

GUIDE TO BUDGET PREPARATION DMCDD FUND

March 2018

1. GENERALLY ABOUT BUDGETS FOR PROJECTS AND ACTIVITIES

An important assessment criterion for an application is the relationship between the cost and the expected results of the intervention, and whether the level of expenditure is realistic in view of the local context, especially if the intervention is supposed to continue without external support.

The budget should contain all costs of the intervention, which must be presented in a clear and transparent fashion. It is important for the assessment of the application that the budget is easy to understand.

The assessment of the application will set store on the budget corresponding closely to the project description and strategy. It will also be considered important that project costs be reasonable and well justified in view of the activities to be carried out and the outputs expected to be delivered as a result.

It should be ensured that all budget items are described and explained in the actual application text. If you have expenses likely to raise eyebrows, it is particularly important that they be justified in the project description and strategy. Examples of points likely to invite critical scrutiny are remuneration of Danish personnel and major purchases/investments, as well as a relatively high proportion of the combined budget being composed of items such as local salaries, administration and travel.

SELF- AND CO-FINANCING

Please note that self-financing should only be indicated in the budget in case of cash contribution. This means that the value of, say, voluntary work and in-kind contributions must not form part of the budget, but should merely be mentioned in the application.

It must be easy to distinguish between the DMCDD grant and other sources of funding.

If the budget includes mention of any other financial source than the DMCDD fund, the spending of this should also be clearly presented in the final accounts.

2. BUDGET FOR PROJECTS

The application for project support must include the following budget information:

- Budget summary and Financing plan (section B of the application)
- A detailed budget (Annex A to the application). The budget must be detailed in order to assess whether the costs are reasonable. Additional detailed budgets can be added as annexes for more complex budget items.

BUDGET

Budget item 1: Activities

All expenses directly related to the implementation of activities must be budgeted under this item. For example, the budget for a seminar can include expenses for rent of location, transport, food, accommodation, trainers' fee, and teaching materials. (If project employees are teaching at a seminar, the costs are included under salaries.)

As far as possible, the various activities must be broken down into more specific budget items, and the activity budget structured in accordance with the immediate objectives of the intervention. In the case of activities aimed at pursuing several objectives at the same time, these should be budgeted separately after the items pertaining to particular immediate objectives. This presentation will help reveal where the emphasis of the intervention has been placed financially.

Professional consultancies

This must be budgeted under the relevant immediate objective. This applies both to expertise hired in Denmark and locally, when this is exclusively designed to contribute towards the actual implementation of the intervention. If a technical input is in pursuit of several immediate objectives, its cost must be divided between them in the proportions expected to be dedicated to each. The professional input must add specific value to the project and must be described and argued for in the application. It must be connected to specific activities and outputs. It is important to indicate the number of hours and hourly fee of each contribution. Whenever possible, consultants from the country of intervention or neighbouring countries should be used. For more on Danish man hours, see page 5 on the Danish organisation's use of man-hours.

Budget item 2: Investments

All purchases of material in support of activities must be entered here. Investments include major procurements that are not only consumed during the realization of activities. For example, seeds and teaching aids will be budgeted as activity expenses, whereas vehicles and IT equipment will be seen as investments. The purchase of land, real estate, or cars, is usually not supported by the DMCCD fund.

Budget item 3: Local staff

Salaries for local staff, who are necessary for the implementation of the project, may be applied for. In principle, remuneration of permanent local staff must be entered under this budget item. For each position, the following must be specified:

- Position, man-months and wage.
- Other employment costs.

It must be stated what percentage of the remuneration of the staff involved is covered by the Danish grant. For example, the grant might pay a part of the salary of an already employed staff member, who will be working part-time for the project.

Attention must be paid to local labour rules, including hiring, wages, notice of termination, compulsory healthcare contributions, payment for a 13th month, etc. This ought to be raised with the local partner who knows the local rules.

Please note that for organisational development projects, local staff salaries cannot be included, due to the nature of the intervention. However, a fee can be included for consultants or permanent employees, who for a limited period and for a specific task contribute to facilitating the processes.

