1. INTRODUCTION

This section of the guidance covers the classification system of AmplifyChange budgets, and the methodologies used in calculating the expenditure of grants.

AmplifyChange budgets are split between four standard budget headings / subheadings and these are named as follows:

- Project Activities
- Strengthening / Capacity Building
- Monitoring and Evaluation
- Indirect Costs\(^1\)

Within each of these headings, grantees must define their own budget lines which are specific to the project.

A clear understanding of the classification between these subheadings and budget lines is essential as there are firm controls over the amount of flexibility allowed within the budget that grantees must be aware of and adhere to.

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\(^1\) Grants issued in the early rounds of AmplifyChange may have different budget headings.
2. STRUCTURE OF THE BUDGET

To avoid confusion in communication over the difference between budget lines, subheadings, and sub-totals, the table below shows the basic reporting structure of an AmplifyChange budget:

<table>
<thead>
<tr>
<th>Budget Heading / Sub-head</th>
<th>Budget Lines $^2$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project Activities$^3$</strong></td>
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<tr>
<td></td>
<td>Staff</td>
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<td></td>
<td>Facilities / Equipment</td>
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<td>Accommodation / Admin Costs</td>
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<td>Etc.</td>
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<td></td>
<td><strong>Sub Total</strong></td>
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<tr>
<td><strong>Strengthening / Capacity Building</strong></td>
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<td></td>
<td>Staff</td>
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<td>Facilities / Equipment</td>
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<td><strong>Sub Total</strong></td>
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<td><strong>Core Costs</strong></td>
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<td>Staff</td>
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<td>Facilities / Equipment</td>
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<td>Accommodation / Admin Costs</td>
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<td><strong>Sub Total</strong></td>
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<td><strong>Monitoring and Evaluation</strong></td>
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<td>Staff</td>
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<td>Etc.</td>
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<tr>
<td></td>
<td><strong>Sub Total</strong></td>
</tr>
</tbody>
</table>

$^2$ Budget lines for Opportunity / Innovation grants are fixed. Budget lines for Strengthening / Network / Strategic grants are open to editing but with some lines suggested.

$^3$ Project Activities is a single budget heading for Opportunity / Innovation Grants. It is however split between multiple headings for Strengthening / Network / Strategic grants in line with the workplan.
3. AMPLIFYCHANGE BUDGET HEADINGS

This section covers basic guidance on the classification of expenditure between the standard budget headings.

3.1 PROJECT ACTIVITIES

The Project Activities budget heading is expected to cover all expenditure directly attributable to the AmplifyChange project. This is expected to be the total expenditure, less ‘Core’ funding⁴ (where core funding is taken to be Strengthening / Capacity Building, Monitoring and Evaluation, and Indirect Costs).

The presentation of expenditure on project activities is dependent on the type of grant.

Opportunity / Innovation Grants

All project activities in the workplan are aggregated for budgeting purposes. This means that there is a single budget heading covering all project activities, with additional detail within the budget lines (and in the notes section).

Strengthening / Network / Strategic Grants

The headings under the Project Activities section of the budget should match the activities agreed under the project workplan. These activities are not aggregated but the budgets are identified separately on an activity by activity basis.

One issue frequently experienced by grantees is in relation to shared costs – where a single transaction relates to multiple project activities. This is particularly an issue for staff costs given it is expected that some members of staff may be involved in all activities.

⁴ Core funding is taken to mean the project’s fair share of overhead, shared, and indirect costs. In most grants, core funding is broken down into Strengthening / Capacity Building, Monitoring and Evaluation, and Indirect Costs.
It is recommended that a reasonable methodology for the allocation of costs should be agreed in advance during the budgeting process; this methodology should aim to be reflective of what percentage of a transaction relates to a specific activity. In the case of staff costs, it is recommended that time studies and / or timesheets are maintained to allow a comparison of actual staff time against the budget. Once an apportionment methodology is agreed during the budgeting process, this should be used throughout the period of the grant.

Grantees should not go to unreasonable or onerous lengths to collect this information, but are expected to arrive at a supportable methodology for apportionment of transactions which arrives at a reasonable estimate.

Core costs are not expected to be attributed in the same way as activities are in the workplan as they tend to be items which cover all activities.

3.2 STRENGTHENING / CAPACITY BUILDING

Costs of this type are not directly related to the everyday project activity of the organisation, but are specifically to be used to develop and improve the capacity of the organisation itself.

