

Budget Guide

The Danish Emergency  
Relief Fund

# GUIDE TO BUDGET PREPARATION FOR THE DANISH EMERGENCY RELIEF FUND

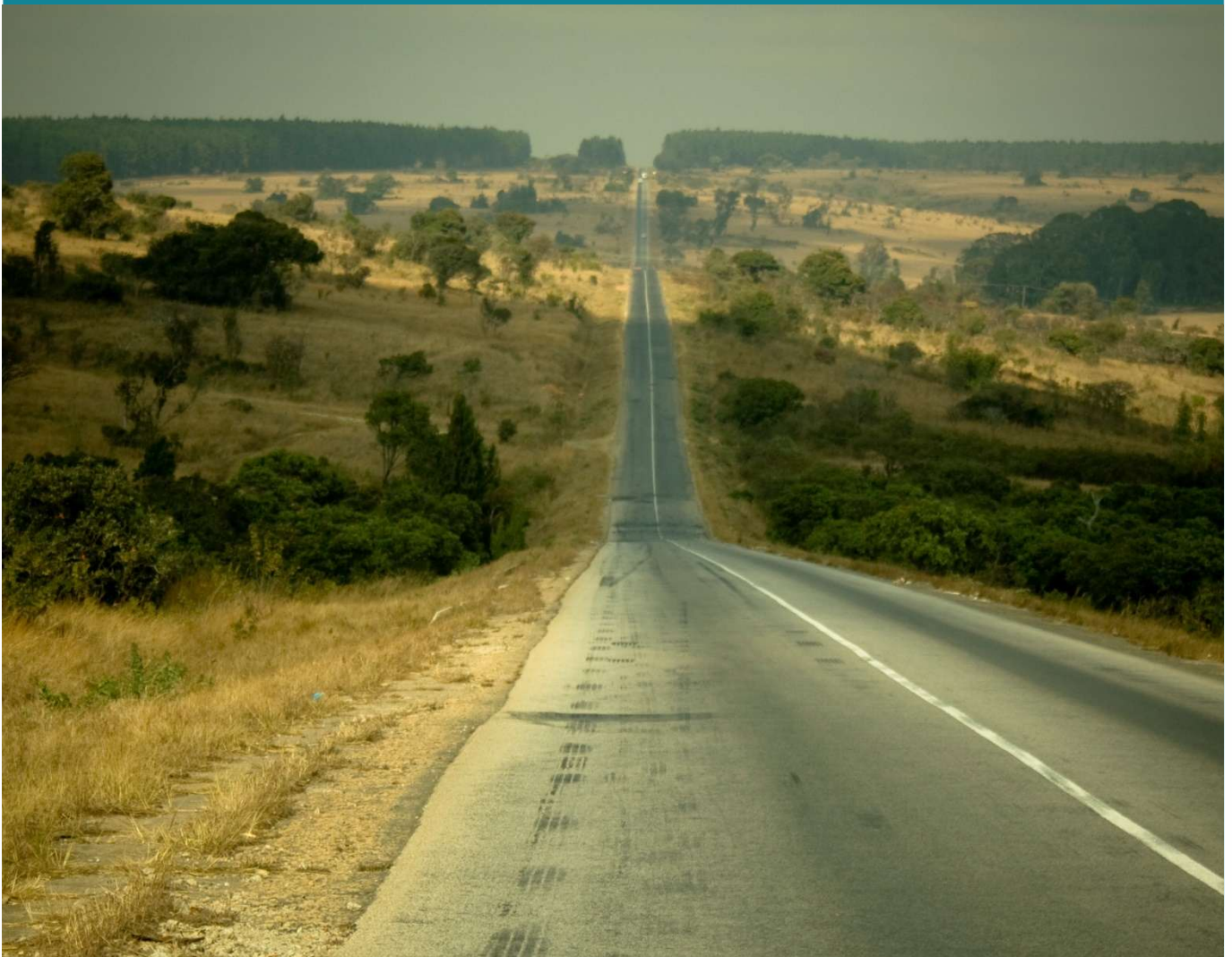


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## 1. VALIDITY OF THE GUIDE

This guide is valid for preparation of budget for applications to the Danish Emergency Relief Fund (DERF).

