



Annex 2E Cost categories for Strategic Partnerships 2027-2031

February 2026

Cost category	Cost sub-category	Suggested budget specification	Guidance and principles applied (including examples of typical cost areas/functions)
<p>DIRECT COSTS are the costs of all necessary and reasonable inputs associated with functions, which are directly necessary to deliver a programme or project.</p> <p>DIRECT COSTS (as defined by the Money Where It Counts protocol) includes the following cost functions:</p> <ul style="list-style-type: none"> • 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. 			
<p><u>A.</u></p> <p>Direct costs.</p>	<p>A.1.a.</p> <p>Direct activity cost</p> <p>_HQ level.</p>	<ul style="list-style-type: none"> • 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. 	<p>Guidance and thresholds:</p> <ul style="list-style-type: none"> • 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. <p>Direct activity costs will typically cover the following areas:</p> <ul style="list-style-type: none"> • Programme/project management • 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 and excluding general grant management). • Programme/project specific reporting and finance and procurement tasks. • Programme/project specific reviews and external evaluations. • Participation of resource persons in connection with programme/project evaluations. <p>Specific to financial instruments:</p> <ul style="list-style-type: none"> • Capital deployment into approved financial instruments including loans, guarantees, equity and quasi-equity instruments.



			<ul style="list-style-type: none"> • Risk provisioning, including first-loss capital or subordinated tranches. • Instrument-specific costs, such as: <ul style="list-style-type: none"> ○ Due diligence. ○ Legal and financial structuring. ○ Guarantee risk premia subsidies. ○ Impact measurement. ○ Technical assistance.
A.1.b. Direct activity cost _non-HQ.	<ul style="list-style-type: none"> • 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. 	<p>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).</p> <ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • Transfers to local partners. <p>Or</p> <ul style="list-style-type: none"> • Expenses by local partners (final accounts must include actual and audited expenses only.) 	<p>Guidance and thresholds:</p> <ul style="list-style-type: none"> • Linked and allocated to one or more outcomes (c.f. agreed results framework/ theory of change, ToC). • Local partners are defined as national non-governmental organisations (NGOs) and civil society organisations (CSOs), community-based organisations (CBOs), trade unions and business member organisations, local private sector and social movements, and other informal groupings, state governments and their specialist services agencies, local government bodies as well as state auxiliaries. • Where partnerships are made up of organisations in Denmark (HQ level) and in partner countries that are part of the same international federation or alliance, the member in partner country of such an alliance must be able to demonstrate that it is rooted in local civil society in order to be defined as a local partner. This includes local leadership (board and management), local fundraising and overall autonomy. Where this is not the case, the members of the alliance based in partner countries are not recognised in this definition as a local partner. <p>Implementation through local partners will typically cover the following areas:</p> <ul style="list-style-type: none"> • Implementation/operational cost by local partners in the global South (as stipulated in the grant agreement with local partners). • Cost related to support/inclusion of staff with disabilities. • Cost of capacity building, trainings and seminars (including cost of participation in trainings in Denmark). 	



			<ul style="list-style-type: none"> • 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 (must be based on partner capacity assessment and justified, max 7% of the direct cost of the local partner).
A.3.a. 'Fair share ' - Programme- support cost _HQ level.	<ul style="list-style-type: none"> • Salaries related to programme supporting activities (HQ level). • Other essential programme supporting services/ expenses/ functions (HQ level). 	<p>Guidance and thresholds:</p> <ul style="list-style-type: none"> • Related to HQ level (i.e. in Denmark) and HQ staff (i.e. staff based in Denmark). • Mainly consisting of (common) pooled cost functions (i.e. ODA programme supporting cost functions with benefit to several grants/ funding arrangement) as well as staff with cross cutting tasks and no option of precise registering of time to individual projects. • Inclusion of pooled programme support costs (and allocation to relevant outcomes) shall be documented through transparent and reasonable (fair) cost allocation mechanism (between outcomes and among donors e.g. through pro rata, time registration-key, full time equivalents, head count or similar as appropriate). <p>Programme support costs at HQ level will cover the following areas:</p> <ul style="list-style-type: none"> • Fair share of personnel costs (for program supporting staff that cannot time register on specific projects) e.g. social security, HR, security/safety and finance incl. expat related support costs). • Fair share of programme supporting cost functions at HQ (e.g. warehouse and office costs including rent, cleaning, utilities and supplies, telephone and internet costs, software licenses, maintenance, payroll system, internal audit and procurement section). • Planning (such as a new phase of ongoing programmes/projects), coordination of activities and preparation of documentation. • Recruitment of programme/project specific staff. • Cost related to support/inclusion of staff with disabilities. • Programme/project related studies. • Expenses linked to HQAI/CHS verification/certification of partner itself. 	
A.3.b. 'Fair share ' - Programme- support cost _non-HQ.	<ul style="list-style-type: none"> • Salaries related to programme supporting activities (Non-HQ level). • Other essential programme supporting services/ expenses/ 	<p>Guidance and thresholds:</p> <ul style="list-style-type: none"> • Same as above (A.3.a.), but only including expenses for common (pooled) 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). • Fair share of general allocation/membership fee to international alliance. 	



