**Annex 4**

**Cost categories - for GDK NGO Call 2022**

| **Cost category** | **Cost sub-category** | **Suggested budget specification** | **Guidance and principles applied (including examples of typical cost areas/functions)** |
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| **DIRECT COSTS** are the costs of all necessary and reasonable inputs associated with functions, which are directly necessary to deliver a programme or project.  DIRECT COSTS (as defined by the Money Where It Counts protocol) includes the following cost functions:   * Programme/project and grant management, technical delivery, quality control functions. * Visibility and communications. * Human Resources and security. * Compliance. * Finance, procurement, payroll, information technology and administration. | | | |
| **A,**  **Direct costs.** | **A.1.a.**  **Direct activity cost**  **\_HQ level.** | * Programme/project specific investments/ equipment (HQ level). * Salaries (HQ level staff, documented by time registration). * Travel (in Denmark). * Events, conferences (HQ level) related to outcomes. | **Guidance and thresholds:**   * Related to HQ level (i.e. in Denmark) and HQ staff (i.e. staff based in Denmark). * Linked and allocated to specific outcomes (c.f. agreed results framework/ theory of change, ToC). * Allocation to outcomes shall be documented through fair, transparent and reasonable cost allocation mechanism (e.g. time registration-key or similar). * Personnel costs shall be documented through time registration.   **Direct activity costs will typically cover the following areas:**   * Programme/project management (i.e. management of an activity or package(s) of activities that contribute to the targeted outcomes). * Technical assistance, monitoring and compliance. * Activity specific service delivery. * Activity specific pilot studies and appraisals. * Development of partnerships in global South through capacity development, advocacy/policy work, strategic service delivery etc. * Programme/project specific advisory and support to local implementing partners (i.e. supporting local operational capacity and localisation). * Purchase of physical assets/items for programme/project-specific activity (incl. ITC). * Costs related to co-funding arrangements (TA-support, excluding fund raising costs). |
| **A.1.b.**  **Direct activity cost**  **\_non-HQ.** | * Programme/project activities (Non-HQ level). * Programme/project specific investments/ equipment (Non-HQ level). * Salaries (Non-HQ level). * Travel (activity specific only). * Events, conferences (Non-HQ level) related to outcomes. | **Guidance and thresholds:**  Same as above (A.1.a.), but only including expenses for functions and activities outside HQ level (i.e. outside Denmark) or for staff based outside HQ level (i.e. outside Denmark, e.g. based at country and regional offices).   * Including cost of international travel and time spent during international travel by HQ level staff and consultants (documented by time registration). * Including cost of assets/items/services purchased in or from Denmark for use outside Denmark in programme/project-specific activities (implementation) outside Denmark. (i.e. in kind payments). * Including cost of participation (by local partners) in trainings and seminars in Denmark. |
| **A.2.**  **Implementa­tion through local partners.** | * Transfers to local partners.   Or   * Expenses by local partners (final accounts must include actual and audited expenses only.) | **Guidance and thresholds:**   * Linked and allocated to one or more outcomes (c.f. agreed results framework/ theory of change, ToC). * Local partners are defined as state governments and their specialist services agencies, concerned local government bodies, state auxiliaries, national non-governmental organisations (NGOs) and civil society organisations (CSOs), community based organisations (CBOs), trade unions, local private sector and social movements, and other informal groupings. * Where partnerships are made up of organisations in Denmark (HQ level) and in the global South that are part of the same international alliance or similar, the South-based member of such an alliance must be able to demonstrate that it is rooted in local civil society to be defined as a local partner. This includes local leadership (board and management), local fundraising and an overall autonomy. Where this is not the case, the South-based member of the alliance is not recognized in this definition as a local partner, but may still contribute meaningfully to the partnership.   **Implementation through local partners will typically cover the following areas:**   * Implementation/operational cost by local partners in the global South (as stipulated in the grant agreement with local partners). * Cost of capacity building, trainings and seminars (including cost of participation in trainings in Denmark). * Programme support cost of local partners (i.e. inclusion fair share of local partners’ project support costs is acceptable, e.g. pooled cost functions, documented through transparent and reasonable cost allocation mechanism e.g. through pro rata, time registration-key, full time equivalents, head count or similar). * Audit expenses borne by local implementing partners. * Potentially, unspecified administrative fee for the local implementing partners (shall be kept at a minimum, must be based on partner capacity assessment and justified, max 7% of the direct cost of the local partner). Such admin fee should be included in A2 and the total local partner admin fee across outputs and outcomes should be totalled under B2 in row 135. |
| **A.3.a.**  **Allocated programme-support cost**  **\_HQ level.** | * Salaries related to programme supporting activities (HQ level). * Investment and equipment for programme support staff (HQ level). * Travel related to programme supporting activities (in Denmark). * Other essential programme supporting services/ expenses/ functions (HQ level). | **Guidance and thresholds:**   * Related to HQ level (i.e. in Denmark) and HQ staff (i.e. staff based in Denmark). * Justifiable, explained and documented. * Linked and allocated to outcomes (c.f. agreed results framework/ theory of change, ToC). * Primarily consisting of (common) pooled cost functions (i.e. programme supporting cost functions with benefit to several programmes/ donors/ grants/ funding arrangement). * Inclusion of pooled programme support costs (and allocation to relevant outcomes) shall be documented through transparent and reasonable cost allocation mechanism (between outcomes and among donors e.g. through pro rata, time registration-key, full time equivalents, head count or similar).   **Programme support costs at HQ level will typically cover the following areas:**   * Management of programme staff. * Planning (such as a new phase of ongoing programmes/projects), coordination of activities and preparation of documentation. * IT equipment (ICT) for programme supporting functions. * Recruitment of programme/project specific staff. * Programme/project specific studies, reporting and finance and procurement tasks. * Programme/project specific or cross cutting reviews and external evaluations. * Participation of resource persons in connection with programme evaluations. * Expenses linked to HQAI/CHS verification/certification of partner itself (reasonable share). * Programme specific or cross cutting reviews and external evaluations. * Fair share of necessary personnel related costs (for essential program supporting staff and functions e.g. social security, HR, security/safety and finance incl. expat related costs) allocated through time registration or fair/transparent reallocation keys/ cost allocation mechanism. * Fair share of programme supporting cost functions at HQ, through reallocation keys/ cost allocation mechanism (e.g. warehouse and office costs including rent, cleaning, utilities and supplies, telephone and internet costs, goods, materials, maintenance, payroll, procurement). |
