



Ministerie van Buitenlandse Zaken

# Guide to model budget

## Fund Combatting Sexual Exploitation of Children

July 2022

# Guide to model budget for grant policy framework Fund Combatting Sexual Exploitation of Children

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## 1. Introduction

There are several advantages to have a standardized model budget. Project budgets often lead to discussion, especially about which costs are eligible at the Dutch Ministry of Foreign Affairs (MOFA). Furthermore, different activities carried out by one and the same organization cannot be easily compared if different formats and definitions of cost types are used.

For these reasons, a standardized model budget was designed. **In the context of the Fund Combatting Sexual Exploitation of Children, the budget model as described in the following chapters must be used to draw up the program activity budget. Other layouts will not be accepted.**

## 2. Model budget

The model budget consists of various cost categories and subcategories presented below. When drawing up the activity budget for the application, the appendix belonging to this model is completed and submitted along with the application.

Note. The template of the model budget also constitutes the basis for (drawing up):

- the annual budgets submitted annually during the project period;
- the annual financial statement (which is audited). In this financial report, a narrative explanation must be added for each cost category.

**Table i – Model budget with standardized cost categories**

<b>I.</b>	<b>Direct staff costs</b>
	A.1 Staff costs for non-local personnel of knowledge institutes
	A.2 Staff costs for non-local personnel of all other consortium partners
	B.1 Staff costs for local personnel of knowledge institutes
	B.2 Staff costs for local personnel of all other consortium partners
	C. External: consultants and advisers
<b>II.</b>	<b>Other direct program costs</b>
	A. Program activity costs
	A.1. Coordination costs consortium
	B. Local NGO's and other third parties (non-consortium members)
	C. Activity-related travel costs
	D. Project office costs
	E. Activity-related equipment and investment costs
	F. Monitoring, evaluation and auditing
<b>III.</b>	<b>Subtotal I+II (=min. 85% of V)</b>
<b>IV.</b>	<b>Overheads / indirect costs</b>
	A. Percentage indirect costs (=max. 15% of V)
<b>V.</b>	<b>Subtotal III+IV</b>
<b>VI.</b>	<b>Contingencies</b>
	A. Optional percentage reserved for contingencies (=Max. 4% of V)
<b>VII.</b>	<b>Grand total = V+VI</b>

### 3. Explanatory notes on individual cost types

An explanation of the various cost categories and the cost types in each category is provided below.

#### 3.1. Direct costs

##### 3.1.1. Staff costs

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*Direct staff costs are expenses for hours that can be unequivocally allocated - in whole or in part - to the activities financed by MoFA. There is a direct, clear and demonstrable relationship between the staff costs and the activities financed by MoFA.*

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Direct staff costs allowed under this grant policy framework are elaborated below.

##### *A. Staff costs for non-local personnel*

Direct staff costs for non-local personnel are the actual costs for head office staff and posted staff that can be allocated demonstrably to an activity, in whole or in part. Staff cost are charged on the basis of actual costs through a P x Q-calculation.

##### *1. Staff costs: P x Q*

In order to arrive at the (total) direct staff costs included in the activity budget, the number of planned hours (Q – see 3 below) is multiplied by the respective hourly rates (P – see 2 below) for all staff (of all consortium partners), wholly or partly involved in the activities.

Note. Since most knowledge institutes work on the basis of integral staff costs, these costs (A.1.) have to be stated in the activity budget separately from the staff costs of the other consortium partners (A.2).

##### *2. P-component*

The following costs types can be classified as staff costs (^):

- Gross salary, including holiday allowance, contributions to pension and social insurance schemes, that can be allocated to an activity.  
Note that possible commercial consortium partners also have to work with actual costs. They are not allowed to use commercial hourly rates when drawing up their share of the activity budget.
- Costs relating to the posting, including the foreign posting allowance, rent allowance and relocation allowance. Job allowances, labour market-related allowances and deputation allowances will be paid only on the basis of a reasoned, written internal decision by the organization.
- Education and training costs are reimbursed based on actual costs, as laid down in the collective labour agreement.
- Costs relating to leave, absence from work and overtime must be authorized before they can be charged to MOFA.
- Commuting allowances are subject to the ceilings laid down in the collective labour agreement.

