

**Guideline
for
the annual plan and budget
of
projects funded by Kindernothilfe (KNH)**

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A. Introduction

1. This guideline applies to all projects which are supported by KNH, regardless whether the project receives the funds from KNH through a local partner of KNH, a KNH co-ordination office, or directly from KNH.
A separate “guideline for relief and rehabilitation projects funded by KNH” has been issued by KNH which is applicable to the respective projects.
2. The main objectives of this guideline are:
 - To outline a planning system which is goal-oriented and activity-based and takes into account appropriate planning methods and instruments.
 - To provide KNH with comprehensive and transparent information about the objectives, results and activities of a project as well as about the respective costs and the funding of a project.
3. This guideline takes into account that all funds from KNH are earmarked and designated for specific purposes: The annual plan and budget are the blue print for the period under review. Once it is adopted and approved by KNH it should not be changed without the sanction of KNH.
4. Specific requirements are laid down for:
 - New projects with a duration of 18 months or shorter (refer to C.1)
 - Quarterly finance plan (refer to C.2)
 - Capital expenditure budget (refer to C.3)
 - Cost centre budget (refer to C.4)
 - Budget for micro credit scheme/loan revolving fund (refer to C.5)
5. Model formats for various sheets are given in the appendices 1 to 6.
6. The requirements of this guideline will be applicable for all budgets which refer to a financial year starting on January 1st, 2010 or later.

B. General requirements

The annual plan and budget should include the following components and information:

- Schedule of objectives, results and activities (appendix 1)
- Working budget (appendix 2)
- Annual payroll costs/list of positions (appendix 3)
- Notes on the budget

1. Schedule of objectives, results and activities

This schedule should give an overview about the objectives, results and activities of the project during the period under review. On the one hand it outlines what the project would like to achieve and on the other hand it describes how the project would like to achieve its objectives and planned results. This schedule should fit to the Logframe of the project presented with the project proposal or to the actual strategic planning of the project.

The schedule should give the following information:

- objectives and planned results of the project
- indicators to measure the achievement of objectives and results
- activities and a breakdown into manageable tasks

- details about the beneficiaries/target groups and the total number of children benefiting from the project. If applicable, the number of children supported through personal sponsorship scheme should be given.

The information should be given in a structured way: for each objective the results, indicators as well as activities and manageable tasks should be shown.

2. Working budget

The working or operating budget should be result and activity-oriented (result- and activity-based budgeting). It should show all income from all (funding) sources and the total costs of the project. It is not sufficient to only show the funds requested from KNH and their planned application. The working/operating budget should show as comparative figures the approved budget of the current year as well as the actual figures of the first six months of the current year.¹

The estimated surplus/(deficit) of the current year, if applicable¹.

The incoming resources should be grouped under major categories like:

- Funds requested from KNH
- Contribution from partner
- Other local contribution
- Funds from other donors
- Income from interest
- Any other income

The same goes for the application of the resources. Main categories should be:

- Direct expenses on project activities
- Contribution to micro credit scheme or loan revolving fund²
- Research, monitoring, evaluation
- Personnel
- Running and administrative costs of the project
- Repair and maintenance
- Depreciation of/provision for fixed assets³
- Other expenses and contingency
- Capital expenditure⁴
- Administration-/overhead charge partner⁵

Notes:

¹) The estimated surplus/(deficit) should be shown in case it amounts to more than 5 % of the annual funds requested from KNH.

²) Under this category the expenses for the establishment and the increases of the capital of a micro credit scheme/loan revolving fund should be shown. A separate budget for transactions of a micro credit schemes/loan revolving fund has to be prepared and attached to the annual plan and budget.

³) Depreciation has to be shown if fixed assets were capitalized and depreciated. Provision for fixed assets only appear if the project maintains a restricted fund for the replacement of fixed assets.

⁴) Details about the budgeted capital expenditure (breakdown, description and purpose/reason) should be given. A separate capital budget has to be prepared if the capital expenditure amounts to 5,000 Euros or more.

⁵) In case that the project has to contribute to the administration-/over head costs of the partner it has to be reflected in the working budget.

¹ Budget for the year 2010 should show as comparative figures the approved budget 2009 and the actual figures of the first six months of 2009.

3. Budgeted payroll costs/list of positions

The project should give details about the budgeted payroll costs. Therefore, a list of positions should be presented which shows detailed information about the composition of the personnel costs of each position/staff member: basic salary, any allowances and/or fringe benefits, social securities, provident and/or pension fund, and any provisions for legally required reserves for compensation or retrenchment payments.

4. Notes to the budget

The explanatory notes to the budget should

- give additional and detailed information about the most important categories of the incoming resources and the application of resources,
- explain major variances to the comparative figures,
- give details about the estimated/expected rate of exchange,
- comment on any budgeted surplus or deficit.

5. Deadline

The annual plan and budget should reach KNH as early as possible. It has to reach KNH 3 months before the beginning of the period under review at the latest.

C. Specific requirements

1. Duration of new projects: 18 months or less

If the duration of a new project is 18 months or less

- the schedule of objectives, results and activities
- the working budget as well as
- all other information should refer to the entire project duration. These information should come along with the project application.

It is not necessary and required to send two annual plans and two working budgets which refer to the different financial years.

However, all other requirements mentioned in this guideline have to be met accordingly.

2. Quarterly finance plan

In principle, KNH quarterly transfers funds in four equal instalments. The project should prepare and present a quarterly finance plan if the project would like to receive the funds from KNH in 4 different amounts. This may not be necessary for institutional projects like day care centres or formal/non-formal training centres, but for child focussed community development projects or similar projects where the cash needed varies from quarter to quarter. Refer to appendix 4.

