internal communication costs (mail, telephone, and internet), insurance (for all items procured under GF project), fuel (travel for assessments, TA, M&E and financial verification visits should be budgeted in their respective cost categories), security, and cleaning.

Also included should be management or overhead fees. In calculating your management fee, ensure that you don't double charge (i.e. as a PR taking % out of activities budget but not overall budget which also includes SR Management fee)

This is a slightly complicated cost category but make sure that you budget it carefully after putting all other costs in their respective cost categories.

A Global Fund grant may be used **to fund a portion of an applicant's overhead costs, being those costs which are essential to the running of the organization but which cannot be directly allocable to each donor.** What the applicant needs to be able to demonstrate is: what is the INCREMENTAL cost that is associated with taking on the new Round 8 Global Fund grant. Technically the argument is also related to the financing gap for the entity in question, which can change based on the level of other funding streams.

If these are NEW and SPECIFIC costs associated only with the Global Fund Round 8 proposal, they could potentially be funded as directly allocable costs under "Planning and Administration". If they are not Global Fund grant-specific costs then a proportion of these costs can be recovered under "Overheads". However, the Global Fund could reasonably ask to understand: if the costs of an activity – say an AGM - would be incurred with or without the Global Fund grant, how would it have been funded if the Global Fund grant were not approved? In other words: how are the costs incremental to the Global Fund grant? The answer to this question could be related to the organization's overall funding gap. Any costs, whether direct or indirect, need to be properly justified in accordance with the proposal guidelines.

3% of the total approved for Round 7 was for this category, we recommend that this category stays within 3-7% of the total

Do not leave this category blank

#### Other

Significant costs which do not fall under the above-defined categories. Specify clearly the type of cost. Applicants are able to add additional rows to this table should there be other national budget cost categories that are not covered by the above categories.

2% of the total approved for Round 7 was for this category

The TRP will look for readability and logic, follow the logic through the narrative section into budget assumptions, costing and allocation across categories. Make it as easy as possible for the reviewers to see the arguments that you are presenting, what resources you need from this grant and why.

The Global Fund's proposals hotline works; we've used it to put this together! If you have questions, big or small, send an email to [Proposals@TheGlobalFund.org](mailto:Proposals@TheGlobalFund.org)

Please copy Lee with your question and the response as we are collating information.

Feedback and further queries on this paper is very welcome, contact Lee Abdelfadil, Senior Technical Advisor programmatic and Institutional Support [labdelfadil@aidsalliance.org](mailto:labdelfadil@aidsalliance.org)

Annex - TRP comments on the budgets in Round 7 Category 3 proposals