

## **Recognised Development Expenditure Explanatory Notes**

### **The RDE Principle**

Recognised Development Expenditure (RDE) is the total eligible contribution that each NGO receives from the Australian community for the organisation's own development assistance, emergency relief or rehabilitation activities overseas and development education in Australia. Eligible contributions include donations of cash, gifts in kind and volunteer services. Up to half of the RDE can be for eligible gifts in kind and / or eligible volunteer services.

### **RDE Worksheet Due Date**

RDE is used to calculate the annual level of funding available to each accredited NGO through the AusAID NGO Cooperation Program (ANCP). All accredited NGOs are required to submit their RDE Worksheet to AusAID, signed by the organisation's authorised officer and the Chief Executive Officer (CEO) or equivalent, by **31 March** each year. Two copies of the NGO's audited Annual Financial Statements (AFS) and Annual Report are also required by this date. Alternatively, if electronic versions of these documents are available, the website link should be included on the RDE Worksheet. Any NGO that submits its RDE Worksheet after this date risks receiving a zero for that year's RDE. This will affect the NGO's funding level as AusAID uses an average of 3 years' RDE to calculate ANCP allocations. Newly accredited organisations must supply RDE Worksheets for the previous three years.

### **RDE Data**

The data entered into the RDE Worksheet is based on information contained in an organisation's previous year's audited AFS. Accounting records to substantiate all entries in the RDE Worksheet must be kept by the organisation for a period of 7 years and made available at AusAID's request and at accreditation. If the necessary accounting records are not available, AusAID may disallow figures included in RDE Worksheets and the RDE may need to be recalculated.

The principles behind the RDE Worksheet reflect the *ACFID Code of Conduct Summary Financial Report Format* used by organisations in compiling their AFS. Organisations should contact ACFID on (02) 6281 9222 or access the ACFID Code of Conduct Guidance Document on their website ([www.acfid.asn.au](http://www.acfid.asn.au)) for guidance on definitions and the records needed to substantiate figures included in RDE worksheets.

Additional guidance on RDE eligibility is provided in the ANCP Guidelines. Where specific instruction is not available, NGOs should refer to the RDE Principle above and be prepared to justify the decision to include individual items.

### **Indicative Planning Figure (IPF)**

The average of the previous three years' RDE is used by AusAID to calculate the Indicative Planning Figure (IPF). The IPF is the upper limit of funds that an NGO may access through the ANCP in one financial year. IPFs are calculated by AusAID in May, when the annual Budget appropriation for the ANCP is known and all RDE Worksheets have been checked during an AusAID desk audit process. Eligible NGOs will usually be notified of their IPFs by the end of May each year.

There is a set formula, agreed by the Committee for Development Cooperation (CDC), to calculate IPF levels. In essence, each Full Accredited NGO is allocated

\$225,000 and each Base Accredited NGO is allocated \$150,000 as an “Accreditation Factor”. The balance of ANCP funds, the “Volume Factor”, is then allocated among the Full Accredited NGOs in proportion to their average RDE. Note that no organisation may receive an amount greater than their average RDE. No organisation may receive more than 35% of the Volume Factor.

**Brief Definitions and Guidance** (to be read in conjunction with the RDE worksheet)

### **1. Total Disbursements**

RDE calculations begin with the total disbursements (i.e. funds acquitted / expensed) figure from the organisation’s audited AFS.

### **2. Value of Gifts in Kind and Volunteer Services**

Some organisations include the value of gifts in kind and / or volunteer services in their total disbursements figure in their AFS. If that is the case, the relevant amount must be recorded at this line to be deducted from the Total. If these items are not included in the organisation’s total disbursements figure in their AFS, then enter zero on this line.

### **3. Net Total Disbursements**

Deduct the value of gifts in kind and / or volunteer services (line 2) from the Total Disbursements as per the organisation’s AFS (line 1) to give the Net Total Disbursements (line 3).

