

Guidelines for Using P4F Funds

Purpose of the Guidelines

This document provides guidance to applicants and recipients on the use of P4F funds. This document will be updated from time to time and the most [up to date version of this document](#) will be available on the P4F website.

Any expenditure of P4F funds should be **modest, measured, defensible** and **clearly linked** to the undertaking of P4F supported activities. It is the responsibility of the Lead Organisation to ensure that they, their project partners and any subcontractors or subgrantees use P4F funds in line with these principles and according to these guidelines. Expenditure must also be compliant with the terms of the Agreement and be respectful of P4F's developmental mission and the nature of public accountability.

These guidelines are not exhaustive – please reach out to your P4F Project Officer to discuss any costs not covered by these general guidelines. P4F operates on a '**Comply or Justify**' basis. When there is a debate about what expenditure fits in to the above categories, a justification can be provided for why it is necessary for that cost to be incurred during budget development.

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Spending P4F Funds

Before spending P4F funds, services and goods must be procured and contracted properly according to P4F's guidelines for Procurement and Downstream Due Diligence which can be found in the [P4F Welcome Pack](#).

Contracting of Downstream Partners

The [P4F Downstream Partner Due Diligence Guidance](#) lists the level of due diligence required for each type of downstream partner:

- **Sub-Contractors/Consultants** – a service provider contracted to carry out specific activities at a set cost within a set timeframe
- **Sub-Grantees** – a partner who carries out specific tasks and manages a portion of the P4F funds
- **Project Stakeholders/Partners** (e.g. a silent partner or investor) – a party involved in the project but not carrying out activities or receiving funds

Procurement

All goods or services purchased with P4F funds must be procured according to the [P4F Summary of Procurement Guidelines](#) to ensure value for money. The procurement method is chosen according to the value of the goods/services and the risk associated with that procurement.

Ineligible Costs

There are some items for which P4F will never allow its funds to be used for:

- Alcohol
- Personal entertainment/recreation or travel
- Per diems (NB at cost accommodation and subsistence can still be paid for)
- Business and first-class travel or fully flexible tickets for flights or ground transportation
- Clothing
- 5* hotels
 - It is P4F's position that in most countries 3* - 4* hotels will provide suitable security and hygiene standards. Expenses including costs for 5* hotels will only be considered in exceptional circumstances.
- Costs or benefits provided to any public official or third party if there is a high likelihood that the payment or benefit was for improper purposes (e.g. facilitation payments)
- Digital Communication services
 - P4F funds cannot be used for the development, hosting, licensing, support or maintenance of any external-facing digital communications services or products provided through the internet. This includes websites and knowledge hubs, transactional services (e.g. online application portals), open data platforms / collection tools / analytics, mapping tools, mobile delivery systems (e.g. mobile cash transfer), mobile apps, online databases or information management systems, and e-learning tools or resources.
- 'Business as usual' / non-project related requirements
 - Costs listed as 'administration', 'bank charges', 'insurances', 'compliance', 'reimbursable financing', 'cost of capital charge' etc. should always be justified.

Eligible Costs and Required Evidence

Once the correct procurement and contracting process has been followed, P4F funds can be spent on eligible costs. To be reimbursed, costs must be incurred during the period of the project and be linked to the approved budget lines and activities of the project. All costs must be clearly evidenced, showing the actual cost incurred:

- Evidence for service provider costs will normally be invoices, timesheets, receipts etc.
- Evidence for travel and expenses costs will normally be receipts, tickets, hotel bills etc.
- Evidence for proof of payment will normally be bank statements

Guidelines for specific cost areas are listed below, with principles to consider when adding them to a budget and the evidence required for claiming reimbursement during implementation.

