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 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 a 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.

Objective of E-Module

To understand how to submit a Cost Application Budget in response to an USAID assistance solicitation.

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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.

Topics We'll Cover Today

1. **How to read an Assistance Solicitation.**
   - Determine the size and scope of a budget.
   - Understand the Solicitation Cost Application Instructions.

2. **How to prepare your Cost Application Budget.**
   - Understand the three basic Budget elements.
   - Understand Cost Categories / Line Items.
   - Understand Indirect Costs and Cost Share.

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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.

Glossary

- APS: Annual Program Statement
- Application: Technical and Cost
- Assistance
- ADS: USAID's Automated Directives System
- Award
- Biographical Data Sheet
- CCN: Cooperating Country National (local staff)
- CFR: Code of Federal Regulations
- Contract
- Cost Share
- CO/AO: Contracting/Agreement Officer
- COR/AOR: Contracting/Agreement Officer's Representative (formerly COTR/AOTR or CTO)
- Cooperative Agreement or "CA"

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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.

- Funding/Grant Opportunity
- Grant
- LOE: Level of Effort
- NICRA: Negotiated Indirect Cost Rate Agreement
- NGO: Non-Governmental Organization
- OMB Circular: Office of Management and Budget Circular
- Prime
- Recipient: Grant or CA Awardee
- RFA: Request for Applications
- Solicitation
- Sub / Sub-Award / Subrecipient / Subcontract
- SF-424: Standard Form 424 "family" or group of forms
- TCN: Third Country National
- USN: US National

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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.

Getting Started

You Found a *Relevant* Solicitation!
You know the difference between:
- **Acquisition**: purchasing by and for the use of USAID (Contracts)

★ FEDBIZOPPS.GOV Federal Business Opportunities
Home | Getting Started | General Info | Opportunities | Agencies
Search more than **20,600*** active federal opportunities.

- **Assistance**: USAID support to achieve a public purpose (Grants/CAs)

GRANTS.GOV℠ Search Contact
FOR APPLICANTS
Applicant Login
Find Grant Opportunities   Find. Apply. Succeed.
Get Registered   Grants.gov is your source to FIND and APPLY for federal grants.

Note: - Non-profits OR For-profits <u>can</u> apply for USAID Assistance
- "Profit" <u>canNOT</u> be charged to a USAID Assistance award

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 soliciatation, 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.

1. How to Read an Assistance Solicitation Carefully

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.

Steps to Reading an Assistance Solicitation Carefully

a. Determine Available Funding

b. Review the Program Description

c. Study the Cost Application Instructions

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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.

Determine Available Funding

Budget your program WITHIN the solicitation range!

USAID | ETHIOPIA
FROM THE AMERICAN PEOPLE

Request for Applications (RFA) No.: 663-A-08-002
Issuance Date: November 9, 2007
Closing Date: December 10, 2007
Closing Time: 5:30 p.m. Ethiopia Time

Subject: Human Rights Technical Assistance in Ethiopia

The United States Agency for International Development (USAID) is seeking applications for an Assistance Agreement for funding a two-year program entitled "Human Rights Technical Assistance in Ethiopia" as detailed in Section C – Program Description. The authority for this RFA is found in the Foreign Assistance Act of 1961, as amended.

The Recipient will be responsible for ensuring achievement of the program objective as described in the program description. Please refer to the Program Description for a complete statement of goals and expected results.

Pursuant to 22 CFR 226.81, it is USAID policy not to award profit under assistance instruments. However, all reasonable, allocable, and allowable expenses, both direct and indirect, which are related to the grant program and are in accordance with applicable cost standards (22 CFR 226, OMB Circular A-122 for non-profit organization, OMB Circular A-21 for universities, and the Federal Acquisition Regulation (FAR) Part 31 for-profit organizations), may be paid under the agreement.

Subject to the availability of funds, USAID intends to provide approximately $1,028,000 in total USAID funding to be allocated over the two-year period.

USAID reserves the right to fund any or none of the applications submitted.

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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.

Major Costs

- Know the Program Description desired results, goals and objectives.

- Identify Activities, Targets, Geographic Scope, Key and Other Required Personnel.