(^) When knowledge institutions participate in a consortium that works with agreements in the context of coordinated relationship management (CRM), this can have implications for the calculation of the indirect costs of the consortium as a whole. A more detailed explanation of this is included in section 4.

### Calculation of productive days

The daily cost of a member of staff is calculated by dividing the total cost of a staff member by their productive days per year.

The number of productive hours is calculated as follows.

1. The number of working days in a week is 5. This number is multiplied by the number of weeks per year. As a rule, this produces approximately 261 workable days, depending on the year.
2. Subsequently, the number of hours per day, as laid down in the collective labour agreement, is determined. There are 7.2 hours per day in a 36-hour week, 7.6 hours per day in a 38-hour week, and 8 hours per day in a 40-hour week.
3. The number of workable days (1) is then multiplied by the number of workable hours per day (2) to produce the annual total of available hours.
4. Annual leave, average sickness absenteeism in hours and public holidays that fall on a working day are then deducted from this total (3) to produce the number of workable hours.
5. As a next step, also a percentage of indirect hours is deducted from the total (3). 10% of the total hours per working week is an acceptable deduction<sup>1</sup>. These hours relate to meetings necessary to implement the activities, time to take courses, departmental activities, etc. This is work that must be performed to implement the activities financed by MOFA.
6. After allowing for these hours, the calculation produces the annual number of productive hours. As a rule, total workable hours per year exceed total direct productive hours by a factor of 1.11.

**Table ii – Example of how to calculate productive hours based on a 36-hour week:**

Nr.	Category	Calculation	Hours
i	Annual total of available hours	261 dagen x 7,2 uur	1879,2
ii	Hours of public holidays on a working day	6 dagen x 7,2 uur	43,2 -/-
iii	<b>Sub total</b>	i – ii	<b>1836</b>
iv	Leave (hours)		167 -/-
v	Sickness absence (in hours) (5%)	5% x iii	92 -/-
vi	<b>Number of workable hours</b> (see A. below)	iii – iv – v	<b>1577</b>
vii	Indirect productive hours (10%)	10% x vi	158 -/-
viii	<b>Number of direct productive hours</b> (see B. below)	vi – vii	<b>1419</b>

There are two ways to calculate the hourly rate per staff member:

#### A. Hourly rate based on workable hours

If the organization bases the hourly rate on the number of workable hours, it will divide the staff member's gross salary by more hours than it would if it based the hourly rate on the number of productive hours. If the organization has used the number of workable hours to calculate its budgeted rates, the hourly rate can be multiplied by a factor of 1.11 in order to cover all costs incurred by the staff member. The application of the multiplication factor may not lead to the total costs charged to donors exceeding 100% of the costs.

#### B. Hourly rate based on productive hours

If the organization bases its hourly rate on the number of productive hours, the rate will generally be higher than a rate based on the number of workable hours, as the number of productive hours allows for training courses, travel during work time, etc. In that case, the hourly rate is an all-in rate and a multiplication factor is not applied to the staff costs as there is a risk of payment exceeding 100% of the actual costs or of unauthorized overtime being paid.

### 2. Q-component

A certain number of hours per employee is planned for each (sub)activity in the activity budget to be drawn up. During implementation, these hours are monitored and accounted for on the basis of time actually spent and registered.

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<sup>1</sup> 10% is also considered an acceptable standard for indirect hours in the entral Government Fees Guide 2019.

### *B. Staff costs for local personnel*

The salary level of local staff must be consistent with local practice. Organizations are expected to have guidelines to determine the level of local salaries.