Travel and Expenses

Principles for Budget Design:

- Travel and expense costs should make up no more than 10% of a total project value. If they make up a larger %, this will need to be justified.
- Per diem rates from other major donors (EU, UN, WB etc.) can be used as guidance to illustrate the cost of subsistence in a project country when constructing budgets.
- Where food, refreshments, transportation, accommodation or other expenses are required for the participants of a workshop, conference, seminar etc. (including staff of the recipient of P4F funds or project partners) all costs must be reasonable and follow these guidelines.
- It is P4F's position that in most countries 3* - 4* hotels will provide suitable security and hygiene standards. Expenses including costs for 5* hotels will only be considered in exceptional circumstances. Even where the use of 5* hotels is approved by P4F in advance, the expectation is that any hotel costs will not exceed the rates in the UK HMRC Benchmarked Subsistence Rates for the country and/or city in question.
- Only the cost of telephone calls, mobile internet or data usage related to the undertaking of P4F supported activities can be reimbursed with P4F funds.
- The most economical form of transportation must always be used. The use of taxis or car rental where safe, frequent and reliable public transport exists must be justified.
- Flight costs of over £1,000 and additional charges (e.g. for extra legroom or excess baggage) must be justified.
- Laundry costs will always need to be justified.

Evidence Required for Reporting:

- Every expense claim should include sufficient information to justify each expense and should include what the expense is, the date it was incurred and the reason why. All travel claims must state the journey start and end location.

- Bank or credit/debit card statements alone are not acceptable evidence, though must also be provided if the receipt does not evidence payment.
- The currency in which the expense was incurred should always be detailed. If this is not GBP, evidence should be provided showing the exchange rate to GBP (ideally a bank statement showing the GBP cost debited or details of the exchange rate from www.xe.com or www.oanda.com). There are several accepted approaches. So long as used consistently, reporting can use the exchange rate on the date each expense was paid; the date the Financial Report was submitted on the P4F Dashboard; or the monthly average. For advance payments, the rate used can be the date the money was paid from the bank.
- Per diem rates will not be reimbursed. However, actual expenditure (evidenced by receipts, invoices etc.) on accommodation, subsistence and travel can be reimbursed.
- Expense claims for business hospitality must be justified and must include the names of those present, the names of their employers and identify the reasons for such hospitality.
- Air miles or equivalent reward schemes should never be used to pay for the cost of flights as they will not be reimbursed.

Salaried Employees

The costs of part-time, permanent or temporary salaried employees engaged on P4F activities can be reimbursed if these activities are not 'business as usual'. 'Business as usual' activities are those which would be carried out even if the P4F-funded project was not taking place.

Principles for Budget Design:

- The time that each employee will commit to P4F activities must be indicated as a % of their FTE salary in the budget.
- Non-salary employee overheads/fringe benefits should fully explained.
- Salary costs will be reviewed against P4F's internal salary benchmarking. This is so that P4F can be satisfied that they represent good value for money. Where a significant variance is detected, P4F may ask for a justification of the rate.
- The most expensive employees should, as far as possible, have the lowest level of input (e.g. providing guidance and oversight to consultants or junior employees). Additional justification should be provided if including high levels of input from expensive employees.
- If the employee(s) being paid for with P4F funds have yet to be recruited, P4F staff may need to be consulted during the recruitment process (especially if the position is critical to achievement of the project outputs or outcomes).

Evidence Required for Reporting:

- Evidence should show the salary cost of the employee (e.g. contract/invoice) and the time committed to P4F activities (e.g. timesheet).

Consultants/Contractors

Principles for Budget Design:

- The time that each consultant will spend engaged on tasks relevant to the P4F supported activities will need to be indicated in the budget in the same way as they will charge their fees (e.g. as days or hours or months etc.).
- Consultant day rates will be reviewed against P4F's internal salary benchmarking. This is so that P4F can be satisfied that they represent good value for money. Where a significant variance is detected or if the day rate is expected to be greater than £1,000p per day, P4F may ask for a justification of the rate.
- Where a consultant is expected to have long term inputs it is expected that discounted rates are negotiated.
- Consultant rates should already include all costs associated with their ability to do business. E.g. legal fees, professional insurance(s), computers/laptops/software, reasonable equipment, clothes, medicine, travel within home city, accommodation within home city, and stationery. These costs are 'business as usual' for consultants and cannot be paid for separately using P4F funds.
- The most expensive consultants should, as far as possible, have the lowest level of input (e.g. providing guidance and oversight to junior consultants). Additional justification should be provided if including high levels of input from expensive consultants.
- If a consultant has already been procured before project approval, an explanation and evidence of how they were procured will need to be provided to P4F.