- Ask cost-related questions:
    - Are additional Technical Experts needed?
    - Is Travel appropriate?
    - What office space, equipment , and supplies are needed?
    - What are the Periodic Reporting Requirements or other Administrative Costs?
    - What will be the USAID Branding and Marking Costs?
    - What Security Costs might be required?

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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.

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.

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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

costs associated with each of those sub-awards.

2. How to Prepare Your Cost Application Budget

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.

Basics

- Describe all costs fully and accurately
- Costs missing from the original application can only be added by written award modification.
  - Must be authorized by the Agreement Officer, only after negotiations
- Finance Officer must be aware of Cost Principles applicable to your organization.
  - US Code of Federal Regulations has sections that describe cost principles for different types of organizations:

Non-Profits:	2 CFR 230 (OMB Circular A-122)
For-Profits:	48 CFR 31.2 (FAR)
	48 CFR 731.2 (AIDAR)
Educational Institutions :	2 CFR 220 (OMB Circular A-21)

As you begin to prepare you 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.

Major Cost Category Line Items

- Using the required Standard Form SF-424A

BUDGET INFORMATION - Non-Construction Programs

OMB Number: 4040-0006
Expiration Date: 06/30/2014

Standard Form 424A (Rev. 7-97)
Prescribed by OMB (Circular A-102) Page 1

SECTION A - BUDGET SUMMARY

Grant Program Function or Activity *[Normally Budget One (1) Activity]* [Activity Blocks 1 – 5]	Catalog of Federal Domestic Assistance (CFDA) Number *[See Solicitation]*	Estimated Unobligated Funds		New or Revised Budget *[Used for Budget Increase Modifications]*	
		Federal *[USAID Contribution]*	Non-Federal *[Cost Share]*	Federal *[USAID Contribution]*	Non-Federal *[Cost Share]*

SECTION B - BUDGET CATEGORIES

6. Object Class Categories

- a. Personnel
- b. Fringe Benefits
- c. Travel
- d. Equipment
- e. Supplies
- f. Contractual
- g. Construction
- h. Other
- i. Total Direct Charges (sum of 6a-6h)
- j. Indirect Charges
- k. TOTALS (sum of 6i and 6j)

7. Program Income

NOTE!
Start with the SF-424 Cost Categories, BUT the Solicitation instructions will provide information about how all costs should be presented!

SECTION C - NON-FEDERAL RESOURCES *[Cost Share Details]*
SECTION D - FORECASTED CASH NEEDS *[1st Project Year]*
SECTION E - BUDGET ESTIMATES OF FEDERAL FUNDS NEEDED FOR BALANCE OF THE PROJECT
SECTION F - OTHER BUDGET INFORMATION *[proposed Direct vs. Indirect Costs]*

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Note: Break down your costs FULLY so USAID can understand all the costs for your program.

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.

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!

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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.

1. SUMMARY BUDGET

Summary Budget	Year 1			Year 2			Program Total		
	USAID	Cost Share	Program Total	USAID	Cost Share	Program Total	USAID	Cost Share	Program Total
1. Personnel	$200,000	$ 3,000	$203,000	$ 50,000	$ 3,000	$ 53,000	$250,000	$ 6,000	$256,000
2. Fringe benefits	$ 20,000	$ 1,000	$ 21,000	$ 20,000	$ 1,000	$ 21,000	$ 40,000	$ 2,000	$ 42,000
3. Travel	$ 20,000	$ 1,000	$ 21,000	$ 20,000	$ 1,000	$ 21,000	$ 40,000	$ 2,000	$ 42,000
4. Equipment	$ 15,000		$ 15,000	$ 15,000		$ 15,000	$ 30,000	$ -	$ 30,000
5. Supplies	$ 10,000		$ 10,000	$ 10,000		$ 10,000	$ 20,000	$ -	$ 20,000
6. Contractual	$ 10,000		$ 10,000	$ 10,000		$ 10,000	$ 20,000	$ -	$ 20,000
7. Construction	$ -		$ -	$ -		$ -	$ -	$ -	$ -
8. Other Direct Costs	$ 10,000	$ 2,000	$ 12,000	$ 10,000	$ 1,000	$ 11,000	$ 20,000	$ 3,000	$ 23,000
Sub-Total direct charges	$285,000	$ 7,000	$292,000	$135,000	$ 6,000	$141,000	$420,000	$ 13,000	$433,000
9. Indirect charges (5%)	$ 14,250		$ 14,250	$ 6,750		$ 6,750	$ 21,000	$ -	$ 21,000
TOTAL (sum of lines 1 - 9)	$299,250	$ 14,000	$313,250	$141,750	$ 12,000	$153,750	$441,000	$ 13,000	$454,000

