# Successfully Managing a Grant Contract End-to-End with Practical Tips

https://open.spotify.com/embed/episode/7CILYYkJM1pOWlqR6AjzKY?utm_source=generator

https://www.youtube.com/embed/-SkbVaxwACU?si=Sm6f_Txlwb-K0GxG

## Session layout

- Budget, types, budget monitoring and control
- Grant contract terms and condition
- Challenges and Tips for grant management

## Budget basics

- A budget is estimation of revenue and expenses over a specified future period, usually the project period for a grant.
- It is financial plan (blueprint) of the project plan. One need to budget the plan and not vice versa.
- Budget is a Planning (align with objectives)Tool, Control (within policy framework) Tool, Compliance (ceiling) Tool and Mirrors the Financial Report
- A budget covers quantitative, qualitative and cost aspects.

## The purpose of budget is to:

- Ascertain reasonable estimation of costs for interventions/activities in a grant proposal/award.
- Segregates costs-direct/common/indirect or OH costs
- Cost matching/sharing (co-financing) for multi donor grant, in kind match.
- Is a framework for donor-donee in a grant award
- Enables course correction based on measurement of actual achievements versus estimates
- Statement of SOF and Estimated Costs
- Enables Recognition-activity, group, period, income, expenditure, deficit, surplus

## Pre requisites

- Organisation structure
- Data
- Chart of accounts
- Managerial support
- Formal process for formulation

# Types of Budgets:

## Activity budget

Activity based budget as the name suggests, covers the costs required for implementing a project activity. In ABB, one looks at resources required for completing an activity and the resources cost

For example, if project strategy is to build capacity of civil society leaders, workshops is an activity. Workshops costs would be towards hiring resource persons, booking a venue, transportation cost, food, lodging and materials and handouts.

### Activity Budget for Conducting a Workshop

| Particular of Expense | Rate per unit | No of Units | Total in Rs |
|---|---|---|---|
| Trainer Fees | @ Rs 1000 per day | 3 days | 3,000 |
| Venue | @ Rs 500 per day | 3 days | 1,500 |

| Particular of Expense | Rate per unit | No of Units | Total in Rs |
|---|---|---|---|
| Rental for Furniture | @ Rs 500 per day | 3 days | 1,500 |
| Rental for Equipment | @ Rs 100 per day | 3 days | 300 |
| Catering Exp for Lunch and tea two times | @ 100 per person | 55 persons X 3 days = 165 | 16,500 |
| Conveyance paid to attendees | @ Rs 50 per person per day | 50 attendees x 3 days = 150 | 7,500 |
| Printing of handouts | @ Re 1 per page | 50 pages x 50 copies = 2500 pages | 2,500 |
| **Grand Total** | | | **32,800** |

# Line Item Budget

- A Line-item budget presents the budget under broad heads
- It lists income and expenses by category
- Major donors like USAID, European Commission prefer to have their budget templates by line items.
- It helps better tracking for trends in major cost categories

## Line Item Budget

| Expenses | Unit | # of Units | Unit rate ($) | Cost ($) |
|---|---|---|---|---|
| **Human Resources:** | | | | |
| CEO | Per day | 3 | 350 | 1050 |
| Trainer Fees | Per day | 2 | 200 | 400 |
| *Subtotal Human Resources* | | | | **1450** |

| Expenses | Unit | # of Units | Unit rate ($) | Cost ($) |
|---|---|---|---|---|
| | | | | |
| **Travel:** | | | | |
| Trainer Airfare | Per person | 1 | 300 | 300 |
| Participant Transportation | Per person | 30 | 10 | 300 |
| *Subtotal Travel* | | | | **600** |
| | | | | |
| **Equipment and Supplies:** | | | | |
| Materials and hand-outs | Per person | 30 | 15 | 450 |
| *Subtotal Equipment and Supplies* | | | | **450** |
| | | | | |
| **Other Costs and Services:** | | | | |
| Venue | Per day | 2 | 300 | 600 |
| Catering | Per person | 30 | 15 | 450 |
| *Subtotal Other Costs and Services:* | | | | **1050** |
| | | | | |
| **Subtotal** | | | | **3550** |
| Overhead (10%) | | | | 355 |
| **Total** | | | | **3905** |

# Other Types of Budget

**Incremental budget:** Next year's budget prepared by making marginal changes to the current year's budget. The current budget is used as a base to which incremental assumptions are added or subtracted from the base amounts to determine new budget amounts.

**Value Proposition Budgeting** focuses on allocating the ideal amount of financial resources that provides the highest value to the customer. Another name for Value Proposition Budgeting is Priority Based Budgeting or value based budgeting.