Please note that the guide will be continuously updated if the rules are changed, or if anything in the text turns out to be unclear. Your organisation is responsible for always using the latest version of this guide available at the DERF website.

## 2. HOW TO USE THE GUIDE

This guide sets out the requirements regarding how to present the budget. Accordingly, its instructions should be followed when drawing up a budget in connection with applications to the DERF.

Please note that the requirements for managing the budget are found in the DERF Grant Management Guide available at the DERF website.

## 3. GENERALLY ABOUT BUDGETS FOR PROJECTS<sup>1</sup>

When applying for funding from the DERF, a budget must be prepared according to the budget format available at the DERF website.

The budget must be drawn up in Danish kroner (DKK).

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

The budget and the applications will be assessed together and the descriptions in both must correspond with each other. It is also important that the costs of the project are reasonable and well-justified in view of the activities to be carried out and the results and/or changes expected to be achieved.

When writing the application, it should be ensured that all budget items are described and explained in the actual application text so that the application and budget easily can be linked. For instance, if your application includes outcomes and outputs, please refer to the same output/outcome numbers in the application text and in the budget format for easy reference. Large or unusual expenses must be justified, both in the application and in the budget notes. Examples are salaries for Danish personnel, major purchases, or investments, as well as a relatively high proportion of the combined budget being composed of items such as salaries, local administration and travel.

It is mandatory for the Danish organisation to provide for insurance coverage of major equipment, assets, and inventories, as well as staff and/or volunteers (Danish and local) to the extent possible.

If the budget contains salaries or fees for Danish staff and/or volunteers, the applicant organisation must be registered with the Danish tax authorities and report according to the set rules.

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<sup>1</sup> 'Project' is used in budgetary documents, i.e., the budget guide and budget format as correct accounting term. 'Project' is also called Intervention and/or grant in other DERF documents.

### 3.1. FAIR AND TRANSPARENT COST ALLOCATION

For some types of costs, it is only relevant to apply for a part of the cost to be covered by the given project supported by the DERF. Typically, this applies for organisational costs/core costs such as rent, salaries for accountants, office supplies and the likes – i.e., costs that are not only related to the project.

If this is the case, it is required to explain either by using a cost allocation key or in writing how large a proportion of the organisational costs, which the DERF grant will cover. The cost allocation key/explanations must appear in the budget notes. Thus, it is also relevant to indicate, if the DERF grant covers all organisational costs (100%).

At the time of the application and development of the budget, the cost allocation key should be based on information you have for the organisation's coming turnover and expenses. This means that the cost allocation for the project should be calculated proportionally of the organisational expenses to come. At the time of closing the accounts of the project, it is part of the auditor's tasks to assess if the costs allocated for the project is fair compared to the organisational expenses and turnover in the project period.

The allocation of costs can be based on time registration key, number of employees or project portfolio.

#### Example 1:

A Danish partner's project manager spends all her time on a DERF project. Her time is spent on a) activities & project monitoring and b) project support.

The project manager spends:

300 working hours on Activities and project monitoring (budget line 8) out of a total of 592 hours (16 weeks)

292 working hours on project support (budget line 9) out of a total of 592 (16 weeks)

Cost allocation could be:

Fair share for budget line 8:  $300/592 = 0,56$

Fair share for budget line 9:  $292/592 = 0,49$

In this way budget line 8 will cover 56% of the salary of the project manager, while budget line 9 covers 49%

#### Example 2:

A part of pooled/common project support costs need to be allocated to a DERF project. This could be office costs including rent, cleaning, utilities and supplies, telephone and internet costs, goods, materials, maintenance etc.

