

## **FINANCIAL GUIDELINES FOR IOM DEVELOPMENT FUND PROJECTS**

### **I. General Guidance**

1. The IOM Development Fund project budget must provide sufficient information and analysis in order to support approval, planning, implementation and evaluation processes. Budgets should therefore:
  - (i) Be aligned to the Activities, Outputs and Outcomes section in the Project Matrix of the Narrative Proposal document.
  - (ii) Be consistent with the project assumptions and targeted outputs in terms of quantity and type of outputs (ex. number of consultant, trainings and workshops, number of copies of the report, number of study tours, etc.).
  - (iii) Be based on existing IOM policies and costing standards (ex. salaries, subsistence and allowance, per diem, etc.) and follow best practices in national and regional markets.
  - (iv) Clearly articulate how the costs have been calculated.
2. The cost of the development of proposals cannot be included in the Budget.
3. The Budget is completed and submitted in the IOM Development Fund Project Budget template<sup>1</sup> and denominated in United States Dollars (USD).<sup>2</sup>
4. The Budget is submitted together with the project Narrative Proposal.
5. IOM Development Fund will make a recommendation to the DG on the approval of the funding only once all necessary justifications and clarifications in the budget have been provided and agreed during final review by the IOM Development Fund, in coordination with the relevant IOM Mission and Regional Office.
6. The Budget should only cover the budget lines to be funded through the IOM Development Fund allocation. Co-Funding or Co-financing amounts cannot be included in the IOM Development Fund Budget. No other donor contributions can be credited to the Fund project code during implementation of the project or charges made in relation to those contributions.

### **II. Budget Structure and Budget Line Categories**

7. Each budget line item should clearly state the description and details of the cost (ex. IOM Staff salaries, venue, refreshment, subsistence, travel and DSA, training materials, printing costs, field visit costs, consultants, type of equipment, etc.), including the provision of an item cost and quantity.

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<sup>1</sup> <http://developmentfund.iom.int/project-template>

<sup>2</sup> For co-funding with different currency, the co-funding amount is converted into US Dollars using the IOM exchange rate at the time of project proposal submission.

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8. Avoid lump-sum amounts and vague descriptions of the budget lines - these will have to be clarified and revised if included in the proposed Budget.
9. IOM Development Fund budgets are not subject to Overhead.
10. The IOM Development Fund project Budget is divided into three major cost categories; Staff, Office and Operational. The following requirements must be adhered to:

### **Staff and Office Costs**

- (i) The total of Staff and Office Costs should not exceed 30% of the total Budget.
- (ii) There will be no IOM staff budgeted or charged in the operational part of the Budget (including intern cost and hourly paid contract staff).<sup>3</sup> IOM Missions implementing projects must also be careful to monitor charges booked by other missions to make sure they adhere to these regulations.
- (iii) IOM Staff and Office support costs from another IOM supporting Mission (study visit activities and a like) can be projectized to the project budget under Staff or Office budget line and budgeted during project proposal stage.
- (iv) A percentage of the IOM office running costs can be budgeted in the project Budget under Office Costs.
- (v) Capacity building costs (training and development) of IOM Staff are not allowed to be budgeted in the Staff and Office budget lines of the IDF project budget and neither can it be charged in the Operational budget lines of the project.

### **Operational Costs**

- (vi) The Operational budget lines should be grouped according to the Outcomes or Outputs of the project matrix (ex. Output 1, Study tour of 5 officials, TOT-venue cost, TOT-materials, etc.) and each operational budget line should correspond to the activity cost under each Outcome or Output (except for the non-cost bearing activities).
- (vii) Operational cost charges to the project should correspond relatively to the operational budget lines as detailed in the budget. Changes in the operational activities or charging other costs to the project require prior approval from IDF.
- (viii) IOM staff travel and subsistence budgeted in the Operational budget line should directly relate to a specific project activity. Travel and subsistence for

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<sup>3</sup> <http://developmentfund.iom.int/project-template> - IOM Development Fund Financial Reporting Checklist