### **4. Disbursements that relate to funds received and interest earned from non-Australian community sources or Tsunami Appeals**

*Principle: RDE is the total eligible contribution that each NGO receives from the Australian community...* Disbursements relating to grants or contracts and interest earned on such grants or contracts as set out below in (a), (b) and (c) are shown as deductions because they are **not** Australian community contributions. Disbursements relating to funds received in Tsunami Appeals and associated interest earned are shown as deductions at line (d) as per the decision of Committee for Development Cooperation (CDC) 110. If interest earned on funding from these sources is not apparent, then justification of the calculation process will be required.

(a) AusAID: Disbursements relating to all funding provided by AusAID through the ANCP, Cooperation Agreements or any other mechanism and associated interest earned are shown as a deduction on line 4(a).

(b) Other Australian: Disbursements relating to grants or contracts from the following and associated interest earned are shown as a deduction on line 4(b):

- Australian Commonwealth or State Government Departments or agencies as this represents Government funding raised through taxation and is therefore not a measure of community support;
- Australian institutions where the original source of the funding was the Australian Government; and
- Other Accredited NGOs because the source organisation would have already claimed those funds in its own RDE calculations.

(c) Overseas: Disbursements relating to all funding, grants or contracts from overseas sources (institutions or individuals) and associated interest earned are shown as a deduction on line 4(c).

(d) Tsunami Appeals: On 13 October 2005, CDC 110 recommended that emergency appeal funds raised as a result of the 2004 Indian Ocean tsunami could not be included in RDE calculations. Disbursements from these Tsunami Appeal funds and associated interest earned are shown as a deduction on line 4(d).

## 5. Ineligible Disbursements

*Principle: RDE is the total eligible contribution ... for **the organisation's own overseas development assistance, emergency relief or rehabilitation activities and development education in Australia.** Disbursements that relate to other activities and expenses cannot be claimed as RDE.*

(a) Welfare, Evangelistic and Political Activities: Funds disbursed overseas for welfare, evangelistic or political activities are shown as a deduction on line 5(a) as they are not in accordance with the development intentions of the aid program. Organisations need to keep clearly documented records of the basis of this assessment. This aspect of RDE calculation is considered in depth during the accreditation process and in audits.

(b)(i) Channelled Funds: Funds channelled through the organisation on behalf of other Australian individuals or entities are shown as a deduction on line 5(b)(i) if the organisation does not have any role in management of the project or if the funds do not directly contribute to the organisation's own programs.

Some general principles for an item to be eligible for RDE (ie **not** declared as a deduction) are that the Australian NGO must be able to demonstrate that it:

- has knowledge of the activity or overall program and receives relevant information from the implementing organisation which enable it to engage in a meaningful way with the activity. Examples may include financial reports, progress and evaluation reports;
- is able to influence activity or program direction; and
- has the ability to withdraw funding or initiate action where an activity or program is not aligned with Australian NGO priorities or Australian Government policy requirements.

(b)(ii) International Partners, Alliances or Affiliates considered ineligible: Any 'global programs' funding which does NOT meet the following definition is shown as a deduction on line 5(b)(ii):

- For programs that are implemented through a shared management arrangement with other international partners, alliances or affiliates ('global programs'), as opposed to a direct relationship between the agency and an implementing partner, the NGO must have approved the strategic framework for these programs, and assessed the proposed use of funds within this framework as being consistent with its own strategic plan.

(c) Domestic Projects (other than community education): Disbursements on domestic projects, as per the amount recorded in the organisation's AFS, are shown as a deduction on line 5(c).. Note that disbursements on Australian community education are eligible to be included in RDE subject to meeting the requirements of the definition in the ACFID Code of Conduct document.

(d) Fundraising Costs: Disbursements on fundraising costs, as per the amount recorded in the organisation's AFS, are shown as a deduction on line 5(d).

(e) Administration Costs: Disbursements on administration costs, as per the amount recorded in the organisation's AFS, are shown as a deduction on line 5(e). If the organisation has taken up the option to use up to 10% of their ANCP funding for administrative costs and therefore already shown that amount as a deduction on line 4(a), then make the necessary adjustment to line 5(e) and provide a note to this effect on the RDE Worksheet.

(f) Administration and / or promotion costs of international or regional affiliates: These disbursements include funds sent to international or regional affiliates in Australia for administration, fundraising, and/or promotion of the organisation and are shown as a deduction on line 5(f) if not included in any of the deductions above.