		functions (Non-HQ level).	
A.4.		(No longer in use)	n.a.
A.5.a Information and public engagement <u>HQ level.</u>	<ul style="list-style-type: none"> Salaries related to information and public engagement (IPE) activities (HQ level). Travel related to IPE (in Denmark). Events and conferences related to IPE. Other costs related to IPE. 	<p>Guidance and thresholds:</p> <ul style="list-style-type: none"> Related to HQ level (i.e. in Denmark) and HQ staff (i.e. staff based in Denmark). Max 3% of annual budget (MFA main commitment). Unspecified at the time of budgeting. Personnel costs documented through time registration. Reported/accounted with no link or allocation to specific outcome. Actual costs to be accounted only (i.e. no lump sum fee allowed). <p>Information and public engagement (IPE) will typically cover the following areas:</p> <ul style="list-style-type: none"> Activities related to enhancing the Danish public's engagement and understanding of Danish development assistance, the Sustainable Development Goals (SDGs). Activities to stimulate debate of globalisation and challenges faced by development countries and their populations. Activities related to exchange programmes. 	
A.5.b Information and public engagement <u>non-HQ level.</u>	<ul style="list-style-type: none"> Salaries related to information and public engagement (IPE) activities (non-HQ level). Travel related to IPE. Events and conferences related to IPE. Other costs related to IPE (non-HQ level). 	<ul style="list-style-type: none"> Same as above (A.5.a.) but only including expenses for functions and activities outside HQ level (i.e. outside Denmark, e.g. a fair share of programme support in country and regional offices) 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 visit to Denmark (by citizens of ODA countries) during exchange programme activities, trainings, seminars and cultural exchange. 	
A.6. Unallocated flexible funds.	<ul style="list-style-type: none"> Unallocated flexible funds 	<p>Guidance and thresholds:</p> <ul style="list-style-type: none"> Max 30 pct. of annual main grant Unspecified at the time of budgeting. Allocated to an actual outcome at time of accounting/reporting. Allocation takes place during the year (otherwise considered as unspent funds by end of year). Subject to approval procedures as specified in funding arrangement. 	
A.7. Audit	<ul style="list-style-type: none"> Auditor's fee 	<ul style="list-style-type: none"> Auditor's fee related to programme financial, compliance and performance audit exclusively. Not included as an HQ cost. Local audit of local partners conducted locally should be included in partner budgets, A.2. 	



<p>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.</p>			
<p>B.</p> <p><u>Indirect costs.</u></p>	<p>B.1.</p> <p>Administration fee.</p>	<p>No specification needed.</p>	<p>Guidance and thresholds:</p> <ul style="list-style-type: none"> • 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 necessarily a result of or linked to an individual development programme/project. • Considered as a HQ level cost (i.e. an expenditure in Denmark). <p>The following costs are typically considered to be covered by the administrative fee:</p> <ul style="list-style-type: none"> • 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.). • Recruitment of non-activity-specific personnel (i.e. recruitment of activity-specific personnel and essential support staff may be included in A.1.). • 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. 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.). • Ex-post programme evaluations and reporting. • Internal audit function. • Complaints handling mechanism. <p>Indirect cost functions enable the organisation to deliver effectively and operate professionally. Enabling functions include:</p> <ul style="list-style-type: none"> • 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.



			<ul style="list-style-type: none"> • 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.
<p>INELIGIBLE COSTS (as defined by the Money Where It Counts protocol) are the costs, which are not accepted for funding under the funding arrangement.</p>			
<p><u>C.</u> <u>Ineligi- ble costs.</u></p>			<p>Guidance and thresholds:</p> <ul style="list-style-type: none"> • Not to be included in budgets or reporting. • Shall be covered by other (i.e. non-MFA) sources of funding. <p>The following costs are considered ineligible (unless explicitly agreed):</p> <ul style="list-style-type: none"> • 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. • Expenses related to political campaigns in Denmark. • Interventions intended wholly or partly proselytizing or dissemination of partisan political messages.