10 tips to improve your proposal budget

25 January 2024

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✓ We help NGOs to be better funded, operate better and deploy smarter strategies

✓ A social enterprise with many services subsidised. Training is already free for partners.
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Talking points

- Rights and Wrongs of Budget Preparation

- Donors Requirements and How to Meet Them

- The Value of a Good Budget

This is a presentation with about 13 slides. We will try to make it an interactive session but will also keep time for engagement and Q&A at the end.

Challenges with budget development

1. The content of the proposal is not ready in time to develop the detailed budget
2. No clear unit costs or benchmarked costs within the organisation
3. Team members do not respond on time with the information required
4. Organisational indirect costs are not clearly identified
5. The donor template is very complicated

How would you end up with a budget that fails the proposal?

... here are some reasons why :

- Incorrect calculations
- Exceeding (or staying under) budget limitations
- Inadequate explanations
- Lack of clarity
- Template issues
- Vague calculations
- High indirect costs
- Bulky contingency costs

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Preparing budgets is equally as important as writing the technical parts!

You wouldn't leave an activity description mid-sentence, would you?

1. Treat your budget development as a project

- Have a meeting with the proposal team - ask questions about amounts - have there been any agreements/discussions with the donor? Is there an understanding of the size of the budget?

- Study the financial requirements of the funder and ensure you have the correct templates and information

- Develop a project plan with a timeline

- Ensure your timeline is in line with the rest of the proposal/bid requirements

- Build in time for budget review and approval

- Inform all relevant stakeholders of the information requirements and the timeline

2. Get the template right

- Always use the donor template (if there is one) and understand how it needs to be completed

- Structure your budget as per the donor requirements

- Ensure the header clearly states the project title, timeframe and your organisation's name

- If there is no template - always use excel or google sheet (never word) to develop a budget and build in formulas to avoid calculation errors

- If you design a template make sure it contains all the details the funders want to see

- Get the currency right - if you use conversions ensure the date, website and rate of the source is reflected correctly

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3. Make sure the content is clearly reflected in the budget

- Ensure that your proposal content 100% matches your budget

- Is the budget telling the same story as the narrative?

- There are different ways how donors want the information, for example

  - All project activities costed

  - All cost linked to general headers such as Human Resources, Project related, Admin. Cost

  - Per phase of the project

  - Per objective or outcome

4. Activity or Line by Line

If there is no donor template, make your choice and stick with it. There is no right or wrong answer but consider that it needs to be clear to the donor.

- **Activity budgets** separate the programme into a group of smaller activities. It is logical to produce and makes it very clear what each activity costs. It shows your intentions, it is often more effective in communication Value for Money (VfM) and it is more difficult to forget things as you are able to visualise the programme activity by activity. They can become over complicated if there are too many activities within the proposal.

- **Line by line budgets** place all expenses of the same type within the same line (e.g. Human Resources, Stationary, petrol, travel); donor templates are more often like this. It creates a quick overall picture of the costs associated with the programme and enables the donor to see where the money is to be spent. Line by line budgeting is less logical than activity budgets, items can get missed out because you are not visualising the activity but just the cost. It is good practice to complete activity budgets first, then transfer them to the line by line budget to ensure items do not get missed.

5. Ask yourself some questions:

The programme budget needs to answer the same questions as your proposal:

- Who will do the work? - Staff costs vary depending on expertise.
- How long will it take? - Think about festivals and holidays.
- What supplies and equipment will be required? - We often see vehicles budgeted for but no maintenance costs or sometimes even no fuel!
- Where will activities take place? - Are the logistics considered?
- Will anyone have to travel? What will the reimbursement rate be? - Travel budgets are often completed without per diems or other incidentals.
- Will the activity require supervision or oversight?

Each of these questions have costs, if they are not covered in your budget then the donor will not pay for them.

6. Direct or Indirect Expenses

- Categorise the expenses: Direct or Indirect.

- The donor will have a policy (hopefully provided with the ToR) ensure that you adhere to this guidance, regardless of previous donor experience.

- The structural, managerial and logistical support indirect expenses are essential to a programmes completion as well as to the health of your organisation.

- Be sure to consider all expenses and categorise them appropriately them because someone is going to have to pick up the tab if they are not covered.

- Be thorough and do not try and "best guess" expense items, this will limit the financial challenges later in the project.

7. Re-read what the donor wants!

Frequent Errors:

- Project Budget Exceeded - Blown the budget before you start!

- Currency not Stated - Is it US$ or €? There is often a difference between the donors currency of choice and the accounting currency of the NGO.

- Indirect Cost Recovery - Check the policy and do not deviate - If it doesn't work for your organisation then it might not be the right donor.

Avoid them!

8. Watch contingencies

- Avoid adding a 'bottom line' percentage for so-called 'contingencies' on the overall budget

- Donors don't like unclear or vague budget lines and it's not an accurate way of calculating a budget

- If needed, calculate a contingency amount for separate items in the budget
  - E.g. a salaries contingency or fuel contingency

- Every item in your budget must be justifiable – bottom line percentages are difficult to justify or monitor.

9. The extra pair(s) of eyes - double/triple check

- Besides your formal approval processes ensure that the formulas and calculations are checked by various people - ideally by at least one person that has not worked on the proposal.

- Triple check that you meet all the donor requirements, e.g. % of overhead cost, are all explanations clear.

- Check again that everything that has been said in the narrative proposal is reflected in the budget.

- Ensure that the final number is added correctly back into the narrative proposal.

10. Emphasise the value of a good budget

A budget is a tool to communicate with a donor. It can say a lot more about the programme and your organisation than just the cost of your proposal. Good budgets can demonstrate:

- **Openness**– Providing details of core salaries, overhead and infrastructure costs demonstrates an openness in all that you do.

- **Value for Money** – Critical for donors, a good budget allows them to see the cost and the impact.

- **Capacity** – A well-prepared budget demonstrates how you are able to efficiently manage the finances of the programme.

- **Compliance** – Detailed budgets allow for donors to review costs at every level, if you have worked hard to create an efficient organisation, the budget will show this to the donor.

- **Skill** – If you weren't able to get the budget right, what chance is there you would get the programme right?

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