Budget item 4: Local monitoring

Expenses for planned local monitoring, which is not specific to any particular activity, can be included in the budget. This will mainly be for expenses for transport and meetings mentioned in the application section A4.

Budget item 5: Local administration

This heading enables funding of local partners' administrative costs incurred due to activities covered by the application, including auditing expenses. Only direct costs can be covered. That is, local administration cannot be covered by a certain percentage of the total budget.

The running costs of the local partner's accounting department and secretariat can be included based on the amount of time spent on the project. The budget for communication can be based on direct costs or as a percentage of total communication costs. All administration costs must be documented through relevant vouchers.

Please note that for grants above DKK 200.000 the local auditor must adhere to international standards for auditing.

Budget item 6: Danish monitoring visits

For projects administered by the Danish member organisation, monitoring visits can be included in the budget. Project monitoring visit refers to the Danish organisation's supervision of the implementation. However, capacity building or providing technical support must be included in the budget for activities. Project monitoring visit may be carried out by employees and members of the Danish organisation, who are qualified and well acquainted with the project in question. A Term of reference should be developed before the visit as well as a report after the visit.

Travel expenses for monitoring must be budgeted as economically as possible. Travel and mileage allowances cannot exceed the lowest rates laid down by Denmark's Ministry of Finance. Airfares must be priced at no more than the equivalent of economy class, and accommodation should not cost more than a normal tourist-class hotel.

For projects administered by DMCCD, member organization can apply for up to DKK 25,000 for larger projects (A) and DKK 15,000 for smaller projects (B) for monitoring visits. The purpose of such visits can be learning, capacity building, information etc. However, the support cannot cover the routine partnership visits, which many member organizations make on a regular basis although these trips may include visits to projects financed by DMCCD.

For projects administered by the member organisation, you may apply for funding of salaries or fees for participation in project monitoring by the Danish organisation's employees or volunteers. In principle, a maximum 37 hours. If support for technical assistance or review has been granted, the visit may be longer. (Please see the section on Danish man-hours on page 5.)

Budget item 7: Reviews and evaluations

Review

The costs of a project review can be applied for. Activities in relation with the review must be included in this budget item.

Evaluation

It may be useful, in phased projects or other cases, to design the project with a plan to obtain an external assessment of progress, whether it be a midterm – or final evaluation. Any intention to this effect must be justified in the application, and the cost is expected to be commensurate with the size of the project. It is a requirement for an application for a third phase that an evaluation of the former phase has been done.

It is possible to apply for coverage of the fees of an external consultant, transport and accommodation, and for activities related to the evaluation. Airfares must be priced at no more than the equivalent of economy class, and accommodation should not cost more than a normal tourist-class hotel.

If expatriate consultants are used (ie. not from the country of the intervention or neighbouring countries), then the reasons for this must be explained in the application.

Budget item 8. Budget reserve

A budget reserve should be included amounting to a maximum of 10% and minimum 6% of the total costs listed under items 1-7 in the budget format.

The budget reserve may be used to cover unforeseen expenses on some of the other budget items. These might typically be caused by currency fluctuations raising the costs of the intervention, or by other conditions making purchases or other payments related to the activities more expensive than expected at the time of budgeting.

Budget item 9: Auditing in Denmark

DMCDD will take care of the auditing for projects administered by DMCDD. Therefore it should not be included in the budget.

Member organisations, who are administering the grant themselves, must use their own auditor and include the expenses in the budget. If the intervention is implemented in the course of more than one accounting year, it is necessary to draw up annual accounts for the spending of the grant in the context of the whole organisation's annual accounts. In this case, both the final and the various annual accounts must be audited.

The total auditing costs in Denmark and in the country of cooperation should normally be kept at no more than 3% of the budget of a small-scale project. However, in the case of a large-scale project, 3% will often be considered too expensive.

The auditing rules are detailed in "Forvaltningsvejledningen" (only in Danish).

The auditing of the annual accounts of the organisation is not covered by the grant.