## **6. Total Deductions**

Total Deductions (line 6) is the sum of all deductions listed under section 4 and section 5.

## **7. Total Cash RDE**

Total Cash RDE (line 7) is the balance of **Net Total Disbursements** (line 3) less **Total Deductions** (line 6). It is the total eligible **cash** contribution that each NGO receives from the Australian community for overseas development assistance, emergency relief or rehabilitation activities and development education in Australia.

## **NON-CASH RDE: GIFTS IN KIND & VOLUNTEERS SERVICES**

*Principle: RDE is the total eligible contribution ... Eligible contributions include donations of cash, **gifts in kind and volunteer services**. Up to half of the RDE can be for eligible gifts in kind and / or eligible volunteer services.*

An explanatory note and financial value for gifts in kind and / or volunteer service contributions must be included in the audited AFS of the organisation and signed off by the auditor. If figures for in-kind contributions are not included in the organisation's audited AFS, they **MUST NOT** be included in RDE worksheet.

## **8. Eligible Gifts In Kind**

The RDE may include eligible non-cash contributions such as gifts-in-kind / donations-in-kind that the organisation receives from the Australian community and sends overseas for development assistance, emergency relief or rehabilitation activities.

Only if the audited AFS includes the value of goods received in kind, can the **eligible** component be included in RDE calculations. Refer to the *ACFID Code of Conduct Summary Financial Report Format Definitions* for further information.

If requested by AusAID, the organisation should be able to provide full particulars of goods sent overseas and justification for inclusion in RDE. Verifiable evidence of valuations should be available for assessment at any time by AusAID or an Accreditation Team.

## **9. Eligible Volunteer Services**

The RDE may include eligible non-cash contributions such as volunteer services that the organisation receives from the Australian community for overseas development assistance, emergency relief or rehabilitation activities and development education in Australia.

Only if the audited AFS includes the value of the services of volunteers can the **eligible** component be included in RDE calculations. Refer to the *ACFID Code of Conduct Summary Financial Report Format Definitions* for further information.

If requested by AusAID, the organisation should be able to provide full particulars of volunteer services and justification for inclusion in RDE. Verifiable evidence of valuations should be available for assessment at any time by AusAID or an Accreditation Team.

Additional information regarding valuing volunteer services is at Attachment 1 to this document.

#### **10. Total Non-Cash RDE**

Total Non-Cash RDE (line 10) is the total of eligible gifts-in-kind (line 8) and eligible volunteer services (line 9). Total non-cash RDE (line 10) must NOT exceed Total Cash RDE (line 7).

#### **11. Total RDE**

The Total RDE (line 11) is the sum of Total Cash RDE (line 7) and Total Non-Cash RDE (line 10). Once the RDE Worksheet is checked by AusAID during the Desk Audit process, the Total RDE (line 11) is used in calculating the organisation's IPF.

## Valuing Volunteer Services

With some restrictions, volunteer services may be professional or non-professional, in Australia or overseas.

The following volunteer service in-kind contributions may be eligible to be included in RDE:

- Volunteer contributions in Australia and overseas for the delivery of overseas development projects;
- Volunteer contributions in Australia for the delivery of community education projects. Note that the same rules apply for volunteer services as for cash expenses with regard to any fundraising element that may be included in the community education activity. Refer to the *ACFID Code of Conduct Summary Financial Report Format Definitions* for further information.

The following volunteer service in-kind contributions are NOT eligible to be included in RDE:

- Volunteer contributions for training of the organisation's staff or volunteers (either in Australia or overseas);
- Volunteer contributions associated with applying for Government grants (including design and appraisal);
- Volunteer contributions involving general research;
- Volunteer contributions for fundraising;
- Volunteer contributions that are funded either directly or indirectly by the Australian Government.

The value of volunteer contributions is estimated according to the Australian market pay rates and conditions under which Australian NGOs would hire the staff were they not volunteers. To ensure that consistent methods of valuing volunteers are used, organisations should cost volunteer contributions against the standard salary levels (as set out below), dependent on the project role of the volunteer.