As with the direct staff costs of head office employees and expatriate employees (category A above):

- the P x Q-calculation is generally used for local staff costs;
- staff costs of knowledge institutes have to be stated separately from the staff costs of the other consortium partners.

### *C. External: Consultants and advisers*

The cost of external consultants and advisers is based on the contractually agreed hourly rate and number of hours, including office costs if applicable. Contracting must be preceded by an appraisal of offers stating rates and number of hours. The maximum hourly rate for 2022 is €206 excluding VAT.<sup>2</sup> The rates of possible local consultants and advisers must be in line with local price levels.

The following website provides an indication of local price levels: <https://www.numbeo.com/cost-of-living/>

Note. All staff costs that cannot be allocated to the activity are classified as indirect staff costs, which are part of the overheads/indirect costs (see chapter 3.2 for an explanation).

## 3.1.2. Other direct program costs

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*Other direct program costs concern costs for, among other things, equipment that can easily be allocated - in whole or in part - to the activities financed by MOFA. There is a direct, clear and demonstrable relationship between the other direct program costs and the activities financed by MOFA.*

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### *A. Program activity costs*

Costs incurred pursuing the agreed project objectives, e.g. specific training and capacity building programs for the activities' beneficiaries.

#### *A1. Coordination costs consortium*

Costs incurred by the lead partner to coordinate cooperation within a consortium also fall under the category 'program activity costs'. Coordination costs are stated as a separate item in the budget, namely cost category II.A.1 (see Table i in section 2). After all, such costs can be regarded as actual costs arising from the execution of the activity and as such can also be regarded as direct costs.

#### *B. Local NGOs and other third parties (non-consortium members)*

Costs incurred by non-consortium members such as local NGO's and third party implementing organizations necessary to achieve the objectives intended with the activities financed by MOFA.

#### *C. Activity-related travel costs*

Travel costs that may be claimed are determined by the applicant's (and consortium partners') travel expense policy. Expenses are reimbursed on the basis of actual costs or, if there is a travel policy, on the basis of agreements on fixed allowances for daily expenses with the exception of accommodation, which is reimbursed on

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<sup>2</sup> <https://www.topinkomens.nl>

the basis of actual costs. Daily Subsistence Allowance Rates may be used for activity-related travel costs as well. As a rule, flights are made in economy class.

#### *D. Project office costs*

Project office costs are costs incurred by a local country office, indispensable to execute the MOFA financed activities. They include:

- *rent;*
- *maintenance costs and office supplies to carry out the project in full or in part;*
- *IT equipment specifically for the project office.*

Costs concerned are charged to the activity on the basis of actual cost and are pro-rated where applicable if the project office also carries out for other donors than MOFA.

#### *E. Activity-related equipment and investments costs*

The cost of equipment related directly to the implementation of the project activities, such as:

- *movable property, e.g. inventory;*
- *cars purchased, rented or leased for the project;*
- *supplies;*
- *IT equipment.*

The purchase of movable property, supplies and IT equipment must be in line with the activity plan. IT equipment may be purchased only after requesting and appraising several quotations. Purchases must be made in accordance with the applicant's procurement policy. Reimbursement will take place on the basis of actual procurement costs. The amount of project-related equipment costs depends on whether the equipment is purchased, rented or leased and the reasons for an investment decision.

#### *F. Monitoring, evaluation and auditing*

External monitoring and project audit costs are direct costs charged to the activity and reimbursed on the basis of actual cost, subject to the following conditions:

- Terms of reference (ToR) must be drawn up.
- One or more quotations must be requested.
- Project audits must establish whether expenditure and receipts are regular and accurate.
- Evaluations must assess the extent to which results formulated before the start of the activity have been achieved.
- Special investigations of an activity may be reimbursed only with the prior approval of the contracting authority, i.e. the MOFA budget holder. Special investigations include fraud and corruption investigations and investigations of the assumptions made in the program's ToC.
- MOFA financed activities increasingly contain a learning component. (This is the 'L' added to the already existing Monitoring&Evaluation, formerly M&E, and now referred to as MEL.)