| **A.3.b.**  **Allocated programme-support cost**  **\_non-HQ.** | * Salaries related to programme supporting activities (Non-HQ level). * Investment and equipment for programme support staff (Non-HQ). * Travel related to programme supporting activities * Other essential programme supporting services/ expenses/ functions (Non-HQ level). | **Guidance and thresholds:**   * Same as above (A.3.a.), but only including expenses for functions and activities outside HQ level (i.e. outside Denmark) or for staff based outside HQ level (i.e. outside Denmark, e.g. based at country and regional offices). * Including cost of participation (by non-HQ staff) in trainings and seminars (also in Denmark). * Including cost of common assets/items/services purchased in or from Denmark for use outside Denmark for programme support outside Denmark. (i.e. in kind payments, on behalf of regional office). * Including cost of international travel and time spent during international travel by HQ level staff and consultants (documented by time registration). * May include documented, fair share of general allocation/membership fee to international alliance. |
| **A.4.** | * Not applicable |  |
| **A.5.a** | * Not applicable |  |
| **A.5.b** | * Not applicable |  |
| **A.6.** | * Not applicable |  |
| **A.7.**  **Audit** | * Auditor’s fee | * Auditor’s fee related to programme financial audit exclusively. * Considered as a HQ level cost (local audit of local partners should be included in partner budgets, A.2.). |
| **INDIRECT COSTS** (as defined by the Money Where It Counts protocol) are the costs of all necessary and reasonable inputs associated with functions, which are directly necessary to manage the agency as a whole, provide oversight over all its activities and put into place the overarching policies, frameworks and systems that enable it to operate. It is not practicable to relate indirect costs to individual funding arrangements directly, but without the functions they represent, programmes and projects could not be delivered effectively, efficiently, on time, and safely. | | | |
| **B.**  **Indirect costs.** | **B.1.**  **Administra-tion fee.** | No specification needed. | **Guidance and thresholds:**   * No specification needed. * Max 7 % of actual direct cost (i.e. excl. unallocated flexible funds that are unassigned by end of year). * Non-activity specific costs, i.e. costs, which are not a result of or linked to an individual development programme/project. * Considered as a HQ level cost (i.e. an expenditure in Denmark).   **The following costs are typically considered to be covered by the administrative fee:**   * Administration and accounting of the organisation itself (i.e. not related to program activities). * Visits and monitoring visits not part of activity-specific monitoring (i.e. activity-specific monitoring may be included in A.1 or A.3.). * Recruitment of non-activity-specific personnel (i.e. recruitment of activity-specific personnel and essential support staff may be included in A.1 or A.3.). * Contact/dialogue with the MFA (other than participation in coordination of activities financed under the MFA grant). * Fund raising for programme related co funding related to funding arrangement. * Planning of applications and negotiating proposals. * General compliance and administrative and legislative reporting tasks in relation to the organisation (e.g. VAT, audit, legal). * General budget and accounts tasks not related to the programmes (i.e. program specific budget and accounting tasks are included in A.1 / A.3. according to actual time registration). * Involvement of the organisation’s leadership in the general governance and cooperation (by leadership is to be understood the general secretary/director and members of the board/executive committee not involved in activity specific tasks). (I.e. only activity specific involvement documented by time registration may be included in A.1. or A.3.).   **Indirect cost functions enable the organisation to deliver effectively and operate professionally. Enabling functions include:**   * Maintaining the organisation legally in the jurisdiction in which it is constituted. * Governing and managing the organisation and ensuring that it is appropriately directed and well controlled. * Ensuring the organisation’s overall compliance with applicable, laws, regulations and other requirements in its home country or countries. * Developing, maintaining and applying the organisational frameworks and policies required to enable the organisation to operate globally, including but not limited to: risk management policy and framework, the procurement policy, the financial control policies and frameworks, the employment policies, the due diligence framework, other necessary compliance policies, the quality control policies and frameworks. * Developing and maintaining the global systems and network required to ensure the effective and efficient delivery of the organisation’s functions e.g. the underlying global communications network and security and communications platforms. * General engagement and administration related to the international alliance membership. * Preparing, reviewing and acting upon financial and operational performance reports for the organisation as a whole. |
| **INELIGIBLE COSTS** (as defined by the Money Where It Counts protocol) are the costs, which are not accepted for funding under the funding arrangement. | | | |
| **C.**  **Ineligi-ble costs.** |  |  | **Guidance and thresholds:**   * Not to be included in budgets or reporting. * Shall be covered by other (i.e. non-MFA) sources of funding.   **The following costs are considered ineligible (unless explicitly agreed):**   * Losses due to fraud and corruption. * Purchase of land and buildings. * Disallowed costs (disallowed costs of local partners or costs irrelevant for the agreed purpose of the funding arrangement or outside project period). * Costs of general fundraising for un-earmarked funding (i.e. unrelated to the specific project/programme). * Costs of gifts and donations. * Alcohol and tobacco. * Excessive or reckless expenditure. |