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- the purpose of general or regular monitoring by Regional Office staff and by implementing Missions should be covered by the Office Cost budget.
- (ix) Relevant to IOM staff travel costs, no business class flights are allowed to be charged on any IDF projects unless approved by the Director General.
  - (x) The Fund may request a TDY report for any TDY carried out by IOM experts from HQ or Regional Offices which is charged to an IDF Project. The TDY requires justification and must be relevant to the project activities.
  - (xi) The Fund may request copies of contracts for Consultant costs charged in the operational budget lines of the project ensuring that the consultant was hired based on the operational activity requirements of the project.
  - (xii) Assets charged under the operational budget lines for the beneficiary are to be turned over to the government and a copy of the signed Deed of Donation (DOD) is required.
  - (xiii) Post project evaluation budget lines need to be included in the operational part of the Budget. The post project evaluation is conducted 6 to 8 months after project completion in coordination with the Regional Office monitoring and evaluation unit.

### III. Budget in PRISM and Project Activation

11. Once the full project application is approved, a formal notification is sent by the IDF Management Unit and the establishment of new project code in PRISM will be required.
  12. The Project Activation Request Form (PARF) and Budgeting for New Project (BNP) file should initially be submitted to PROJECT ID copying the IOM Development Fund. IOM Project Budget Standard templates (PX, LM, IB, MS, CD, MD, RR etc.) are used to create the budget WBS structure in PRISM. The following needs to be considered when completing the PARF and BNP:
    - (i) When completing the PARF, please be realistic as to when the project will start, i.e. when you have all the staff/consultants required on board and project activities are ready to commence, in order to avoid duration revisions
    - (ii) IOM Development Fund expects projects to start within two months of the notification. Managing IOM Mission should coordinate immediately with the IDF Management Unit regarding plans to start the project at a later date.
    - (iii) BNP and PARF are processed once received from the Mission. Each of the 5<sup>th</sup> level WBS descriptions in the BNP needs to correspond to the text description of the cost (consultant, printing of materials, study tour to specific country, etc.) per budget line in the approved budget. This is done in order to provide further description of the budget line apart from the dollar amount.
    - (iv) Systematically arrange and group each budget line into the main IDF budget categories: Staff, Office and Operational, and group each Operational budget
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line according to the Outcomes/Outputs outlined in the budget. Special Sponsored Program (SSP) will be tagged in the BNP and will be done centrally while being reviewed and processed by the IDF Management Unit.

### IV. Use of the Budget Lines during Project Implementation

13. During project implementation please always refer to point 10 of these Guidelines to ensure compliance with the IOM Development Fund specific requirements.
14. Ensure proper use of the WBS budget lines for Staff, Office and Operations by charging costs as stated for each of the WBS budget lines. Costs that are charged on a wrong WBS budget line without relevance or for unclear reasons (ex. transfer of costs from another project code) must be transferred out of the project or recoded to the correct WBS budget line by the Mission's finance unit or the relevant Regional Resource Management unit.
15. IOM global events such as Migrants Day or large meetings cannot be covered by the IDF project budget and neither the costs relating to these events can be charged to the IDF project. A request needs to be made to the Department of Resource Management (DRM) for OSI funding.
16. The IDF funding is sometimes used to Co-Fund an EC or other donor funded project. If IDF funds have been allocated for the same activity and budget lines as in the EC/other donor budget, the funds can be reported as Co-Funding. However, IDF funds must be approved to use for Co-Funding. Costs are to be recorded on the IDF project code in order to facilitate IDF monitoring and reporting. IDF expenditure that is eligible for Co-Funding (and falls under specific co-funded project budget lines) is then consolidated for the EC/other donor reporting. It is important in the reporting on IDF projects to clearly state that the IDF funds have also been reported as Co-Funding.