Note. When drawing up the budget, take into account the requirement that a report of factual findings has to be included in the audit<sup>3</sup>. This requirement arises from the new audit protocol 2022 and entails higher costs than for an audit without a report of factual findings.

**Please be aware that by early April 2022, the dedicated audit protocol for consortia –derived from the general**

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<sup>3</sup> Explanatory notes to the general model audit protocol can be found at:

<https://www.nba.nl/globalassets/themas/thema-controleprotocollen/ministeries/ministerie-van-buitenlandse-zaken/copro20044a4-buzamodelprotocol-activiteit-04022022-engels.docx>

**protocol- is still under construction and may differ slightly from the general protocol. As a result for some grant schemes the protocol for consortia will only be available at the time of the grant decision.**

## 3.2. Overheads / Indirect costs

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*In the case of indirect costs, there is no direct relationship between costs and activities. Examples of this are indirect staff costs (e.g. secretariat), telephone costs and heating costs.*

*Indirect costs can be allocated proportionally (e.g. through allocation keys) to the various donors and to the MOFA funded activities executed by the organization.*

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Regarding indirect costs, the following principles apply:

- a. In all cases, MOFA funding should be deployed as much as possible for the intended changes for the target group. Indirect costs as defined in this document, should therefore be kept to a minimum. Indirect costs are capped at 15% of the total of the direct and indirect costs (see row V of Table i in section 2). This absolute maximum of 15% is also referred to as the '15% rule' elsewhere in this document. A possible exception to this rule are integral staff costs of knowledge institutions. How to deal with this is explained in section 4.
- b. The 15%-rule applies to total duration of the project and therefore does not count as an annual maximum. This provides flexibility to the project's implementation and is in line with the practical needs of implementing organizations. Due to circumstances (such as Corona) the percentage of indirect costs incidentally may exceed the 15% limit or may be lower than originally calculated. How to deal with this rule in practice is explained in the box below.

*How to deal with changing indirect costs?!*

*In principle, all substantial budgetary deviations (positive and negative) have to be reported and explained to MOFA annually. Especially when indirect costs exceed the 15% limit. This is occasionally allowed, albeit MOFA always has the option of requesting further elaboration and/or plans to diminish the indirect costs during the remaining project period. Under no circumstances at the end of the project indirect costs may exceed 15% of the total of direct and indirect costs.*

*If we depict the above in a fictitious example..... Suppose that at the start of a project the indirect costs were calculated at 14%. At the end of the project this percentage has increased to 14.8%. In that case, it is up to MOFA to decide whether the 0.8% increase will be approved. If approved the additional 0.8% will be at the expense of the direct costs (and therefore the project results). When rejected the additional 0.8% should be covered by the organization's own (non-MOFA) resources, so that the project's direct costs remain unchanged.*

*But what if the indirect costs at the end of the project amount to 15.2%?! Here too, it is up to MOFA to decide whether the increase compared to 14% will be approved, and thus whether BZ will reimburse the additional indirect costs or whether these should be paid from the organization's own resources. In any case, the surplus of 0.2% above the 15% limit will never be reimbursed by MOFA.*

- c. Indirect costs are based on the total actual indirect costs incurred by the organization.

### 3.2.1. Allocation of direct/indirect costs

For the allocation of costs to either direct or indirect cost categories, a so-called mapping process will be applied, based on the organization's ledger accounts. To this end, the total amount of the indirect costs in the general ledger accounts is related to the total of the costs in the general ledger accounts. For this purpose, the definitions in section 3.2.2 are to be used.

Concerning indirect costs, the following is important:



- The mapping process results in a fixed percentage for the indirect costs, calculated in relation to the total amount of direct and indirect costs. This percentage is used when drawing up the budget for the costs under category IV (see Table i in section 2).
- The indirect costs need no further specification during submission of the application and activity budget.
- However, the percentage used for the indirect costs is expressly subject to the audit that takes place with regard to the annual financial statement of the subsidy.