Evidence Required for Reporting:

- Evidence should show the salary cost of the employee (e.g. contract/invoice) and the time committed to P4F activities (e.g. timesheet).

Indirect Costs / Administration Costs / Project Management Fees

Principles for Budget Design:

- P4F funds can be requested to cover indirect costs or the costs of managing a P4F project as a % of the P4F award. Any indirect costs rates or project management fees must be justified and fully explained. Once a project has been completed, if there has been an underspend, the % rate will be pro-rated accordingly.

Evidence Required for Reporting:

- An invoice from the Lead Organisation confirming the percentage and value being charged.

Unevidenced Costs

In exceptional cases where actual evidence (e.g. invoice/receipt) of expenditure cannot be obtained, the P4F Unevidenced Cost Proforma should be completed. The amount, description of cost and explanation of why evidence was not available should be recorded in this form and added to the Financial Report in place of the missing evidence.

Match Funding

Applicants for P4F funds are encouraged to secure a minimum of 25% of the total costs of a project as Match Funding. For example, if the total cost of a project is £100,000 at least £25,000 should be provided as Match Funding. Match Funding can be provided by the Lead Organisation or their project partners, subcontractors or subgrantees.

Match Funding can be:

- Cash contributions (e.g. toward the costs of consultants or travel expenses)
- In-kind contributions (e.g. staff time or the use of existing office space)

It should always:

- Be relevant to the P4F supported activities (e.g. the purchase of a tractor would not be eligible as match funding if it was included against an output where the primary P4F supported activity was an international conference).
- Be proportionate to the length of time P4F is supporting the activities (e.g. if P4F agrees to support activities that last for 1 month, the cost of renting an office for 6 months would not be eligible as match funding, but the cost of 1 months' rent would be).
- Be evidenced. All match funding reported must be supported by actual evidence. This evidence does not have to be submitted with each Progress Report, but will be reviewed as part of the final audit of the project.

If the actual amount of match funding provided varies downward significantly from the expected amount of match-funding, P4F reserves the right to reduce the amount of P4F support accordingly so that the ratio of P4F funds to match funding remains as set out in the original budget.

Significant Assets

P4F funds can only be used to purchase Significant Assets (assets over £500) when the project is at the Pilot Stage or Commercial Scale-Up Stage (see the [P4F Forest Partnerships Maturity Funnel](#)). P4F's preference is that Significant Assets are only purchased with P4F funds in exceptional circumstances. Any proposal to purchase assets must state:

- a) Why the project cannot proceed without the asset
- b) Why the Lead Organisation cannot finance the asset themselves (e.g. as match-funding)
- c) Why the asset represents best value for money (over other options such as renting or leasing)
- d) How the Lead Organisation intends to report on and dispose of the assets at the end of the project
- e) If P4F funds are replacing or subsidising 'Capital Investment' (for expanding day to day business objectives or production). If so, evidence (letters of rejection etc.) showing that the funds cannot be acquired from commercial or development finance institution (DFI) lenders and investors should be shared.

The P4F Project Asset Guidance contains detail about how assets must be managed, reported on and disposed of after the P4F supported activities end.

Match Funded Assets

Assets can be match funded at any stage if the costs are relevant to the P4F supported activities, although their use as match funding must be proportionate to the length of time P4F is supporting the project. For example:

- P4F agrees to support a project for 1 year. If a tractor is purchased by the Lead Organisation for £10,000 and a tractor has useful life of 5 years, then only £2,000 (1 years' worth) can be counted as match-funding.

