

CARE INTERNATIONAL BUDGET POLICY

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I. PURPOSE

The purpose of this policy is to define and disseminate minimum standards for proposal and annual budgeting processes for use by Country Offices (CO) and all CARE International (CI) Member Offices. The use of a common policy and compatible budgeting procedures, terminologies and tools for preparing proposal and annual budgets will facilitate financial planning, cost recovery and assigning costs to donors and CI member offices.

II. SCOPE

The articles related to proposal budgets and (pre)-Individual Project Implementation Agreements (IPIA) apply to all CI member offices including Global South Members and northern CI Member Headquarters and the CI Secretariat. The articles related to annual budgets apply to COs only.

III. POLICY STATEMENT

Proposal Budgets

CO and CI member offices prepare proposal budgets to secure funding to implement humanitarian and development programs and cover the associated management and administrative costs, consistent with donor requirements and responsibilities under the CI Code. The following policies and principles apply:

1. Proposal budgets include all costs necessary to implement the proposed projects, including adequate budget provisions to cover any cost share (match), support services costs allocated through the Shared Program Costs (SPC) method, and indirect costs;
2. In proposal budgets, all costs by COs are considered direct costs; CI member offices may budget direct costs for specific technical and monitoring activities directly associated with the implementation of the projects, as well as indirect costs associated with general management and administrative support and oversight;
3. When the proposal budgets concern a performance, time and materials or results-based contract, a separate revenue and expense budgets is required.
4. If the proposal budgets to be submitted to donors do not capture 100% of the necessary costs, a supplementary budget schedule is required to specifically identify those costs;
5. All required proposal budgets data are available and used in Pre-IPIAs and IPIAs; It is in these documents that the parties to the proposal will agree on how to cover 100% of the costs;
6. All direct and indirect costs included in proposal budgets to be covered by donors or as part of the match are allowable and consistent with donor rules, regulations, and the terms and conditions of the call for proposal, if applicable;
7. The methodology used to calculate SPC included in the proposal budgets is consistent with the methodology used to allocate SPC to donors;
8. Indirect cost recovery associated with the primary donor accrues to the contract holder; indirect cost recovery associated with additional contributions from the CARE Member Partner (CMP), the Lead Member (LM) or other parties accrues to the CI member responsible for those contributions.

Annual Budgets

CO and CI member offices prepare annual budgets on a timeline and in a format that facilitates financial planning among COs, CMPs and LMs. Such annual budget information is presented in a manner that provides consistent, complete and reliable information and allows CI member offices to complete their consolidated annual plans and budgets.

This policy does not address other types of budgets and forecasts, e.g. capital budget, cash flow projections, quarterly forecast, etc. and does not cover budget negotiation with donors, or budget execution and monitoring.

IV. POLICY DETAILS

A. PROPOSAL BUDGET POLICY

1. **Project Activity Plans are Pre-requisite:** Proposal budgets are based on project activity plans. These plans must include good estimates of all costs, including support services or SPC vital to the implementation of the projects or programs.
2. **Proposal Budget Guidelines and Templates:** COs and CI member offices will prepare the proposal budgets using the budget template provided by the donors or, if not available, the CMPs. The CMP will provide appropriate budget guidelines to COs and other parties involved in the proposal budget development in a timely manner. If not all costs necessary to implement a project can be assumed by the donors, a separate CARE budget template should be completed to identify those costs along with the proposed source of funding for those costs. The guidelines and template for this additional cost budget are provided in Appendix 1.
3. **Budget Review and Approval:** the grants and contracts policy of each CI Member governs the review, approval and submission of proposal budgets (e.g. Go / No Go protocols, approval checklists). Changes to proposal budgets may be requested during the contract negotiation with donors. COs must ensure any changes to the proposal budgets are consistent with the project activity plans and the need for full direct and indirect cost recovery, whether from the donors and/or the CI members involved, with responsibilities assigned consistent with the CI code.
4. **Budgeting Total Implementation Cost:** The total cost of a project or a program is the sum of the *direct cost* and *indirect cost* incurred to implement the project or program. Each proposal budget must include the direct and indirect costs. In certain proposals, management fees and/or results based premiums may also be included. CARE defines these costs as follows:
 - **Direct costs** are reasonable and necessary costs incurred by COs, CMPs and LMs to implement projects and programs and include 4 types:
 - a) Those identified with specific project activities and charged 100% to the projects, e.g. the personnel costs of a project manager, project accountant or field agent;
 - b) Those identified with a specific group of projects and shared among that group only, e.g. the personnel costs of a health sector coordinator shared among all health projects, or the operating costs of a sub-office shared among only projects covered by that office;
 - c) The shared support services allocated fairly to all projects and programs through the SPC method, e.g. time spent by a CO finance director to provide quality control and financial stewardship to all projects or programs implemented by the CO;
 - d) The cost of technical assistance and monitoring activities provided by another CARE office, e.g. the CI member which serves as the contract holder (CMP or LM), or another CI member which has the specialized skill set in the program outcome area or approach.
 - **Indirect costs** are those costs incurred by LMs, Global South Members and CMPs to provide programmatic oversight and general management services that cannot be directly identified with a single grant or contract. Indirect costs are recovered to the extent possible by applying a fixed overhead rate negotiated with the donors.