Examples of this type of cost can include:

- Formal training courses for staff
- Support to staff working towards academic qualifications
- Technical advice
- Organisational development (for example, drafting staff handbooks)
- Infrastructure development (for purchasing computers for use by the organisation)

This classification should only be used where the capacity building effort relates to the grant holding organisation itself.\(^5\)

\(^5\) This will include those strengthening measures which are recommended under the Financial Management Assessment undertaken as part of pre-contracting due diligence.
In many cases, grants have been disbursed to work on projects which are solely or partly devoted to raising capacity of a beneficiary population; where this is the case, the associated expenses should be treated as part of the 'Project Activities' classification rather than relating to Strengthening / Capacity Building. The classification of costs as strengthening/capacity building should be agreed at the budgeting stage, with reporting following these agreed arrangements.

External evaluation is an important aspect of any project and we expect to see a separate budget heading for this. There is no specific ceiling for the cost of the evaluation but the assessor will consider if the allocation is appropriate for the proposed project.

**Monitoring and Evaluation after project end**

By default, the budgeting and claims process for Monitoring and Evaluation costs follow the same rule as for all other expenses under AmplifyChange. However, due to the late point in the project lifecycle in which Monitoring and Evaluation costs may be incurred, there are some circumstances by which Monitoring and Evaluation costs can be claimed after the project has concluded.

It is good practice for grantees to pay consultants after all inputs have been completed and the final product can be approved, but in the case of Monitoring and Evaluation, this timing means that payment will often take place after the project has closed. For most expenses this would mean that the cost could not be reclaimed by the grantee, however grant arrangements allow Monitoring and Evaluation costs to exceptionally be claimed.

**3.3 INDIRECT COSTS**

AmplifyChange recognises the need for grantees to support any project through head office administration. These costs are accumulated under the heading of 'Indirect Costs'.
'Indirect Costs' is intended to cover an appropriate and justifiable apportionment of the grantees (and any implementing partner's) administrative costs, expended in support of the grant (where these costs are not covered by the other budget classifications.)

These costs should be minimised to ensure value for money and grantees should consider where cost savings could be made through sharing administrative costs across projects.

The Fund Manager is aware that most grantees will already have their own internal guidance on the calculation of core costs and, as far as is appropriate, are happy for this to be used in the calculation under AmplifyChange.

For the convenience of grantees however, this guidance sets out some good practice principles which must be adhered to, and recommended methodologies which are cleared as appropriate to AmplifyChange:

- Expensed costs must be based on the actual expenditure
- Any costs charged must be evidenced by supporting documentation
- Time charges should be supportable by timesheets (or periodic time studies)
- The recognition of costs should follow the standard reporting principles of all other types of expense regarding the cash basis of accounting and the timing of reporting
- These principles should apply to both grantee and any implementing partners

Please note that the principles above preclude certain methodologies for the charging of administrative costs. It is not acceptable for grantees to charge a fixed rate for administration (for example, a fixed figure of EUR 100,000) or to charge a flat rate, based on the size of the grant (for example, 10% of the total granted).

Recommended and approved methodologies to apply to AmplifyChange grants are as follows:
- Calculation based on the actual observed levels of effort by project
- Calculation based on the total actual administrative costs apportioned across the project portfolio

4. ITEMS WHICH MAY NOT BE CLAIMED

Here are some principles we would like you to follow:
- By default, transactions are expected to be 100% for the purposes of the AmplifyChange grant. In some cases, (especially when related to administrative
costs), cost sharing is allowed and encouraged, but this should not lead to AmplifyChange paying disproportionately for a shared cost

- Inflation must not be included as a stand-alone cost in a separate budget line
- Large capital expenditures are not envisaged under AmplifyChange

All items of expenditure must conform to the principles above, and be allowable within the agreed budget.

There has been some uncertainty in the past, with regards to the application of the rules with specific items of expenditure. The list below highlights what is not permissible. This list is non-exhaustive but covers some of the common points of confusion:

- Severance pay
- Land purchase
- Cars
- Major capital expenditure
  (this cannot be supported as the primary focus of the proposed initiative)
- Contingency / unforeseen costs
  (if these arise during the project implementation they should not be included in the analysis as a separate item in the budget)
- Depreciation (this is an accruals accounting concept and should not be included)
- Debt Repayment

5. BUDGET MANAGEMENT

This section covers basic guidelines for good practice on budget management and financial control.

5.1 GOOD PRACTICE

All grantees are expected to closely monitor their budget against the project plan. AmplifyChange allows some degree of flexibility within budgets, but the expectation is that accurate planning and forecast should occur upfront and that the need for revisions to the budget will be by exception only and will in most cases be anticipated in advance by the grant holder.
As AmplifyChange has its own budgetary restrictions, the quality of forecasting on all grants is paramount, and repeated high variance against forecast is seen as a consequence of weak financial management.