Cost allocation could e.g., be:

- Based on '**head counts**': 2 of the 3 employees in the organisation work on the DERF project i.e.,  $2/3 = 67\%$  of the cost is allocated to the DERF project
- Based on '**project portfolio**': The organisation's portfolio will be DKK 3 million if the project is granted - the project budget amounts to DKK 2 million, i.e.,  $2/3 = 67\%$  of the costs is allocated to the project.
- Based on **time registration key** (i.e., hours): 2.892 workhours of in all 4.520 workhours have been spent on the project,  $2.892/4.520 = 64\%$  of the costs are allocated to the project.

#### Fairness:

Please note that the three cost allocations in example three all are considered fair as they all allocate a similar percentage of the cost to the project (67 %, 65 % and 64 % respectively). If an allocation key results in an unfair allocation (e.g., a significantly higher share) it cannot be applied.

It is important to keep in mind that a 'fair share' calculation is not static, as the basis for the calculation can alter during the project period. E.g., the project portfolio can change, the amount of employees may change, the size of the organisational core cost may change. Therefore, it can be necessary to modify the fair share calculations used when relevant during the programme period to ensure that there is budgeted for current and future costs.

## 4. BUDGET FOR DERF PROJECTS

The budget format entitled 'DERF budget format' is available at the DERF website. The spreadsheet contains four tabs with one spreadsheet each.

- **Spreadsheet 1** (Budget) and **Spreadsheet 2** (Budget Notes & Calculations) must be filled in by all applicants.
- **Spreadsheet 3** (DK Work Hours) must be completed if the budget contains salaries for staff or volunteers from Denmark taking on relevant professional tasks.
- **Spreadsheet 4** (Budget Summary) automatically generates an overview of the main items in the budget.

The four spreadsheets will be presented in the following sections.

### 4.1. SPREADSHEET 1: BUDGET

All budget items in the project are entered into spreadsheet 1.

It is important that you only type in the white cells of the budget format, since all the coloured cells contain formulas.

Budget format for the Danish Emergency Fund		DERF DANISH EMERGENCY RELIEF FUND
[Project title]		
Must be used with DERF applications. Please consult the DERF Budget Guide, when you draw up the budget		
All budget items must be numbered. You may add lines under one or several main categories if necessary.		
Line ref.	Activity and item description	Applied amount from DERF, DKK
<b>1. Local Partner Activities</b>		
1.1		
1.2		
1.3		
etc.		
<b>1. Subtotal</b>		-

Below is a description of how to fill out each column:

- **Line reference:** Each line in the budget worksheet must be given a **sequential** reference number.
- **Description (Activity, item etc.):** Each budget line must have a **description** of the activity and item included. If your application includes outputs/outcomes, please refer to their numbers in the description for easy reference.
- **Applied amount from DERF, DKK:** Amounts applied for from the DERF.

### Geographical distribution of expenses

In the bottom of spreadsheet 1. Budget, the geographical distribution of expenses, is calculated automatically, where the costs are budgeted and thus expected to be incurred. Thus, the budget lines for local activities, staff etc. (the so-called A2 budget categories) are registered under “Expenses in the crisis

Geographical distribution of expenses	
Expenses in Denmark, DKK	
Expenses in the crisis area, DKK	
<b>Total expenses, DKK</b>	
Reconciliation of total applied amount from DERF vs. total expenses	0

area”, and the rest are registered under “Expenses in Denmark”, i.e. in the country in which the payment recipient is located.

If external consultants are involved in the Monitoring & Evaluation of the project, the rule is that the professional fee is registered as ‘Expenses in Denmark’ if the consultant/evaluator is from Denmark, whereas remuneration of a local or regional consultant is registered as ‘Expenses in crisis area.’

Work hours must be distributed between ‘Expenses in Denmark’ and ‘Expenses in crisis area’ based on the country of payment. In the case of payments whose recipient is located neither in Denmark nor in the crisis area, the expenses are registered in the category closest to the recipient (i.e., ‘Expenses in Denmark’ and ‘Expenses in crisis area’).