5. **SPC in Proposal Budgets:** SPC included in the direct cost proposal budgets must be reasonable and necessary, based on the overall CO SPC budget. Refer to the CI SPC policy for details.
6. **Currency Rate:** Exchange rates to convert proposal budgets from one currency to another should be considered carefully. COs should use a conservative approach and historical rates to determine the rate to use in proposal budgets. COs working in volatile currency environments should consult their LM and the CMP responsible for the grants or contracts to agree on the best rate estimate method for each period covered in the proposal budgets.
7. **Inflation and Contingency:** Inflation should be reflected in the projected costs of each project. Unless required by donors, contingency is not typically budgeted as a separate line item.
8. **Collaborative Approach to Budgeting:** COs will coordinate with local offices and departments (e.g. Program, Finance, Human Resources, Procurement, IT, Security), partners, and technical support as appropriate (e.g. CI technical teams such as CARE Emergency Group (CEG), Food & Nutrition Security, Sexual & Reproductive Health Rights and Women's Economic Empowerment) to ensure proposal development efforts are inclusive and all crucial costs are identified and included in the proposal budgets.
9. **Donor Approved Budgets (DAB):** Once a grant, contract and/or an IPIA is signed, an appropriate version of the donor approved budget by grant/contract line item should be loaded in the financial system in donor currency to facilitate planning, monitoring and reporting. The DABs should be updated when there are significant changes in the project implementation timeframe, and if a formal budget amendment is agreed upon with the donor and/or CMP.
10. **Budget Revisions:** Budget revisions may be required during the grant negotiation phase, or if an amendment is required by the donor or the CMP. The same policies in effect for the initial proposal apply the grant budget revisions.

B. COUNTRY OFFICE ANNUAL BUDGET POLICY

1. Annual Operating Budgets (AOB) are established to capture the full picture of a CO's secured and unsecured budget portfolio approximately three months prior to the start of a new fiscal year.
 - **Secured grants and contracts** are supported by active donor agreements.
 - **Unsecured grants and contracts or pipeline budgets** include all project proposals (those that reached agreement stage with donors, those submitted and those not yet submitted to donors). Pipeline budgets provide an overview of future project and program activities to help CO senior management evaluate the needs for funding support, resource acquisition and diversification.
2. At the time of the annual budget preparation, COs should review and update their SPC budgets, including the underlying assumptions. COs should ensure the total SPC is reasonable and necessary for managing and supporting the program portfolio during the next fiscal year. COs should ensure the SPC to be charged to existing grants and contracts does not exceed the amount approved by donors or by a margin exceeding the allowed budget flexibility under the grant, contract or IPIA.
3. LMs must review the CO AOBs, including the SPC budgets and the proposed allocation.
4. LMs will share the final AOBs of active grants and contracts with each CMP responsible for these grants and contracts no later than eight weeks prior to the start of the fiscal year.
5. AOBs should be reviewed and can be revised during the course of the fiscal year if new agreements are signed, existing grants or contracts have ended and new proposals are added to the pipelines. Such reviews and revisions should include SPC.
6. AOBs are part of CO multi-year financial forecasts.
7. Detailed guidelines and recommended templates for annual budgets are provided in Appendix 2.