To identify an appropriate pay level, the organisation should:

- assess which job description best fits the services provided by the volunteer;
- base the rate of pay on the permissible amount that is closest to that which it would actually pay were it purchasing the services. Where a range is indicated, this provides the minimum and maximum which can be used; otherwise the figure given applies;
- not inflate salary rates. In marginal cases, or when any doubt exists, a conservative approach should be taken to estimating the volunteer contribution and lower rates of pay applied; and
- offset the volunteer contributions by any payments in the nature of wages to the volunteers (the offset does not apply to payments in the nature of living allowances). The amount claimed for RDE / project subsidy purposes is thus the salary sacrifice element if the volunteer would have been paid an Australian NGO market rate.

Appropriate records of volunteer and professional contributions should be maintained, such as type of service provided, time sheets, estimated rates of pay, salary offsets. These should be checked by the auditor before inclusion in the audited AFS.

### ***Job Descriptions and Rates of Pay***

The rates of pay in the table below are based those in the AusAID Collective Agreement 2006 to 2009. Indicative rates for volunteer contributions appear in the tables below.

#### Project Assistant:

- works in Australia under supervision, not overseas;
- assists with project delivery (e.g. packs community education kits, organises community education speaking tours, sorts medical supplies for overseas delivery);
- paid at the equivalent to the entry level of Australian Public Service Level 1.

#### Project Officer/Technician:

- provides middle level technical services in Australia or overseas (e.g. computing skills, on-the-job training, electrician), sometimes under very difficult conditions (e.g. relief driver, emergency worker);
- usually operates under professional and management supervision;
- pay scale equivalent to Australian Public Service Level 3.

#### Middle Professional:

- provides middle level professional services in Australia or overseas, e.g. nurse, agricultural adviser, project cycle specialist, management trainer, community educator, teacher;
- usually operates under supervision or in clearly defined roles, but may double as team leader for small projects overseas;
- pay scale equivalent to Australian Public Service Level 4.

#### Project Manager:

- administrator responsible for project management, finance, monitoring and reporting. May work in Australia or overseas;
- has some independence but is subject to supervision and standard procedures;
- most NGO managers in Australia would fit here;
- pay scale equivalent to Australian Public Service Level 5.

#### Team Leader:

- leader overseas on substantial complex emergency, rehabilitation or development activities;
- provides high level professional and management input, manages team, deals with local situation and authorities;

- has considerable authority to take independent decisions on project operations;
- pay scale equivalent to Executive Level 1.

Higher Professional:

- provides high level professional advice and services overseas requiring advanced professional qualifications and experience, e.g. doctor, lawyer;
- takes independent professional decisions;
- supervises other professional and technical staff;
- may double as team leader;
- pay scale equivalent to Executive Level 2.

A: Hourly and Daily Rates

Indicative Rates for Volunteer Contributions – Hourly and Daily Rates		
Job Description	Hourly Rate	Daily Rate
Project Assistant	Annual Rate x 0.1617/313	Annual Rate x 1.2/313
Project Officer/Technician	Annual Rate x 0.1617/313	Annual Rate x 1.2/313
Middle Professional	Annual Rate x 0.1617/313	Annual Rate x 1.2/313
Project Manager	Annual Rate x 0.1617/313	Annual Rate x 1.2/313
Team Leader	Annual Rate x 0.1617/313	Annual Rate x 1.2/313
Higher Professional	Annual Rate x 0.1617/313	Annual Rate x 1.2/313

B: Weekly and Annual Rates

Indicative Rates for Volunteer Contributions – Weekly and Annual Rates		
Job Description	Weekly Rate	Annual Rate
Project Assistant	Annual Rate x 6/313	\$36,492 – 39,505
Project Officer/Technician	Annual Rate x 6/313	\$46,853 – 49,721
Middle Professional	Annual Rate x 6/313	\$52,533 – 55,750
Project Manager	Annual Rate x 6/313	\$58,369 – 60,727
Team Leader	Annual Rate x 6/313	\$80,140 – 87,648
Higher Professional	Annual Rate x 6/313	\$96,890 – 109,111