### Funding from other financial sources

Under the DERF, full financing can be applied for to cover all types of project expenses, though it is also possible to supplement the grant with other resources to increase the overall budget of the project. Such other sources of finance should only be set out in the application and its budget if they contribute towards covering the costs of activities specified in the budget.

If the other source of funding is a prerequisite for implementation of activities, DERF can only give final approval of the application when the applicant certifies that the additional funding has been secured.

The budget should only include financial resources (*cash contributions*):

- 1) whose availability has already been secured or is considered realistic to obtain,
- 2) which can be entered into the project accounts, and
- 3) which will appear in the final audited project accounts.



Salaries or lost earnings that are not actually entered into the accounts, as well as the value of voluntary work and other in-kind donations, cannot be written into the budget. Nevertheless, information about such added resources is relevant, and can be provided in a budget note or in the application.

Funding from other financial sources and self-financing are budgeted on spreadsheet 1 in the budget in the cell "16. Funding from other financial sources, DKK".

<b>15. Total Applied Amount from DERF, DKK</b>	<b>-</b>
<b>16. Funding from other financial sources, DKK</b>	
<b>17. Total budget of the project, DKK</b>	<b>0</b>
<i>control</i>	

## BUDGET LINES

The budget consists of 15 main budget lines. The title of each budget line defines whether it is relevant for the local partner or the Danish partner.

### Budget line 1: Local partner activities

Expenses related to activities implemented by the local partner must be budgeted under budget line 1. This could be purchases of consumables and/or resources for direct distribution to target group(s), such as food supplies, medical supplies, survival kits, blankets, cash transfers.

Activities must be structured in accordance with the objectives defined for the project. In the case of activities aimed at pursuing several objectives at the same time, the activity costs should be divided between the various objectives.

This presentation will help show where the emphasis of the project has been placed financially. However, if the number of activities is very high, it may be helpful, for the sake of clarity, to gather related activities under a single budget line, and then elaborate on the various expenses making up the total amount in a budget note (spreadsheet 2). Read more about budget notes in section 4.2.

*Example of breaking down objectives into outputs and activities:*

<b>1. Local Partner Activities</b>	
	<b>Specific objective 1: Contain the spread of COVID-19</b>
	<b>Result 1.1. Access to WASH services</b>
	<b>Activity 1.1.1. Distribution of sanitation and protective material</b>
1.1.	Partner A
1.2.	Partner B
	<b>Activity 1.1.2. Installation of water tanks</b>
1.3.	Partner A
1.4.	Partner B

### Flexible funds

You may (optional) plan with funds that are not from the beginning allocated to a specific activity.

During implementation, you can only use the flexible funds for managing a process of community involvement in prioritisation and decision-making concerning the use of these funds, and for implementing activities as per the decision taken by the community.

The amount allocated for flexible funds may not exceed 10% of the Total Cost (budget line 13).

Utilisation of flexible funds have to be on lifesaving humanitarian activities that support the achievement of approved intervention objectives / outcomes. It may include new activities, if these contribute to the achievement of one or more of the objectives or outcomes of the intervention. Besides the direct costs of activities, you may also use the Flexible Funds to cover expenses of organising a participatory decision-making process about the use of these funds.

### **Budget line 2: Local Partner Investments**

Under Local partner investments, you must budget all purchases of material to support the local implemented activities. Investments include major procurements that are not a part of the implementation of activities. For example, seeds and teaching materials will be budgeted as activity expenses, whereas vehicles and IT equipment will be seen as investments.

The purchase of land and real estate cannot be supported by the DERF.

### **Budget line 3: Local Partner Staff and Volunteers**

Salaries for local staff and volunteers related to project activities and managing hereof are entered here. Salary and fees incurred in direct connection with activities, e.g. fees for external local consultants must be budgeted under budget line 3. In addition, remuneration of permanent staff (e.g. project manager, bookkeeper) must be budgeted on budget line 3.