V. RESPONSIBILITIES

It is the responsibility of budget holders/managers, budget preparers and all personnel with budgetary roles to ensure they understand and implement this budget policy. The following are general roles and responsibilities related to budget activities:

Budget Preparers

1. Ensure the appropriate guidelines and templates are used to prepare all proposal and annual operating budgets.
2. Coordinate with appropriate implementation offices and departments (e.g. Procurement, Program, Finance, Security, etc.) and, if applicable, the CMP and any CI technical support teams to ensure all project activities are fully identified and properly budgeted.
3. Ensure all costs associated with project activities are fully budgeted, including SPC.
4. Prepare plans for the coverage of any funding gaps at proposal stage.

Grant Managers and Budget Holders

1. Lead the preparation of proposal budgets and ensure CARE policies and donor requirements are met.
2. Contribute to the preparation of the CO annual budget and other operating budgets as needed.
3. Coordinate restricted Grants and Contracts budget revisions with the donor relationship managers or directly with the donors, as applicable.

Country Office Finance Directors

1. Prepare the CO annual and multi-year SPC budgets
2. Participate in the preparation of proposal budgets and ensure SPC and Indirect Costs are budgeted as appropriate.
3. Ensure the method used to determine the SPC included in proposal budgets is consistent with the method used to allocate actual SPC to donors.
4. Lead CO annual budget preparation, reviews and updates.

Assistant Country Directors - Program

1. Participate in proposal and annual budget reviews.
2. Provide managerial support to staff responsible for developing proposal budgets
3. Ensure funding gaps are calculated and CO can cover the gaps or additional coverage is provided by LM or CMP.

Country Directors

1. Ensure adequate processes and structures are in place to engage all CO, LM and CMP teams in the development of project proposals and proposal budgets as appropriate.
2. Review and approve SPC and annual budgets.
3. Ensure SPC is included in project proposals, and the amount included is reasonable.

Regional Directors / Deputy Regional Directors (where applicable)

1. Review and approve CO annual budgets prior to consolidation at LM level.
2. Review CO SPC budgets and provide guidance to enable COs to maintain adequate level of SPC in line with existing budget portfolio and potential funding in the pipelines.
3. Review budget proposals as appropriate and ensure costs like match funding are covered properly.
4. Participate in providing guidance on the processes for the review, approval and submission of proposal budgets (e.g. Go / No Go protocols, approval checklists).

CARE Member Partner (CMP):

- Provide guidance on the processes for the review, approval and submission of proposal budgets (e.g. Go/No Go protocols, approval checklists)
- In collaboration with the LM, provide guidance to COs working in volatile currency environments on the rate estimate method to use for each period covered in the proposal budgets.
- Approve match requirements and ensure the match is in compliance to the Donor requirement.
- Provide guidance to COs on donor requirements.

CI Lead Member (LM):

- Review the CO annual operating budget, including the SPC budget and the proposed allocation, and share the AOBs of active grants and contracts with each CMP responsible for these grants and contracts.
- Periodically review the SPC structure and costs for reasonableness based on each CO context.
- Review SPC when a CO undergoes major changes due to the expansion or reduction of the portfolio or implements a significant change in the operating model, and ensure structural changes are implemented in a timely fashion so SPC is reasonable and necessary given the new circumstances.
- In collaboration with the CMP, provide guidance to COs working in volatile currency environments on the rate estimate method to use for each period covered in the proposal budgets.
- Provide guidance to COs on the processes for the review, approval and submission of proposal budgets (e.g. LM Go/No Go protocols, approval checklists)

VI. ACRONYMS

AOB	: Annual Operating Budget
CI	: CARE International
CEG	: CARE Emergency Group
CMP	: CARE Member Partner
CO	: Country Office
ICR	: Indirect Cost Rate
IPIA	: Individual Project Implementation Agreement
LM	: Lead Member
NICRA	: Negotiated Indirect Cost Recovery Agreement
SPC	: Shared Program Cost

VII. APPENDIXES

Appendix 1a:	Proposal Budget Guidelines
Appendix 1b:	Proposal Budget Summary template
Appendix 2a:	Annual Operating Budget Guidelines
Appendix 2b:	Annual Operating Budget – Secured Budget template (adapted by each LM based on chart of accounts)
Appendix 2c:	Annual Operating Budget – Pipeline template (adapted by each LM based on chart of accounts)
Appendix 3:	Donor Approved Budget Guidelines