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.

DESCRIPTION		TYPE OF UNIT	UNIT COST	YEAR 1	
				# of Units	Total Cost
1. PERSONNEL					
A. Project Management	-				
Program Manager (Obj 1 – 50%/Obj 2- 50%)	US	day	288.46	260	75,000
Program Officer (Obj 1 – 50%/Obj 2- 50%)	US	day	192.31	260	50,000
Medical Officer (Obj. 1- Health)	US	day	144.23	260	37,500
Education Officer (Obj. 2 – Education)	US	day	144.23	260	37,500
Sub-total Project Management	-	-		1040	
SUB-TOTAL PERSONNEL COST	-	-		-	$200,000

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)- 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.

Cost Category: Other Personnel

Describe all non-key personnel for your project.
- Technical and Professional staff, Supporting Administrative Staff
- Distinguish non-key personnel by nationality: USN, TCN, CCN.

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.

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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.

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 indirect costs versus direct costs and the application of indirect cost rates as a separate matter later on in the presentation.

Cost Category: Travel

Detailed Budget Narrative should explain and justify all project travel costs.

- Costs for air or other commercial transportation for project staff.

- Travel for project beneficiaries may be included under "Other Direct Costs" (ODCs – to distinguish between administrative and program travel).

- Distinguish international vs. domestic travel.

USAID must approve all international travel, so include travel details:
- Number of travelers
- Proposed days and times
- Proposed destinations

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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

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 sub-category.

- 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.

Cost Category: Supplies

Supplies necessary to operate your project office and activities.

- Normally this line is for project office/operations supplies.

- Project activity and beneficiary supplies may be listed separately in the ODCs – Program Costs sub-category.

  - Ex. Project Office paper stock (Supplies) vs. paper training manuals (ODCs/Program Costs)

Note: Include consumable materials and expendable equipment below $5,000/unit.

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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.

Per USAID rules, you must clearly identify and explain legal arrangements (grants vs. contracts) with other implementers.

1. Sub-Awards/Sub-Grants/Sub-Recipients

   - Separately list sub-awardee(s) that you, as prime recipient, may engage for project implementation.

   - **Note**: USAID requires separate budgets for each sub-awardee with the same detail as the prime.

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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

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.

Cost Category: Construction

Rarely requested under USAID Assistance Solicitations.

- USAID has strict regulations on how US Government funds can be used for construction activities in Cooperative Agreements or Grants.

- If applicable, the Solicitation instructions would indicate how to include such costs.

- Generally simply indicate $0 in SF-424 form.

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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

Cost Category: "Other" or Other Direct Costs (ODCs)

- ODCs capture direct costs attributable to the project that do not fit neatly into other categories.

- **Never** include "contingency", "other" or undefined "miscellaneous " costs!

- "Program Costs" may be included here as a sub-category with further breakdown.

Common ODCs:
1. Program Costs – *see left*
   a) Training
   b) Conferences
2. Passports/Visas/Medical Exams
3. Vehicle insurance
4. Rent and Utilities
5. Publications & Postage
6. Phone and Internet service
7. Bank / Translation / Legal Fees
8. USAID Marking / Branding

Read the Solicitation and check Your Cost Principles!

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The "Other Direct Costs", or ODC, category is where you include sub-cost categories that do not fit neatly in the other major cost 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 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.'*

Cost Category: "Indirect Charges" or Indirect Costs

Indirect Costs are used to capture costs that are difficult to attribute to any one individual project.

Consider two examples:
Can you attribute "Utilities" to one specific project?

