



## **Introduction**

The budget is one of the main parts of the proposal that is submitted. It reflects the value for money of the submission and gives financial substance to all of the activities that are proposed.

The budget is both a cost estimate and a ceiling for eligible costs. It should therefore be prepared carefully so that all anticipated expenditure is covered, but it is not seen as excessive as this may lead to the proposal being rejected.

## **Guidelines for Grant Applicants.**

The Budget for the Action form is attached below. Before completing the form, the applicant should read the Guidelines for Grant Applicants. (copies available on request)

Where the application includes a number of projects, a Budget should be completed for each individual project. These Budgets should then be consolidated into one overall Budget. Both the individual project Budgets and the consolidated Budget should be submitted with the application.

The Budget must cover all the eligible costs of the Action, not just the RWSSP's contribution.

The description of all items must be sufficiently detailed and all items broken down into their main components.

The number of units and the unit rate must be specified for each component. Numbers of units and the unit rate need not be shown in the consolidated Budget. Copies of quotes is a useful way to support budget requests for materials.

## **Eligible costs**

Only "eligible costs" can be taken into account for a grant. These are detailed below. The budget is therefore both a cost estimate and a ceiling for eligible costs. The eligible costs must be based on real costs, not lump sums.

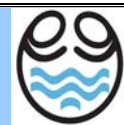
Recommendations to award a grant are always subject to the condition that the checking process which precedes the signing of the contract does not reveal problems requiring changes to the budget. The checks may give rise to requests for clarification and may lead the RWSSP to impose reductions. Possible modifications to the budget may not lead to an increase of the amount of grant requested.

It is therefore in the applicant's interest to provide a realistic and cost-effective budget.

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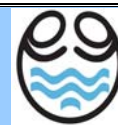
# RWSSP: Technical Advisory Note 1.6

## Budget Preparation



### ANNEX I: BUDGET FOR THE ACTION FORM

Expenses	Unit	# of units	Unit rate (in Kina)	Costs (in Kina)
<b>1. Human Resources</b>				
1.1 Salaries (gross amounts, local staff)				
1.1.1 Technical	Per day/month			0
1.1.2 Administrative/ support staff	Per day/month			0
1.2 Per diems for mission/travel				0
1.2.1 Local staff assigned to the Action	Per diem			0
<b>Subtotal Human Resources</b>				<b>0</b>
<b>2. Travel</b>				
2.1 Local travel (internal flights, public transport, vehicle hire and fuel)	Per month			0
<b>Subtotal Travel</b>				<b>0</b>
<b>3. Equipment and supplies</b>				
3.1 Machines/tools				0
3.2 Spare parts/equipment for machines, tools				0
3.3 Other (please specify)				0
<b>Subtotal Equipment and supplies</b>				<b>0</b>
<b>4. Local office</b>				
4.1 Vehicle costs (own vehicles)	rate/km			0
4.2 Office rent	Per month			0
4.3 Consumables - office supplies	Per month			0
4.4 Other services (tel/fax etc)	Per month			0
<b>Subtotal Local office</b>				<b>0</b>
<b>5. Other costs, services</b>				
5.1 Publications				0
5.2 Networking activities				0
5.3 Auditing costs				0
5.4 Monitoring costs (by Government staff)				0
5.5 Financial services (bank charges etc)				0
5.6 Visibility actions				0
<b>Subtotal Other costs, services</b>				<b>0</b>
<b>6. Other</b>				0
<b>Subtotal Other</b>				<b>0</b>
<b>7. Subtotal direct eligible costs of the Action (1-6)</b>				<b>0</b>
8. Provision for contingency reserve (maximum 5% of 7, subtotal of direct eligible costs of the Action)				
<b>9. Total direct eligible costs of the Action (7+8)</b>				<b>0</b>
10. Administrative costs (maximum 7% of 9), total direct eligible costs of the Action)				
<b>11. Total eligible costs of the Action (9+10)</b>				<b>0</b>



## **Human Resources**

*Salaries:* If staff are not working full time on the Action, the percentage of time spent should be noted. The number of units should be adjusted accordingly, not the unit rate.

Staff included in the proposal should be available for the project implementation and actually spend the allocated time doing project activities as specified.

*Per diems:* Per diems cover accommodation, meals and sundry expenses within the place of the project.

## **Travel**

Indicate the place of departure and the destination.



*Vehicle costs:* If applicants already own a vehicle, a charge per kilometre may be included in the Budget to cover fuel, maintenance, depreciation etc. This may not be based on commercial rates. Individual projects may pool their resources to purchase a vehicle.