**Zero-based budgeting (ZBB)** based on efficiency and need at that point rather than budget history. Formulation starts from scratch that only includes operations and expenses essential, no expenses are automatically added to the budget. Cost rationalization

**Performance based budget (PBB)** considers input of resources and the output of services. The goal is to link funding to results delivered, thus called Outcome based budgeting

**Fixed Budget:** not modified for variation in actual activity and costs.

**Flexible budget:** budget changes in response to activity level and costs.

# Budget Justification Note

Separate word document to explain the budget nos

- For each line item and activity, provide complete details so that it can be referred for direction and validation during implementation.
- Provides narrative clarification of each budget item demonstrating the necessity of the costs and how they relate to the program activity.
- Provide justification of the calculation of the estimated costs. Note that the estimation should be based on real costs.

# Balanced, Surplus and Deficit budgets

- A balanced budget is a e budgeting process where total expected revenues are equal to total planned spending.
- A budget deficit occurs when expenditures surpass revenue.
- A budget surplus means there is additional money to spend at the end of the accounting period

# Budget Monitoring & Budgetary Control

## Budget Monitoring is the process:

- Record actual expenditure versus budget estimates at the line/activity level in books.
- Measure variance using a budget variance report to ascertain positive/negative devotions.
- The workplan delivered helps budget monitoring at a particular point of time.
- Tally software can setup budget and record expenditure. So, the Variance report is real time.

## Budgetary Control is the process to:

- Evaluate results of budget monitoring i.e. actual income and expenditure versus original/revised (realigned) budget through variance report.
- Deviation/tolerance triggers action.
- Budgetary control ensures timely action/approvals i.e. budget realignment, reallocation, NCE.

# Interest apportionment

- With a single bank account for multiple projects, interest apportionment for reporting to donor has to be made as per well defined method
- Interest apportionment not applicable for dedicated bank account
- Interest can be additive or deductive from grant as specified in grant agreement.

# HR cost allocation

- Staff cost for shared HR in a grant should be allocated and charged to donor grants as per project grant in line with common cost allocation policy

- Monthly salary register/sheet with salary allocation of staff to donor projects, deductions/adjustments, variance versus previous month with reasons and banking streams for payout. This is required for donor verification and audit
- Payment of salary out of FC and local funds
- Applicability of time sheets in donor contracts

# Robust Grant Monitoring System

Grant monitoring is a process to measure/review performance during grant period. It assesses physical & financial progress, identify risks and corresponding mitigation measures, ensure that funds are used as intended and programs achieve desired outcomes and impact.

## Important Tools and Process:

- Complete understanding of terms and conditions of Grant contract
- Budget and LFA clearly known to both finance and programme teams
- Periodic Budget Variance/Deviation Analysis by finance, program team and management review
- Timely course correction through realignment etc through addendum in grant contract.
- Timely reporting-narrative and financial reports as stipulated in grant contract

# Grant Contract: General Conditions

MOU versus grant contract/agreement distinction

- Recitals/Preamble
- Definitions
- Grant amount and purpose (including prohibited/disallowed use)
- No Pledge
- Complementary funding
- Designated contacts-for various aspects of the grant
- Conflict of interest and ethical conduct
- Confidentiality
- Term and termination

- Notice of Changes

- Compliance with laws

- Indemnity

- Publications and Licenses

- Visibility, Publicity

- Force Majeure

- Relationship of parties

- Governing Laws

- Notice

- Waiver

- Severability-any clause not enforceable does not make other clauses non enforceable

- Assignment/Delegation

- Acknowledgement-understand and consent

- Counterparts

- Entire agreement

- Arbitration

- Jurisdiction

- Remedies-injunctive relief from court

# Grant Contract: Operational Conditions

- Scope of Work

- Deliverables

- Budget

- Eligible Costs

- Grant Disbursement/Reimbursement

- LogFrame and Work Plan

- Basis of accounting

- Separate Books of Account for the project

- Separate Bank Account for Grant Funds

- Bills and Voucher separately and defaced with mention of project

- Limit on Cash Expenditure.

- Treatment of interest

- Procurement rules

- Program/Financial reporting-Often there are templates for interim and final reports
- Input Tax credit
- Monitoring/Evaluation Audit
- Recovery
- Treatment of Fixed Assets-templates in case FA are not allowed to be retained automatically
- Income generated from project activity
- Sustainability
- Closure of grant
- Record and retention

# Grant Management Challenges

- Building consistent relationship with grantor
- Turnover and lack of experience of key grant staff
- Use of technology
- Non robust program and finance MIS
- Timely decisions
- Audit findings and Reputational loss

## How to manage grant effectively

Managing grant is about maximising impact through

- A thought out project plan
- Clear communication and transparency
- Robust financial management system and practices
- Monitoring mechanism-physical and financial progress
- Compliance with grant terms and conditions
- Final reporting and audit
- Grant closeout
- Impact and Sustainability
- Grantor relationship-Communication is key, be honest
- Create a grant/project calendar
- Create a resource library/repository

- Review before submitting a proposal-a mentor

- Collaborate

- Be on top of your costs while budgeting

- Never say die-Never give up or think others only will get it

- PAVE-Performance, Accountability, Value, Empathy

- What is your unique story, not just chase funding

- Objectivity vs Subjectivity

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