**Land Degradation Neutrality Fund – TA Facility**

**Guidelines for Financial Budgeting**

***Introduction***

In this document guidelines are given on how to use the LDN TAF Financial Reporting Framework. It is mandatory for an Implementing Partner (IP) to report semi-annually. Standard IDH reporting periods are January – June (due 1st September) and January – December (due 1st March). The project specific reporting periods and due dates are documented in the funding agreement (contract between IDH and IP). Follow this document when building the Budget for a TA project and, at a later stage, to report on Actuals and to provide a revised budget (Forecast).

**Budget** the Budget is an overview of the costs (direct / indirect) expected to be made to achieve the project goals in the Project Proposal.

**Actuals** as Actuals we understand the accrued expenses in the reporting period (not cash based). An accrued expense is an accounting expense recognized in the books possible before it is paid for. Recognition is based on cost made during the reporting period.

**Forecast** the Forecast is the most up-to-date revised budget for the future periods of the project. Hence, the Forecast might be the same as the original Budget or adjusted based on new insights.

***Timetable***

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Start**  |  |  | **1st September** |  |  | **1st March** |  |  | **End** |
|  |  |  |  |  |  |  |  |  |  |  |
|   | **Budget** for the contract period (2019, 2020 & 2021).  |  |  | **Actual** cost of Start up and till June.  |  |  | **Actual** cost of Start up and till December.  |  |  | **Actual** cost of Start up and till the end of the project period. |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | **Forecast** of the coming project period.  |  |  | **Audit** if the IDH contribution for the project is > EUR 75,000.  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  | **Audit** if the IDH contribution for the period is > EUR 75,000.  |  |  |  |

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**Budget**

For a Project Proposal to be admissible, a Project Budget must be submitted as part of it. The Project Budget presents the costs that are expected to be made to accomplish the Project goals and are put in the budgeting sections of the template on annual level (e.g. 2019, 2020 etc.).

In alignment with the work packages and activities defined in the Project Proposal the Project Budget uses the following structure:

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| --- |
| 1. **Work package 1**
	1. Activity 1
* Cost Component I
* Cost Component II
	1. Activity …
		+ Cost Component …
 |

Every Cost Component needs to be justified by;

* executing party (e.g. IP, project partner, third party service provider);
* unit name (e.g. Euro/hour, Euro/km, consultancy contract);
* unit cost;
* and number of units.

Based on this information the total amount per cost component is calculated by multiplying the unit costs with the number of units (multiplication option in Excel: =’cell’\*’cell’ in e.g. column ‘K’). Subsequently, the total cost can be distributed over the different project partners (IDH, IP and if applicable other partners).

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**Actuals**

Semi-annually every IP is obliged to hand-in their actual spending for the reporting period. The standard reporting schedule is January – June (due 1st September) and January – December (due 1st March). Project specific reporting schedules are documented in the Funding Agreement signed between IDH and the IP.

**Half-year** the accrued (half-year) spending of January – June 2019 must be given in column N – P of sheet “2019 – Budget, Actual & Forec.”

**Full-year** the accrued (full-year) spending of January – December 2019 must be given in column T – X of sheet “2019 - Budget, Actual & Forec.” Based on these figures, a deviation is calculated on Work package level between the Project Budget and Year Actual. If the Actual total spending deviates < -10% or > 10%, an explanation should be given in the reporting sheet. This explanation should be in line with the narrative report provided alongside the financial reporting.

The above given example regarding 2019 is followed in the consecutive years in the project partners columns of ‘Midterm report Year 20xx (Actuals)’ and ‘End year report Year 2020 (actuals)’.

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**Forecast**

When submitting the full-year actuals (due 1st March), the IP should also submit the Forecast for the subsequent year(s). The Forecast is automatically linked with the original Budget for the subsequent year. If the expected cost deviate significantly from the original Budget, the IP must change the budget-line based on updated unit name, unit cost and number of units of the following parts:

It is not possible to add new activity’s or cost component to the Actuals or Forecast without prior approval from IDH**.**