3. Capital budget

The capital budget is the plan for acquiring new fixed assets and how they will be funded (funding plan). In addition to the working/operating budget, a separate capital budget has to be worked out and presented by the project if the capital expenditures amount to 5,000 Euros or more. The capital budget has to show the different types of capital expenditures as well as details about the funding plan. It should be a common practice that the project/partner contributes from its own sources at least 25 % to the capital budget. Refer to appendix 5.

4. Cost centre budget

If a project runs different program components with various activities which may be funded from different sources, it is recommended to prepare the budget according to different “cost centres”. This format should also be used if the project maintains different types of unrestricted, designated or restricted funds and prepares its accounts according to the principles of fund accounting. Refer to appendix 6.

5. Budget for micro credit scheme/loan revolving fund

If a project has a micro credit scheme or a loan revolving fund, a separate budget should be prepared showing the receipts and payments of this scheme/fund: Receipts which should be budgeted are expected repayments of loans and interests charged. Payments which should be budgeted are costs like bank fees and the amount of loans planned to be granted during the period under review. Refer to appendix 7.

D. Amendment of the budget

Once the budget is approved by KNH it should not be revised or amended. However, for good reasons like changes in the general set up of the project or in the underlying assumption, it might become necessary to revise the approved budget. In these cases KNH should be informed without any undue delay. Any major amendment of the approved budget, i.e. 5 % or more of the budget, must be sanctioned in advance by KNH.

E. Approval and imposition of sanctions

1. If the annual plan and budget presented complies with the requirements mentioned in this guideline, KNH may approve the annual plan and the budget. However, KNH reserves the right to sanction an amount for the project which is lower than the budgeted one. If this is the case, the project is requested to amend its budget in order to balance it.
2. KNH will effect no payments to a project for the budget period under review if
 - the annual plan and the budget are not submitted to KNH in due time (refer to paragraph B.5 of this guideline),
 - the annual plan and budget cannot be accepted by KNH,
 - any additional information regarding the annual plan and budget requested by KNH are not presented in time.
3. The annual plan and budget cannot be accepted by KNH – unless something else has been agreed between the project and KNH in advance – if
 - the schedule of objectives, results and activities is missing or the information about objectives, results and activities is incomplete (refer to paragraph B.1 of this guideline),
 - the working budget does not show all income and the total costs of the project (refer to paragraph B.2 of this guideline),
 - the budgeted payroll costs are not given in detail and/or the list of position is missing (refer to paragraph B.3 of this guideline)

In these cases the project shall rework the annual plan and budget and shall provide KNH with details and the requested information.

Appendices

The following model formats may be of help in presenting the different statements. However, the presentation does not matter as long as the required information is given.

1. Schedule of objectives, results and activities

This schedule should fit to the Logframe (or the strategic planning) of the project.

Objectives	Results	Indicators	Activities and tasks
1.	1.1	• ... • ...
2.	2.1	• ... • ...
...

2. Working budget

	(1)	(2)	(3)	variance to	
	budget for the next year ...	actual of the first six months of the current year ...	approved budget of the current financial year...	actual of the first six months (1)-(2)	approved budget of the current year (1)-(3)
Estimated surplus/(deficit) of the current year					
Income					
1. Funds received from KNH					
2. Contribution from project carrier					
3. Other local contribution					
4. Funds from other donors					
5. Income from interests					
6. Any other income					
Total income					
Operating costs					
1. Direct expenses on project activities					
2. Micro credit scheme/loan revolving fund					
3. Research, monitoring, evaluation					
4. Personnel					
5. Running and administrative costs					
6. Repair and maintenance					
7. Depreciation of/provision for fixed assets					
8. Other expenses and contingency					
Subtotal operating costs					
9. Capital expenditure					
Total project costs					
administrative/over head charge for partner					
Total costs					
Surplus/(deficit)					

3. Budgeted payroll costs/list of positions for the financial year from ... to ...

position	name of staff member	annual basic salary	annual social securities	annual contribution to pension fund	annual contribution to provident fund	annual benefits and allowances	total budgeted costs for the year
...							
...							
...							
...							

4. Quarterly finance plan

	financial year from ... to ...				total
	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	
Income					
1. Funds received from KNH					
2. ...					
... ..					
Total income					
Operating costs					
1. ...					
... ..					
Subtotal operating costs					
9. Capital expenditure					
Total project costs					
administrative/ overhead charge for partner					
Total costs					
Surplus/(deficit)					

5. Capital expenditure budget for the financial year from ... to

	budget for the next year ...
1. Capital expenditure	
1.1 equipment	
1.2 vehicles	
1.3 other assets	
total capital expenditure	
2. financed by	
2.1 own contribution	
2.2 sale of assets	
2.3 other sources (to be specified)	
2.4 amount requested from KNH	
total funds available	

6. Cost Centre Budget

	cost centre	cost centre	budget for next year ...	approved budget of the current year
1. Income/Receipts				
1.1				
1.2				
...				
Total income/receipts				
2. Expenditure/Payments				
2.1				
2.2				
...				
Total expenditure/receipts				
3. Net surplus/(deficit) of receipts over payments				
4. Transfers between funds				

7. Budget for micro credit scheme/loan revolving fund

	budget for the next year ...	actual of the first six months of the current year ...
Opening fund balance		
Receipts		
Funds for recapitalization/increase of capital		
1. ¹⁾		
2. Repayments of loans		
3. Interest received		
4. Other receipts		
Total receipts		
Payments		
1. Loan granted		
2. bank charges and similar costs		
3. Other payments		
Surplus/(deficit)		
Closing fund balance		

1) This amount appears in the working budget as operating cost for "micro credit scheme/loan revolving fund" (refer to paragraph B.2. note 1)