Budget item 10: Administration in Denmark

This budget item is only relevant if the Danish member organisation itself is administering the grant. In that case, 7% for administration in Denmark can be included.

The Danish organisation's use of man-hours for the project

The detailed budget should state clearly whether salary and fees for staff or volunteers in the Danish organisation is included.

In assessing the use of Danish man-hours in relation to the size of the grant, the following will be taken into consideration:

- The need for consultancy in relation to activities is based on the need of the partner or the target group
- Are local consultants available, who could have been used instead?
- Danish input must not create a dependency on the Danish partner.

In other words, in budgeting for Danish consultancy, cost effectiveness as well as relevance to the partner and the target group must be taken into consideration.

The following activities can be included under Danish man hours:

- Technical input for project specific activities
- The development of project specific policies, strategies, and guidelines

Attention should be paid to the following:

- All project-specific spending on Danish salaries must be considered in the budget presented in the application beforehand with reference to individual activities, and must subsequently be documented in accounts and reporting on the activity concerned.
- Organisations with permanent staff (whose contract is not connected to the timespan of a specific project) may include overheads in addition (up to 80 %) in addition to documented salary costs.
- To include overheads, a time registration system must be kept, so that the use of man hours can be charged to the activity accounts.
- Neither permanent, temporary nor voluntary staff may command an hourly rate (exclusive of any overheads) that is higher than their current remuneration level.
- The salaries of local staff at field offices cannot exceed the average level for equivalent organisations in the same country.
- An application must set out, e.g. by means of a task description, what, how, and for what purposes the organisation's staff/volunteers are to contribute, and their professional qualifications for doing so must be described.
- The main part of the professional assistance must take place in the recipient country.

If salaries or fees for Danish personnel are included in the budget, the organisation must be registered with the Danish tax authorities.

Please also note page 2: Professional consultancies

3. BUDGET FOR ACTIVITIES

Feasibility study, capacity building, network, and partnership activities

The budget table presented in the actual application form should be used. The maximum grant is usually DKK 100,000. However, for capacity building and network activities, the maximum amount is DKK 75,000. In connection with partnership activities, the member organisation must contribute with at least 10% of the budget.

DMCDD can offer to take part in the above activities as a facilitator or with professional expertise, if the member organisation and the local partner so desires, and if DMCDD deems it necessary and possible. In that case the budget must include travel and accommodation costs.

Budget item 1. Activity costs, local consultants and other expenses

This heading may include, for instance, the cost of an interpreter or locally-based professional consultant, if your partner does not possess the necessary in-house expertise. The use of external assistance must be specifically justified in the application. Please note that a minimum of DKK 20,000 must be earmarked for activities (eg. Studies, workshops or external inputs).

Budget item 2. International flights

The cheapest possible flight connection (economy class) must be used. Normally, coverage is limited to four persons' spending on travel and possible visas. For feasibility studies, only for two persons.

Budget item 3: Immunisation and insurance

Travel insurance for the person(s) travelling
Costs of necessary vaccines and preventative anti-malaria medicine, if relevant.

Budget item 4: Accommodation

The amount of support cannot exceed the cost of a normal tourist-class hotel. Travel allowances cannot exceed the rates of the Danish Ministry of Finance. For partnership conferences, only direct accommodation expenses can be supported, not travel allowances.

Feasibility studies: maximum 2 weeks.

Partnership visits: maximum 1 week, including transport.

Budget item 5: Local transport

Support can be applied for to cover domestic trips (e.g. from the capital to the project area), and local transport while visiting the project area.

Budget item 6: Other expenses

Additional expenses, which do not fall under any of the above, must be specified.

Budget item 7: Budget reserve

The budget reserve must be a minimum of 6% and a maximum of 10% of the items 1-6 in the budget.

In connection with attending courses expenses for pocket money / sitting allowances, transport in the country for meetings etc. , telephone costs and internship cannot be included in the budget.

For grants below DKK 200,000 the final accounts will be audited by the DMCDD auditor. In special cases it can be approved for the auditing of a project below DKK 200,000 to be audited in the country of cooperation, but the reasons for this must be explained in the application.