An example on how to determine the indirect cost percentage is provided in the table below.

**Table iii – Fictitious calculation of the indirect costs percentage**

A certain organization wishes to submit a grant proposal at MOFA and makes use of the model budget at hand. The 'mapping' of all general ledger accounts according to the definitions in section 3.2.2. is used to appropriately allocate direct and indirect costs. The mapping process shows that of the total of the general ledger accounts of €100 million, €88 million can be allocated as direct costs in the general ledger accounts and €12 million as indirect costs. The indirect cost percentage therefore amounts 12% ( $=€12 \text{ mln}/€100 \text{ mln}$ ). Since this meets the 15%-rule, the 12% can be used when drawing the activity budget.

If a general ledger account comprises both direct and indirect costs, a best estimate should be made of their pro rata allocation. In this example, €80 million can be posted as 100% direct costs, €12 million as 50% direct costs and €8 million as indirect costs. Direct costs therefore amount to €86 million ( $=€80 \text{ mln} + 50\% * €12 \text{ mln}$ ) and indirect costs €14 million ( $=€8 \text{ mln} + 50\% * €12 \text{ mln}$ ). In this case the indirect cost percentage is calculated at 14% ( $€14 \text{ mln}/€100 \text{ mln}$ ).

### 3.2.2. Definitions of (allowed) indirect costs

#### *A. Costs of support staff and indirect staff costs*

Costs of support staff and indirect staff are part of the overheads / indirect costs and cannot be allocated directly to the activities funded by MOFA. This category mainly concerns:

- salary costs of board, management, finance, HR, IT, administration and other support roles;
- travel expenses in accordance with the organization's policy which –contrary to travel costs under section 3.1.C- cannot be allocated to the activities funded by MOFA.

#### *B. Not directly allocable administrative costs*

##### *Insurance*

All types of insurance required for the applicant's normal business operations that cannot be allocated to the activity, such as:

- directors' liability insurance;
- liability insurance;
- property insurance, if applicable;
- statutory motor vehicle insurance;
- insurance relating to the employer's statutory obligations to employees;
- travel insurance;
- measures to cover financial risks, such as hedging. Policies and procedures must be in place to prevent speculative transactions.

##### *Audit and notary costs*

All audit and notary costs related to the applicant's normal business operations that cannot be allocated to specific activities.

#### *Consultancy and legal costs and other general expenses*

All consultancy and legal costs related to the organization's normal business operations that cannot be allocated to specific activities. Non-recurring legal costs arising from, for example, a reorganization are not indirect costs and are not reimbursed.

#### *Subscriptions, contributions and memberships*

Subscriptions, contributions and memberships related to the organization's normal development cooperation activities are recognized as indirect costs.

### *C. Other non-allocable costs*

#### *Office costs*

All costs necessary to provide a good, clean and safe working environment consistent with the standards an employer might reasonably be expected to satisfy. Office costs (not covered by office costs in section 3.1.2-D) allowed are:

- rent (if not a direct cost);
- general costs and in-house emergency staff costs;
- utilities;
- building maintenance costs;
- cleaning and security costs;
- communication costs;
- office supplies;
- other organizational costs.

#### *IT licences and systems*

The cost of the regular maintenance of an ERP system such as SAP or Oracle (financial administration) and operational management systems that cannot be allocated to specific activities.

#### *Translation costs*

Translation costs related to the organization's normal operational management. Non-recurring large translation assignments relating to for example a reorganization are not indirect costs and are not reimbursed.

#### *Depreciation*

Costs relating to the depreciation of:

- accommodation;
- ICT equipment and systems;
- other fixed assets.

These may be included in the calculation of indirect costs when it relates to assets that are:

- used not only for activities financed by MOFA, but also for regular business operations and/or;
- only used for a certain period during the execution of the MOFA funded activities and which have a residual value afterwards.