Specify for each position (e.g., in a budget note (spreadsheet 2)):

- Position, percentage of full-time position, number of hours per week and salary level.
- Other employment costs

It must be stated what percentage of the staff salaries will be covered by the DERF fund, and for instance whether it is a part-time job, or whether the employee's combined wage is covered by several sources of income.

Attention must be paid to local labour rules, including hiring, salaries, 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. Salaries must be in accordance with salary levels prevailing in the local labour market. The Danish embassy or other NGOs might be able to help with information on these levels.

### **Budget line 4: Local Partner Administration**

The local partners' administrative and operational costs of the project activities must be budgeted on budget line 4 (e.g. rent, insurance, phone, internet, bank costs etc.). It is important that the local partner provides the necessary insurance for staff, equipment, etc.

The amount of the local administration lumpsum can be up to 5% of budget line 13 (Total Cost).



This budget line category also includes a specific budget line to cover costs for auditing the grant in the partner country, which is required for grants above 500.000 DKK and recommended for grants between DKK 200.000 and 500.000.

Read more about auditing requirements in the Grant Management Guide available at the DERF website.

### **Budget line 5: Local Partner Risk Management & Safety Measures**

The application must describe the proposed strategy for risk management and safety measures. Thus, the budget must reflect the described activities as well as the procurement related to the activities.

Consequently, the budget could include the following: Risk assessments and strategy development (external advisory, materials, transport or similar), safety equipment (e.g. special night lighting within refugee settlements in areas of heightened risks of sexual abuse, satellite phones, bullet proof vests, helmets), IT equipment (Internet hubs etc.), safety training (training expert fees, venue, transport, accommodation etc.), insurances (liabilities, travel insurance for high risk areas etc.), memberships of safety networks and information access, communication materials on reducing risks and insecurity of specifically vulnerable populations etc.

It is important that the budget covers the staff and volunteers of the local partner as well as the target groups to the extent possible. It is also possible to budget for work hours for the involved staff and volunteers. Risk management and safety measures for Danish staff and volunteers must be registered under budget line 8: *DK Partner Activities & Project Monitoring*

### **Budget line 6: Local Assessments**

Proposed assessments of the target groups, vulnerable groups etc. must be described in the application. Thus, the budget line should reflect the activities described in the application, including transport, accommodation, venue, materials etc.

It is also possible to apply for funding of salaries or fees for external consultants. If the consultant is local, the salary must be registered under this budget line. If the consultant is Danish, the salary must be registered under budget line 9: *DK Partner Project Support*.

### **Budget line 7: Local/Regional Coordination participation**

Proposed participation in local and/or regional coordination of humanitarian assistance with other relevant actors including through humanitarian coordination forums - such as the IASCE coordination system where possible - must be described in the application.

The budget line should reflect the activities described in the application, if applicable. The budget line could include staff and/or volunteer work hours spent on participating in the coordination, transportation to the meetings and events, communication expenses as well as venue and event expenses, in case of the local implementing partner also proposes to host any of the coordination events.

### **Budget line 8: DK Partner Activities & Project Monitoring**

On budget line 8 you budget costs for the Danish partner, which directly relate to the project's activities.

These costs may be:

- Project activities including activity specific capacity building, advocacy, policy work, strategic service delivery etc.
- Project specific investments i.e., purchase of physical assets for project specific activities (e.g., IT equipment).
- Project management and supervision of implementation in cooperation with the local partner including project specific:
  - Advice, support and capacity building of local partners and other relevant actors.
  - Support for partners' administration and accounting.
  - Technical assistance, monitoring and compliance.
  - Monitoring of ongoing projects, including monitoring visits and reporting.
  - Support for volunteers' involvement in monitoring and reporting.
  - Evaluation of ongoing activities.

Project monitoring is required, and it may be carried out by employees and members of the Danish partner.

You can allocate funding for salaries and fees for the Danish partner's employees or volunteers in relation to project monitoring. More guidance and requirements are set out in section 4.3 Danish work hours.