4. BUDGET FOR SECONDMENT OF PERSONNEL

Short term consultants and advisors

For secondment of short term consultants and advisors, up to DKK 200,000 can be applied for.

The budget can include:

Budget item 1. Activity costs**Budget item 2: International flights**

No more than the price on economy class

Budget item 3: Immunisation and insurance

Travel insurance for the person(s) travelling

Costs of necessary vaccines and preventative anti-malaria medicine, if relevant

Budget item 4: Accommodation

The amount of support cannot exceed the cost of a normal tourist-class hotel. Travel allowances cannot exceed the rates of the Danish Ministry of Finance.

Budget item 5: Local transport

Support can be applied for to cover domestic trips (e.g. from the capital to the project area, and local transport while visiting the project area.

Budget item 6: Salaries

Fees for professional consultant

Budget item 7: Other expenses

Must be specified

Budget item 8: Budget reserve

The budget reserve must be a minimum of 6% and a maximum of 10% of the items 1-6 in the budget.

Development workers

A two-year secondment period can be supported with up to DKK 750,000 for the applicant member organization.

For a one year period the support can be DKK 400,000 for the applicant member organization.

A 10% own contribution from the Danish organisation is required.

The following expenses can be included in the budget for secondment of development workers and short term consultants. DMCDD member organisations may have other rules about which expenses can be covered, and will abide by those. But only the expenses listed below can be fully or partly covered by DMCDD support for development workers, as the total reimbursement from DMCDD cannot exceed the amount approved for the secondment.

Before travelling

- Conversation with psychologist
- Medical examination
- Prescription medicine
- Recommended immunisation
- Travel costs for the worker and accompanying spouse and children

During secondment

- Expatriate Insurance including personal, movable property, liability, legal expenses, assault and accident insurance
- Salary costs
- Employer's pension contribution
- Reimbursement of school fees
- Initial expenses (one off amount for moving and settling costs)
- Acquisition of relevant work equipment at the beginning of the secondment period
- House rent
- Prescription medicine
- Security expenses (such as night guard)
- Travel expenses for Denmark in connection with childbirth
- Unemployment insurance
- Acquisition of international driver's licence

Upon return

- Travel expenses at the end of the contract period for the development worker and accompanying spouse and children
- Subsidy for relocating in Denmark
- Conversation with a psychologist
- Medical examination

In addition to the support from DMCCD, the member organisation can also separately apply for:

- Remuneration of school fees
- Child benefits

5. Information activities

Up to DKK 50,000 can be granted for information activities in Denmark, if the activities are connected to an ongoing or recently completed project under the DMCCD fund. Larger amounts can be granted, if several member organisations cooperate on an activity. The purpose is to reach target groups beyond the regular supporters of the member organisation with information about the development work and the partner countries.

There is no special budget form, but the following rules guide what can be supported:

- Development, production, and coordination of information materials and activities
- Direct costs for events, exhibitions, public meetings etc.,
- Transport costs in connection with information activities
- Travel and accommodation costs for visitors from partner countries in connection with e.g. lecture tours or other activities
- Fees for artists or lectures outside your own circles

The following costs cannot be supported:

- Collections and activities primarily aimed at fundraising

- The ongoing communication between the organisation and its supporters, e.g. newsletter and webpage
- Fees for staff or volunteers in the organisation
- Activities whose sole purpose is cultural exchange, international contact or integration

6. Disability compensation

The purpose is to ensure that unforeseen needs for support for disability can be met. For all support modalities, it is possible to apply for compensation for unforeseen additional expenses, related to activities and intervention, where persons with disabilities would otherwise have been prevented from participating. This can for example be interpretation, Braille, additional transport costs, and accessible training facilities.

In addition, funding can be approved to cover costs of bringing personal helpers, sign language interpreters, special transportation and other assistive devices when travelling.

ABOUT THIS GUIDE

This guide is for applications for the DMCDD fund.

The guide will be revised, if rules are changed, or if certain sections are found to be unclear. The member organisation is responsible for checking whether rules have been changed. The current version can always be downloaded from www.DMCDD.org