AmplifyChange does not attempt to dictate the planning system of each grantee, however all organisations should consider the points below, of best practice when designing their systems:

- **Collaborative**: management of the budget is only effective when it is a collaboration of the finance section and technical delivery sections. Financial forecasts should be activity based and consider the real-world actions taking place, and be aware of the local context, rather than a simple apportionment of budget across months.

- **Forward looking**: the Fund Manager should be made aware of the need to adjust budgets as far in advance as possible. If grantees report budget variances only during annual reviews, then they are at risk of the Fund Manager rejecting the budget adjustment and denying any disbursement of funds not in the agreed budget.

- **Regularly updated**: it is recommended that forecasts and plans are reviewed at least once a month.

- **Realistic**: there is an inevitable tendency to over-promise on the delivery of projects; effective planning should attempt to control this. Set a project plan linked to a budget which is ambitious, but achievable.

### 5.2 Budget Flexibility

In most cases grantees are expected to operate within the constraints of their project budget, and where adjustments to the agreed budget are required, approval must be sought through the Fund Manager.

However, to avoid the need for approval of many small changes there is some flexibility in budgets for adjustments which can be made **without approval from the Fund Manager**.

The degree of variance in budgets which is allowable without specific approval from the Fund Manager is set out below:
Opportunity / Innovation Grants

- During the course of the project life, the value of a budget sub-heading may vary by up to 20% of the budgeted subtotal, as long as the total budget is not breached
- Expenditure allocated to individual budget lines will be allowed to vary as long as the budget heading variance is not more than 20%

Strategic / Network / Strengthening Grants

- During the course of any 6-month reporting period, up to 20% of the value of a budget subheading (subtotal) can be transferred between individual budget lines (within each sub heading) without Fund Manager approval
- During the course of any 6-month reporting period, the value of a budget sub-heading may vary by up to 20% of the budgeted subtotal, as long as the total budget is not breached
- The budget total for a single 6-month reporting period may vary by up to 20% of the budgeted total for that period. Grantees should be aware that in the case of an overspend in the period, disbursement will still only be made for the following period if agreed by the Fund Manager

The paragraphs above are best read alongside the structure of the budget set out in Section 2 of this document (Structure of the Budget). These flexibilities reflect the only circumstances where grantees may make changes to the values in budgets without the Fund Manager’s approval. Circumstances where specific approval should be sought are outlined below in Section 5.3.

5.3 BUDGET REVISION

Where budget variance in a given year is required which is outside of the above flexibility, grantees must formally request prior approval and budget revision (and if necessary a revised workplan). This will be the case when any one of the following flexibilities is required:

- Budget lines change by more than the flexibilities outlined in Section 5.2
- Budget line being removed / set to zero
- New budget line
What to do if this happens:

- Grantees should inform their regular point of contact within the Fund Manager as soon as it appears likely that there will be a variance of the budget and that this will require a Budget Revision
- Grantees must submit a Budget Revision according to the standard template provided by the Fund Manager (see Section 4 of the financial guidelines Reporting Requirements and Templates section of this guidance). This template requires the grantee to state the original budget, revisions, and the revised budget alongside each other
- Grantees are also required to provide an explanation of any budget lines which are being revised, and justify the reasons for the change. When the requested budget changes have impact on project outputs and activities, grantees must also submit a revised workplan
- If the Fund Manager approves the revised budget, then the grantee will also be issued a revised grant arrangement
- **Grantees are responsible for signing and returning the grant arrangement within 30 days of receipt.** Until this has been received by the Fund Manager, grantees are not permitted to report or claim against the revised budget

5.4 CARRYOVER OF UNSPENT FUNDS

AmplifyChange has a 6-monthly period for the reporting and distribution of funding.

As previously stated, by default it is expected that grantees will keep to their originally agreed budget profile across periods, however in some circumstances there may be a need to move unspent funds into later periods.

This is expected to (mostly be the case) where unforeseeable environmental factors have caused significant delays in implementation.

In these cases, grantees have the flexibility to move 20% of budgeted spending between periods, so that underspending over a 6-month period will not cause the project to lose funding. It should however be recognised, that funding will only continue if the grantee can demonstrate in its technical reporting, that the project can still deliver on its aims; as such, where projects have been significantly underspending, there may be reason to consider if continued funding is justified.
If the project is underspending and behind schedule, grantees have the opportunity to request a no-cost extension. If this is approved by the Fund Manager, an Addendum to the project’s duration in the Grant Agreement will be issued.

Further details on the flexibility to move budget between reporting periods are included in Section 5.2 of this document.