Example 1) Utilities for the project office in Cairo are necessary to implement only ONE project:
DIRECT Cost.

Example 2) Utilities for the headquarters in the US support 50 overseas and 20 US-based projects:
INDIRECT Cost.

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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.

"Indirect Charges" or Indirect Costs *(continued)*

To attribute a broadly applicable cost to a proposed project, your organization can propose an Indirect Cost Rate in the budget of its Cost Application in two ways:

1. Indirect Rates Proposed in the Cost Application
   - Must be reviewed by USAID on a case by case basis
   - Must be supported by audited financial statements
   - Expressed as a percentage rate.
2. Negotiate Indirect Cost Rate Agreement **(NICRA)**
   - Any "cognizant" US agency can establish the NICRA, not just USAID
   - Based on an audit of the indirect cost rate calculation
   - Your organization must use rates in accordance with the NICRA

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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.

"Indirect Charges" or Indirect Costs *(continued)*

Examples of costs typically expressed as Indirect Cost Rates:

- Fringe
- Overhead
- General and Administrative (G&A)
- Sub-Grants / Contracts Handling

Note:
- Indirect Cost Rates are commonly used by LARGE, established organizations with numerous/diverse donor funding streams
- Certain types of costs can never be included in calculating Indirect Cost Rates – see your Cost Principles

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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.

3. BUDGET NARRATIVE

The Budget Narrative presents clear descriptions and explanations of all your project costs by line item cost category.

- Provide enough detail for USAID to understand fully how its money will be spent on the project.

- Elaborate fully about any unique or excessively high costs!!

Example: Section 1 of Budget Narrative

1. Personnel
Project implementation will occur with four in-country project staff that includes a proposed Key Personnel position, seven administrative staff, home office support and short term consultants as explained below:
(a) Project Office Professional Staff
- KEY PERSONNEL - 1 full-time Program Manager whose time is estimated to be evenly divided between Objective #1 (Health) and Objective #2 (Education).
- 1 full-time Program Officer whose time is estimated to be evenly divided between both objectives.
- 1 full-time Medical Officer whose time will be fully devoted to Objective #1 (Health).
- 1 full-time Education Officer whose time will be fully devoted to Objective #2 (Education).

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.

Cost Sharing

USAID defines Cost Share as project costs to be paid with **non-"Federal" or US Government** funds.

- Required minimum cost share, if any, will be stated in the solicitation.

- If not required by the solicitation, but proposed by the applicant, USAID may consider the added value in selection for award.

- May be cash or in-kind resources such as volunteer time, donated equipment, and buildings/facilities/rent, etc.

- MUST be from NON-USG sources, including private individuals and other donors.

- If you commit to provide cost-share, you are obligated to meet the commitment. *Only commit to what you can achieve!*

- *See ADS and CFR for cost share rules.*

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.

Submitting Budgets for Contracts

Differences between submitting a Budget in response to Assistance/Grant versus Acquisition/Contract Solicitations:

- "Fee": Profit is never allowed in Assistance

- RFA vs. RFP: solicitation formats are different

- Grants Under Contracts (GUCs): sub-grantees/recipients

- Subcontracts: strict rules for using subcontractors

- SF-424 vs. Uniform Contract Format (UCF)

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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.

USAID References

USAID
www.usaid.gov/

Funding Opportunities / Solicitations
http://www.grants.gov/

SF-424 Family
http://apply07.grants.gov/apply/FormLinks?family=15

Application for Federal Assistance - SF- 424
http://apply07.grants.gov/apply/forms/sample/SF424_2_1-V2.1.pdf

Budget Information for Non-Construction Programs – SF- 424A
http://apply07.grants.gov/apply/forms/sample/SF424A-V1.0.pdf

Assurances for Non-Construction Programs - SF- 424B
http://apply07.grants.gov/apply/forms/sample/SF424B-V1.1.pdf

Form Instructions and Burden Info
http://www.grants.gov/agencies/forms_instruction_information.jsp

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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.

