Guide to the Proposal Budget Alignment Checklist

Reviewers read the budget alongside the narrative, and every mismatch raises a doubt about delivery. This guide explains how to run the R05 checklist, section by section, so that the story and the numbers agree and every cost meets the funder's rules, wherever the funder is based.

USE WITH	TIME NEEDED	RESULT
R05 Proposal Budget Alignment Checklist	Two to three hours, plus time to make fixes	A checked budget, budget notes, and a list of fixes with owners

What this guide covers

- Why budget and narrative alignment matters to reviewers
- Who should run the check
- A walkthrough of all seven sections of the checklist
- How cost rules compare across US, EU, and UK funders
- A worked example, common mistakes, and good-practice tips
- How the checklist links to the other four resources

Purpose and when to use it

A budget tells reviewers whether you have understood the work. When staff time, participant numbers, months, or partner roles differ between the narrative and the numbers, reviewers cannot tell which version is true. The checklist finds those gaps before a reviewer does, and checks that each cost meets the funder's eligibility rules.

Funders set their own cost rules, so always read the call and its guidance first. Many rule sets share the same core principles, and the checklist uses three widely used examples to illustrate them: US federal awards under 2 CFR 200, European Union external action grants under the PRAG general conditions, and UK FCDO accountable grants.

Use it when

- The narrative and budget both have full drafts
- Again two or three days before submission, after the final edits
- When a funder asks you to revise the budget after review

Who should be involved

Role	What they bring
Reviewer (ideally someone who did not build the budget)	Fresh eyes; leads the check
Finance lead	Cost rules, rates, indirect costs, and match

Role	What they bring
Proposal writer	Knows every number promised in the narrative
Program lead	Confirms staffing, activity numbers, and timelines
MEL lead	Confirms that MEL activities are costed

Walkthrough: the seven sections

Section	What to check	Tips
A. Staffing	Every activity has a role and enough time; no one exceeds 100 percent across awards; pay follows policy.	Show level of effort as a percentage of time or as days, and keep it consistent with other awards.
B. Data and MEL	Every baseline, survey, assessment, evaluation, and learning session promised has a line.	Read R04 line by line against the budget.
C. Partners	Roles and budgets are agreed in writing, and each arrangement is classed correctly as a subgrant or a contract.	In US federal awards, 2 CFR 200.331 sets the test. Other funders use similar distinctions.
D. Indirect costs	The rate is accepted by the funder, applied to the right base, and no cost is charged twice.	Note the rate type in the budget notes: negotiated, fixed by the funder, or de minimis.
E. Match and cost share	The match is calculated correctly, confirmed in writing, and not counted elsewhere.	Value in-kind contributions with a documented method.
F. Eligibility	Each cost is necessary, reasonable, within the period, and verifiable; excluded items are removed; currency and exchange rate are stated.	Check whether the funder allows contingency, fundraising, or proposal preparation costs. Many do not.
G. Narrative and budget	Numbers, months, sites, and totals match everywhere; every line traces to an activity.	Make a single list of every number in the narrative and tick each one off against the budget.

How cost rules compare

The table summarizes, in our own words, how three widely used rule sets treat common issues. It is a starting point, not legal advice. Your funder's current rules always take priority.

Issue	US federal awards (2 CFR 200)	EU external action grants (PRAG Annex II)	UK FCDO accountable grants
Core eligibility tests	Necessary, reasonable, allocable, consistently treated, and adequately documented (200.403)	Incurred in the period, in the budget, necessary, identifiable and verifiable, legally compliant, and reasonable (Article 14)	Actually incurred, within the period, in the budget, necessary, verifiable, and reasonable
Indirect costs	Negotiated rate, or a de minimis rate of up to 15 percent of modified total direct costs (200.414(f))	A fixed percentage of direct eligible costs, set in the contract	Non-project attributable costs (NPAC), with no duplication of direct costs
Double charging	Not allowed: a cost is either direct or indirect	Not allowed	Not allowed: direct costs must not be duplicated in NPAC
Cost sharing or match	Governed by 200.306 when required	Co-financing as set in the call	As set in the call
Examples of excluded items and contingency	Set by the cost principles and the award terms	Listed in Article 14.11, such as debt charges and exchange losses. A contingency reserve of up to 5 percent of direct costs may be included, used only with prior written approval	Contingency, and the cost of preparing bids or proposals, are ineligible

Writing strong budget notes

Budget notes, also called a budget justification or budget narrative, explain how each line was calculated and why it is needed. Strong notes answer three questions for every line: what it pays for, how the figure was built, and which activity it supports.

Line	Weak note	Stronger note
Club coordinator	Coordinator salary.	Part-time coordinator for 12 clubs over 24 months, at the rate in our pay scale. Supports all club activities in the narrative.
Reading assessments	Assessment costs.	Assessor hours per child per assessment, times the number of children and assessment points, plus printed booklets. Supports the fluency indicator in the MEL table.
Books	Books for clubs.	A set of graded readers per club, priced from a supplier quote, replaced once in year two. Supports the reading sessions.