### V. Budget Revisions and Duration Revisions

17. Project expenditure for each budget line should be monitored by the project finance unit. Significant changes to a budget during the implementation of a project need to be explained and coordinated with the Fund in a timely manner. Project Manager should submit the proposed changes to the IDF Management Unit using a Budget Monitoring and Revision Form.<sup>4</sup>
18. The Mission has the flexibility to overcharge a Staff or Office budget line using the underspending/savings from another Staff or Office budget line. If the approved

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<sup>4</sup> <http://developmentfund.iom.int/project-template> - For IOM Development Fund Budget Monitoring and Revision Form

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total S&O budget is less than 30% of the total budget, an overspending in the total Staff and Office budget of more than 10% requires a budget revision approval. Note however that only a maximum of 30% of the total budget can be approved for the total Staff and Office budget.

19. In the Operational budget lines, the Mission has the flexibility to overcharge by 10% per budget line using the underspending/savings of another budget line from the same Outcome/Output group. However, if it uses the underspending/savings of another Outcome/Output group of more than 10% a budget revision approval is required.
20. If a duration revision is requested it should be submitted as soon as possible and no later than one month before the last agreed project end date, for evaluation and approval of Regional Office and IOM Development Fund. The budget is also reviewed, and a budget revision is added to the request if deemed necessary. Projects requiring an extension of 3 months or more will require a Budget Monitoring and Revision Form.
21. A budget revision, once approved, will require a revision and re-upload of a BNP – this is the responsibility of the implementing IOM Mission to provide to the IOM Development Fund and Manila Budget Support (MBS) unit of an updated BNP.

### VI. Financial Reporting and Project Review

22. The financial report is submitted to the Fund for initial review (prior to RAS review); copying the relevant RAS, RLPO or designated report reviewer at the RO. A financial reporting checklist should be completed each time a financial report is submitted.<sup>5</sup> Once the Fund clears the financial report, it will be forward to RAS for the final review and endorsement.
23. Projects with a duration of 12 months and beyond (including extensions) require an interim financial report every 6 month, to cover the cumulative expenditure, (to be submitted within 6 weeks after the interim reporting period) using the standard IOM Development Fund reporting templates and a final financial report within 3 months of project completion. Projects with duration of less than 12 months do not require an interim report however such a report may be deemed appropriate by the Fund management for projects extended to 12 months and beyond.
24. Financial reports require a breakdown of Operational Costs according to key operational outcome/outputs, to match the budget categories of the original or approved revised budget.

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<sup>5</sup> <http://developmentfund.iom.int/project-template> - IOM Development Fund Financial Report Template and Checklist

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25. IOM Development Fund conducts reviews and monitoring of its projects. It is important for audit reasons that the Project Manager or managing Mission ensures the accuracy and timeliness of the financial report.

### **VII. Project Completion and Final Project Balance**

26. Upon completion of the project, any remaining positive balance will be recovered by the Fund for re-allocation.
27. A deficit balance at the end of the project will not be cleared by the Fund – the implementing IOM Mission in coordination with the Regional Office will have to find alternative sources to clear the deficits as soon as possible.
28. Ensure timely recording of all valid expenses on PRISM as the project code can be blocked so no more charges will be possible during the project closure process.

### **VIII. Post Project Evaluation**

29. During the final stages of project implementation the post project evaluation is coordinated by the IOM managing Mission with the IOM Development Fund.
  30. The post project evaluation budget should still be available or unspent and the planned evaluation date is confirmed.
  31. The evaluation takes place 6 to 8 months after project completion and the budget for the evaluation is transferred to the IDF evaluation code when the main project code is closed during RAS endorsement of the final financial report.
  32. A WBS from the IDF evaluation code will be provided to the IOM Mission upon confirmation of the evaluation period.
  33. Only costs related to the post project evaluation should be charged to the WBS provided, and the WBS code will be closed once the evaluation is completed.
  34. The IOM Development Fund will request confirmation that the evaluation has been completed a month after the confirmed evaluation date.
  35. Any remaining balance on the evaluation budget will be carried forward for future IOM Development Fund regional and thematic project evaluation initiatives.
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