References *(continued)*

Cost Principles

Non-Profit Organizations
OMB Circular A-122, re-stated in 2 CFR 230
http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=818c25194401fec74d534d9a005c76c1&rgn=div5&view=text&node=2:1.1.2.10.8&idno=2

For-Profit/ Commercial Organizations
FAR Part 31 *Contract Cost Principles & Procedures*
FAR 31.103 *Contracts with Commercial Organizations*
NOTE! *FAR applies for budgets under USAID Assistance mechanisms*
http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=818c25194401fec74d534d9a005c76c1&tpl=/ecfrbrowse/Title48/48cfr31_main_02.tpl

Educational Institutions
OMB Circular A-21, re-stated in 2 CFR 220
http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=818c25194401fec74d534d9a005c76c1&rgn=div5&view=text&node=2:1.1.2.10.8&idno=2

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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.

References *(continued)*

Relevant USAID Regulations

Code of Federal Regulations (CFR)
Administration of Assistance Awards to **US NGOs**
http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=818c25194401fec74d534d9a005c76c1&tpl=/ecfrbrowse/Title22/22cfr226_main_02.tpl
For Administration of *Assistance Awards to* **NON-US NGOs**, *see*
ADS 303 – "Standard Provisions"

USAID Automated Directives System (ADS) 303
*Grants and Cooperative Agreements to NGOs,* including Standard Provisions
http://transition.usaid.gov/policy/ads/300/303.pdf

Biographical Data Sheet – Form AID 1420
http://transition.usaid.gov/forms/AID1420-17.doc

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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 automative 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.
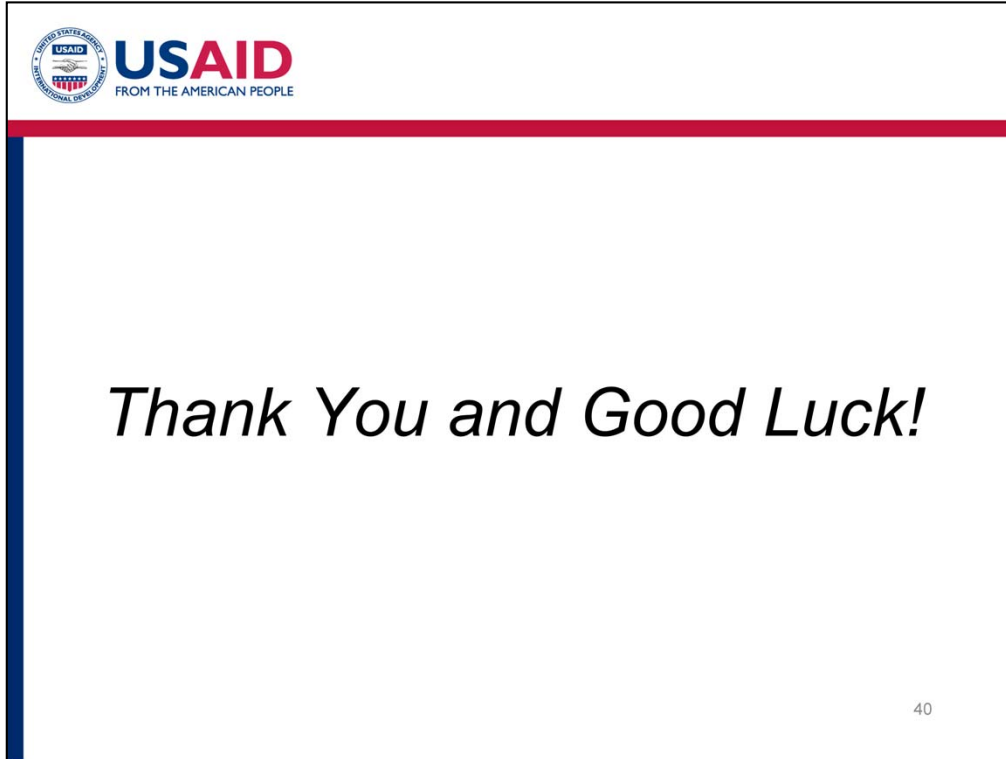
So we've come to the end of this E-Module and I hope that I have given you some tools, resources and guidance that will help you win an award from USAID. Thank you for your attention and good luck.

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.

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