## **Local office**

*Office rent:* Office rent may cover only premises rented specifically for the Action. Any other rental and services costs are covered under administrative costs (see 10 below).

*Other services:* Costs such as electricity/heating and maintenance may not be included.

## **Other costs, services**

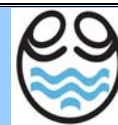
Please specify. Lump sums will not be accepted.

*Publications:* Where a number of projects are included in one application, the cost of publications may be shown in the individual project Budgets and the total given in the consolidated Budget, or alternatively the costs may be combined and shown only in the consolidated Budget.

*Networking activities:* These should include costs to enable both the NSA and the communities to network with other stakeholders related to the project.

*Auditing costs, evaluation costs and financial services:* Where a number of small projects are combined in one application, these costs should be included in the consolidated Budget only, not in the individual project budgets.

*Monitoring Costs:* This should cover the costs of a local government official travelling to the project site to monitor and verify activities.



### **Eligible direct costs**

To be eligible, costs must:

- be necessary for carrying out the Action, be provided for in the contract and comply with the principles of sound financial management, in particular value for money and cost-effectiveness;
- have actually been incurred by the NSA or its partners during the implementing period for the Action, whatever the time of actual disbursement. This does not affect the eligibility of the costs of preparing the final report and of the final expenditure verification and final evaluation. The costs incurred by the NSA's associates are not eligible (with the exception of subsistence and/or travel costs);
- have been incurred during the implementation period of the Action.
- be recorded in the NSA's or its partners' accounts or tax documents, be identifiable and verifiable, and be backed up by originals of supporting documents.

Subject to these conditions, eligible direct costs borne by the NSA and its partners include:

- the cost of the time of staff assigned to the Action, corresponding to actual salary costs and other remuneration-related costs. Salaries and costs must not exceed those normally borne by the NSA or its partners;
- travel and subsistence costs for staff and other persons taking part in the Action, provided they do not exceed

those normally borne by the NSA or its partners;

- purchase or rental costs for equipment and supplies (new or used) specifically for the purposes of the Action, and costs of services, provided they correspond to market rates;
- Please note that the purchase of vehicles is not acceptable, however NSAs can claim for a rate per kilometre for the use of a vehicle and this may be put towards the cost of vehicle.
- the cost of consumables;
- subcontracting expenditure;
- costs arising directly from the requirements of the contract (dissemination of information, evaluation specific to the Action, audit, printing, etc.) including financial services costs if any.

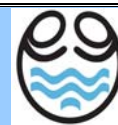
### **Contingency reserve**

A contingency reserve not exceeding 5% of the direct eligible costs may be included in the Budget of the Action. **It can be used only with the prior written authorisation of the Contracting Authority.**

### **Eligible indirect costs (overheads)**

A lump sum not exceeding 7% of the total amount of eligible costs of the Action may be claimed as indirect costs to cover the administrative overheads incurred by the NSA for the Action.

No supporting documentation is required in respect of administrative costs.



Indirect costs are ineligible if the NSA receives in other respects an operating grant from the European Commission.

### **Contributions in kind**

Any contributions in kind made by the NSA or the NSA's partners or any other source, which must be listed in the application form, do not represent actual expenditure and are not eligible costs.

### **Ineligible costs**

The following costs are not eligible:

- debts and provisions for losses or debts;
- interest owed;
- items already financed in another framework;
- purchases of land or buildings;
- construction/extension of office buildings;
- purchase of vehicles or heavy equipment;
- taxes, including GST;
- credits to third parties

### **GST**

In preparing the budget all NSAs should note that GST is not an eligible costs so all NSAs must be GST registered and be able to reclaim their GST payments.

### **Community cash contributions**

Communities are required to make a cash contribution of approximately 10% of the total material cost (i.e. the total of expenses included under 3. *Equipment and Supplies* in the Budget for the Action form, excluding freight costs).

There should also be an in-kind contribution which can increase the total community

contribution. This is not included in the total project cost.

A flexible approach based on the ability to pay will be adopted for remote communities with limited cash resources



### **Questions**

The PMU will be happy to try and answer any questions relating to the preparation of budgets. Please contact:

The Programme Manager,

RWSSP PMU, PO Box 85, Waigani, NCD, Port Moresby.

Or by e-mail on [rgillett@rwssp.org.pg](mailto:rgillett@rwssp.org.pg)



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