The figures behind these notes are not shown, because they would be invented. Use your own quotes, salary scales, and rates.

WORKED MINI EXAMPLE

Brightwater Reading Trust checks its budget

All names, places, and figures in this example are invented for illustration.

Brightwater's finance lead, who had not written the narrative, ran the checklist three days before the deadline with the proposal writer beside her. First, the writer listed every number in the narrative: 12 clubs, 240 children, 24 months, four clubs at one partner school, and assessments each term. The finance lead then checked each against the budget.

- **Section A:** coordinator time covered 10 clubs, not 12. The team kept 12 and trimmed book costs.
- **Section B:** the termly assessments had no budget line. The MEL officer costed assessor time per child per term.
- **Section C:** one school's letter mentioned two clubs, not four. The program lead asked for an updated letter.
- **Section F:** a 5 percent contingency line was not allowed by this funder. It was removed, and the budget notes explained how cost changes would be managed.
- **Section G:** the budget covered 18 months, not 24. The finance lead extended it and updated the totals on the cover form.

All five fixes were done in a day. Each, left in place, would have given a reviewer a reason to doubt the plan.

Common mistakes and how to avoid them

Mistake	Why it matters	How to avoid it
The budget author checks their own work	The same blind spots remain.	Ask someone else to lead the check.
Checking only the totals	Line-level mismatches remain.	List every number in the narrative and trace each one.
Assuming one funder's rules apply to another	Ineligible costs or the wrong indirect rate.	Read each call's cost guidance, even for familiar funders.
Budget notes that restate the numbers	Reviewers cannot see how costs were built.	Show unit cost times quantity, and the basis for each estimate.
Late partner budgets	Mismatched numbers and timelines.	Agree partner figures early, using the same activity numbers.
Ignoring currency and inflation	Real costs can rise above the award.	State the exchange rate, its date and source, and inflation assumptions.

Good-practice tips

- **Write budget notes as you build.** Recording the basis of each estimate as you go saves time and makes the notes more accurate.
- **Keep consistent treatment.** Charge the same type of cost the same way on every award. All three rule sets above expect it.
- **Show your exchange rate.** FCDO guidance, for example, asks for budgets in sterling with the exchange rate stated.
- **Keep evidence ready.** Costs must be verifiable. Keep quotes, salary scales, and rate agreements on file.

- **Run the check twice.** Once on full drafts, and again after the final edits, because late changes cause most mismatches.

Frequently asked questions

Our funder is a private foundation. Do these rules apply? Not directly. Foundations set their own rules, but the same principles (necessary, reasonable, documented, and no double charging) are a sound default.

Can we include contingency? Only if the funder allows it. Some rule sets exclude it; others allow a small amount with conditions.

What is the difference between a budget justification and budget notes? Mostly the name. Both explain how each line was calculated and why it is needed.

How it links to the other resources

Resource	How it connects
R01 Bid or No Bid Funding Opportunity Checklist	The match and cost rules you noted at the bid or no bid stage are checked here.
R02 Pre-Proposal Planning Worksheet	Roles in question 6 become staffing and partner lines.
R03 Logic Model and Theory of Change	Every input and activity should trace to a budget line.
R04 Proposal-Stage MEL Starter	Section B checks every MEL activity against the budget.

Want a second pair of eyes before you submit?

Edit Right Advisors is a grant writing and advisory firm. We help nonprofits and NGOs win funding and grow their impact. We can screen an opportunity with you, shape the program logic, build your MEL (monitoring, evaluation, and learning) plan, or review a full draft so that every part holds together.

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The full series: five templates, each with a companion guide

RO1	Bid or No Bid Funding Opportunity Checklist (guide: G01)
RO2	Pre-Proposal Planning Worksheet (guide: G02)
RO3	Logic Model and Theory of Change Template (guide: G03)
RO4	Proposal-Stage MEL Starter Template (guide: G04)
RO5	Proposal Budget Alignment Checklist (guide: G05)

Sources and credits

Follow your funder's rules first. The comparison table is a summary in our own words of three rule sets, all accessed October 27, 2026:

United States: 2 CFR Part 200 (eCFR), sections 200.306 (https://www.ecfr.gov/current/title-2/section-200.306), 200.331 (https://www.ecfr.gov/current/title-2/section-200.331), 200.403 (https://www.ecfr.gov/current/title-2/section-200.403), and 200.414 (https://www.ecfr.gov/current/title-2/section-200.414).

European Union: General conditions applicable to European Union-financed grant contracts for external actions (PRAG Annex II, July 2019 edition), Article 14: https://www.eeas.europa.eu/sites/default/files/e3h2_gencond_en_0.pdf. Check the PRAG edition named in your call.

United Kingdom: FCDO, Programme expenditure: eligible cost guidance for accountable grant arrangements (August 2021): https://www.gov.uk/government/publications/dfid-accountable-grant-arrangement-budget-template-and-guidance.

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