

APPENDIX 3 – DONOR APPROVED BUDGET GUIDELINES

GENERAL GUIDELINES

- The Donor Approved Budget (DAB) is the budget based on approved Grant or Contract Budget Lines used for donor reporting. Country Offices are required to monitor actual expenses against DAB to track spending rates and capture any irregularities in a timely manner.
- Each LM defines its own processes to monitor DAB management of the COs. The DAB templates are specific to each LM based on their financial system requirements. The DAB is set up when a new award is approved by the donor.
- As part of the CO financial management functions, CO budget managers should review their DAB to actual expense variances on a regular basis. Material variances between budget and actual expenses should be investigated, resulting in a revision of DAB in the financial system, and/or a revision of the spending plans for the specific grant or contract where the material variance occurred.
- Each LM also sets up its LM high level review protocols and defines its own processes to monitor budget management of the COs. Each LM also defines the threshold for DAB revisions. When a CO specific Grant or Contract variance between DAB and Actual Expenses reaches or exceeds the LM prescribed threshold, the CO should initiate the budget revision and update the Grant or Contract DAB in the financial system upon approval.

PROCEDURES

- 1) As part of the set up of a new grant or contract, the CO submits its initial DAB for the full life of the grant or contract. The DAB should be equal to the expected total amount of the grant or contract, including any amounts pre-authorized by the donors before signing the final agreement. Exceptions include instances where the donors prescribed separate annual budgets, in which case the annual approved budget for each year of the agreement is set up as the DAB individually for each year. During the initial set up, the DAB should have a detailed phasing by month for the current Fiscal Year, which should be the same as the AOB for the grant or contract.
- 2) The CO designated Budget Managers in coordination with CO Grants or Finance teams should conduct regular review of the DAB versus Actual Expenses to ensure expenses are within the approved budget lines or do not exceed donor thresholds. Budget Managers should provide explanations to the CO Senior Management Team for any material variances between DAB and Actual Expenses or if required, revise DABs in the financial system.
- 3) CO Head of Finance and Head of Grant and Contracts team are responsible for ensuring that the monthly reviews happen and budget revisions are completed by Budget Managers wherever and whenever required.
- 4) The LM will conduct oversight reviews of the CO performance against their DAB based on LM defined schedule (example, quarterly or bi-annually). The results of the LM reviews are provided to the COs, with notification of exceptions and suggestions for corrective actions to the Country Director, Budget Managers and Head of Finance.