### Travel expenses

Travel expenses must be budgeted as economically as possible, which include limiting the number of travelers/trips to those necessary. Per diem and mileage allowance cannot exceed the rates for business travel laid down by Denmark's Ministry of Finance.

Airfares must be priced at no more than economy class, and accommodation should not cost more than a normal tourist-class hotel. See also the Danish Ministry of Finance's rates for hotel expenditure during business travel. In special circumstances, the security/safety situation in a crisis area might make it necessary to use more expensive hotels with adequate security. If this is the case, you must explicitly justify this in the budget notes to the budget lines.

Bonus points earned on travel as part of the project may not be used privately by employees but are to be included in the discount on other trips as part of the project. Cancellation and travel insurance for both employees and volunteers should be included in the budget.

### Budget line 9: DK Partner Project Support Costs

Budget line 9 refers to *project support costs* paid by the Danish partner. These costs *support* the implementation of the project and are not costs that cover the direct implementation of the project activities.

Such project support costs will typically cover the following areas:

- Management of project staff.
- Coordination and support of volunteers' involvement in project activities.
- Planning and coordination of activities and preparation of documentation.
- IT equipment for project supporting functions.

- Recruitment of project specific staff.
- Transport expenses to project related events and meetings.
- Project specific studies, reporting, finance, and procurement tasks. This includes reporting concerning the project to CISU (final reports and final accounts).
- Project specific advisory and support to implementing partners (i.e., supporting local operational capacity and localisation).
- Fair share of necessary personnel related costs (for essential project supporting staff and functions e.g., social security, HR, security) through time registration or transparent cost allocation key.
- Fair share of project support functions at head quarter and local or regional country office, through reallocation keys (e.g., warehouse and office costs including rent, cleaning, utilities and supplies, telephone and internet costs, goods, materials, maintenance, payroll, procurement).

### **Budget line 10: Total Project Costs**

Budget line 10 calculates the total project costs for the project automatically.

### **Budget line 11: Contingency**

The budget should contain a margin amounting to a minimum of 6% and a maximum of 10% of budget line 10: *Total project costs*. The contingency may be used to cover unforeseen expenses on some of the other budget lines, such as increases in prices, salaries, exchange rates and interest costs.

In the budget format, there is a control field that shows the minimum and maximum amounts you must budget with.

See the DERF Grant Management Guide for the requirements regarding spending of the budget margin, including when it is necessary to request prior approval.

### **Budget line 12: DK Partner Auditing**

The final accounts for grants above DKK 200,000 must be audited by a chartered or state-authorised auditor who should be appointed by the Danish partner

Auditing costs in the partner country must be charged under budget line 4: Local partner administration.

The total auditing costs in Denmark and the implementing country should normally be kept at between 2 and 3% of the total grant. It should be noted, however, that for small projects, the cost of auditing will typically be relatively higher than the cost of large projects. If the cost of the audit is higher than 2-3%, this must be justified in the budget notes.

Please note that, in the case of grants of DKK 200,000 or less, audit fees are paid by DERF and hence omitted in the budget.

The DERF Grant Management Guide and the Audit Instructions detail the audit requirements in Denmark and in the partner country.

**Budget line 13: Total Costs**

The budget line calculates the total costs for the project and the external auditing in Denmark.

**Budget line 14: DK Partner Administration**

5% of project costs (budget line 13) may be set aside for administration in Denmark. The administration fee should cover the Danish organisation's non-activity specific costs.

Such costs may include:

- Administration and accounting of the organisation itself (i.e., not related to project activities).
- Visits and monitoring visits that do not form part of activity-specific monitoring.
- Recruitment and selection of personnel unrelated to any specific project.
- All contact/dialogue with CISU that do not relate to the project.
- General compliance and administrative and legislative reporting tasks in relation to the organisation (e.g. VAT, audit).
- General budgeting and accounting tasks.