Where both P4F and a Lead Organisation contribute funds toward the purchase of Significant Assets, the ownership will be split according to each party's original contribution. Depreciation is incurred equally on each party's share. For example:

- If a tractor is purchased for £10,000 and P4F contributes £2,500, P4F (on behalf of FCDO) will initially own 25% of the asset worth £2,500. If the tractor's useful life is 5 years and P4F only supports the project for 1 year, then at the end of the P4F support P4F will own 25% of the asset worth £1,875).

Payment Mechanisms

Milestone Payments – Advance vs. Arrears

P4F's preference is to make payments to recipients in arrears upon the achievement of pre-agreed milestones. Once pre-agreed milestones have been achieved, recipients may request reimbursement for any eligible costs incurred undertaking P4F-funded activities.

Where an advance mechanism is being proposed, this must be justified. If the justification of an advance structure is cash flow issues, evidence must be produced to support this.

Repayable Grants

In cases where projects are expected to attract private sector investment and/or start generating returns in the short term after completion of the grant-funded activities, P4F may propose using a 'Repayable Grant' mechanism instead of a traditional grant mechanism. Its key features are:

- It contains a 'Repayment Event' clause defining the event that results in the private sector investment (e.g. project financial close or the execution of a joint development agreement).
- Once this event is reached, depending on how successfully the project attracts the associated private sector investment, the grant (or a pro-rata of the grant) will be returned to P4F.
- The amount to be returned to P4F will be determined by how much the project can afford to repay without jeopardising commercial viability.
- If the project does not or cannot reach the 'Repayment Event', the mechanism can revert to a traditional grant.

Requesting Disbursements

The frequency of disbursement requests is set out in the contract and Disbursement Forecast and happens at least quarterly. A disbursement request is submitted on the P4F Dashboard and should contain the following:

- Evidence of completion of the relevant milestone (in the form of a Technical Report)
- Evidence of any costs incurred (in the form of a Financial Report)
- Certification by the Lead Organisation of continued compliance with their contract (in the form of a Disbursement Request Letter)
- Asset Register (if applicable)

Technical Report

This report provides an update on the progress of activities during the reporting period (including which milestones have been completed) and flags variances from the initial workplan or the initial budget and their explanation. It is also used to capture changes to risks on the project and provide an update on progress expected in the next reporting period.

Financial Report

This report provides a breakdown of the costs to be reimbursed. P4F checks that funds are being used for items included in the budget and workplan and that all costs are eligible. It is also used to identify and address over-spending before the end of the project period. Finally, the report provides an update on timing of future disbursement requests.

Disbursement Request Letter

This letter reaffirms the commitments of the contract, confirms that the planned activities have not changed, that any new risks have been raised to Palladium and that Due Diligence has been carried out on all partners/sub-contractors. Finally, it confirms the amount being requested and which milestones that have been completed to release the payment.

Asset Register

This register should be updated to include any Significant Assets (>£500) purchased during the reporting period.

Final Reporting and Project Close

The final payment of a project will always be made upon completion of the P4F supported activities, acceptance of the final outputs and receipt of the final report. It will always be a payment in arrears, with the amount being reduced to reflect any underspend on any part of the P4F supported activities. Under no circumstance can unspent P4F funds be kept by recipients. An audited financial statement detailing how any P4F funds have been used may be required.

Any Significant Assets purchased with P4F funds remain the property of FCDO until the end of the project and approval for disposal (write-off, transfer to Lead Organisation or transfer to a third party) must be sought from FCDO via P4F.

For multi-year or large (£1m +) projects, the completion of a logframe or another measurement of the technical progress or a final independent evaluation of the project may be required before project completion. This is managed by the Monitoring, Evaluation and Learning workstream.