In the budget format, there is a control field that shows the maximum amount you can budget with. The final accounts submitted to CISU should not specify the spending of the fee for administration in Denmark, though this must appear in the Danish organisation's own accounts.

See the DERF Grant Management Guide for requirements regarding spending of the budget line *Administration in Denmark*.

**Disability compensation**

You can apply for disability compensation from the DERF to cover extra expenses for the Danish partner. The costs can be for personal assistants, sign language interpreters, special transportation and other aids in connection with the Danish partner's active participation in the implementation of a project.

Note that disability compensation for the local partner must be sought as an integral part of the project and be activity specific.

The relevant expenses should be registered under budget item A-E in the bottom of spreadsheet 1. Budget in the budget format.

Disability compensation	
A. Special transportation (explain relevance in notes)	-
B. Accommodation for helper (explain relevance in notes)	-
C. Airfare for helper (explain relevance in notes)	-
D. Special translations etc. (explain relevance in notes)	-
E. Other (explain relevance in notes)	-
<b>Total Compensation</b>	-
*Relevance of all budget lines must be explained in the budget notes, sheet 2	

Please note that expenses for disability compensation will be supplementary to the grand total amount applied for. In this way, the sum of the grand total and the expenses for disability compensation can exceed the usual maximum amount for the modality.

#### 4.2. SPREADSHEET 2: BUDGET NOTES & CALCULATIONS

Budget notes help ensure that the budget can be understood by those who are going to use it. Moreover, they are important to enable an assessment of the cost level of the project, which is factor in the decision of whether to approve or reject the application.

Accordingly, items calling for further explanation must be described in the budget notes. These can be, for example, what a unit is to be used for or what it covers. Importantly, significant costs indicated in the budget need to be specified in the notes in terms of a calculation of unit costs, number of units, number of times (frequency) and total amount.

The terminology used in the budget notes is explained here:

- **Unit type** is the basis for calculating the cost of the budget line. It helps to think about how this will be charged (by person, by item, by day/month).
- **The number of units** describes how many of the items are needed.
- **The number of times (frequency)** describes the number of times the unit will be used / take place.
- **Unit cost** is the price of one unit.
- **Total budget** is calculated by multiplying the numbers in the three previous columns together (no. units x no. times x unit price).
- **Notes** must explain where the costs or quantities came from or what assumptions were made. The notes are particularly useful to help the reader understand the budget.

#### Example:

##### Budget Notes & Calculations

All budget items must be numbered. You may add lines under one or several main categories if necessary. Please ensure that the added lines are above the subtotal for the relevant category.		Calculation of budgeted expenses - recommended to use, where you can insert the Total budget in Sheet 1				
Line ref.	Notes and assumptions / Justifica	Unit Type	No. Of units	No. of Times (Frequency)	Unit cost, DKK	Total budget, DKK
	<b>Objective 1: Contain the spread of COVID-19 - result: access to WASH resources</b>					
1.1	<b>Activity 1.1. Distribution of sanitation and protective material</b>					
1.1.1.	Hand washing kits	Pieces	9	1	1.765,00	15.885,00
1.1.2.	Soap for handwashing	Cartons	6	1	565,00	3.390,00
1.1.3.	Vehicle hired for transportation	Days	3	1	1.765,00	5.295,00
etc.						

#### 4.3. SPREADSHEET 3: Danish Workhours

Spreadsheet 3 'DK workhours' must be filled out if the budget covers salaries or fees for permanent employees, temporary employees, or volunteers of the Danish partner. If the project is implemented together with another Danish partner, this partner can also fill out 'Danish workhours'.





#### **4.4. SPREADSHEET 5: BUDGET SUMMARY**

When spreadsheet 1 in the budget format has been completed, the budget summary is automatically generated in spreadsheet 4. The spreadsheet provides an overview of the main budget lines. The two percentages with regards to localisation must be transferred to the application.

Spreadsheet 4 is for CISU's internal use, and you may not write or edit in this spreadsheet.