Depreciation periods can differ, depending on the asset's nature.

#### *Integrity policy and enforcement*

Every organization must adopt an integrity policy as well as integrity procedures, including the appointment of one or more integrity advisers, whistle-blower regulations and the option of initiating an internal or external investigation into reports of alleged breaches of integrity and inappropriate conduct. The cost of introducing and maintaining this system is recognized as an indirect cost.

### 3.3. Non-eligible expenses

Expenses which are not eligible for financing by MOFA concern general costs not (directly) related to the grant application submitted. Examples of non-eligible expenses are:

- costs for developing the grant application and other costs incurred before receiving the administrative decision;
- value added tax (and sales tax) that can be settled by the applicant, lead partner or consortium partners;
- costs caused by inflation and exchange rate fluctuations greater than 5% of the total eligible costs;
- investment costs and depreciation that are not directly related to the activities financed by MOFA;
- profit margins on expenses such as salaries;
- PR and marketing;
- Research & Development
- costs of ascription and maintenance of intellectual property rights;
- the part of the total indirect costs that exceeds the permitted maximum of 15% of the sum of direct and indirect costs. For example, if the total indirect costs amount to 20%, 5% of this is classified as 'ineligible'.

### 3.4 Contingencies

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*Due to unexpected causes such as extreme weather conditions, the implementation of the MOFA funded activities may be confronted with additional costs that are not included elsewhere in the activity budget. This kind of 'unforeseen expenditures' may be covered by the category Contingencies.*

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It is possible to include a percentage for contingencies in the budget. The percentage will depend on the expected uncertainty of the nature of the policy field and the context in which operations are carried out. In general the maximum percentage to be used is 4% of the total amount of all direct and indirect costs.

Please note that knowledge institutes working on the basis of an integrated cost system or the Dutch WNT-standard are not allowed to include contingencies in their part of the activity budget. The all-in rates of these institutes ought to include unforeseen expenditures. As a result no surcharge is allowed (see also section 4).

Use of the contingencies item requires explicit prior approval of MOFA.

## 4. Model budget within consortia

Consortia are partnerships involving two or more parties where a legal relationship is established with one of the partners, which acts as the lead partner. The lead partner is the formal recipient of the grant.

Each consortium member drafts its own budget and submits this to the lead partner, preferably using the template of this model budget. The lead partner combines all input received on the basis of the standard template of the model budget included in this guide. The end product is one total budget of all partners combined for the activity for which MOFA is requested to finance. Knowledge institutes are excepted from this rule (see section 4.1).

For consortia submitting a grant application, agreements may already have been made in the context of coordinated relationship management (CRM), for example:

- the lead partner (grant recipient) has a CRM-agreement with MOFA;
- one or more consortium partners has/have a CRM-agreement with MOFA.

In both situations, the following applies:

- The organization(s) having a CRM-agreement with MOFA use(s) the arrangements made for their own organization(s), including the percentage for indirect costs agreed upon.
- Those partners not having CRM-agreements with MOFA, also use the model budget associated with this grant policy framework. For the calculation of their individual indirect costs, these organizations make their own calculation based on the principles of section 3.2. They use this percentage in their individual budget.

This implies that:

- all partners work on the basis of the principles of this guide;
- the lead partner, having a CRM-agreement with MOFA, is not allowed to apply its percentage for indirect costs to the budgets of the consortium partners;
- every consortium partner calculates its individual indirect costs percentage and submits this to the lead partner;
- as a result, the overall percentage of indirect costs in the total consortium budget is a weighted average of the percentage of all individual indirect costs;
- preferably the lead partner includes the underlying PxQ-calculations of all consortium partners to underpin the drawing up of the activity budget.

#### 4.1. Consortia including knowledge institutes working with integral staff costs

*'Knowledge Institute' is a collective name for all universities, colleges, research institutes and academic hospitals carrying out activities (possibly on a not-for-profit basis) that aim at expanding general scientific and technological knowledge.*

Specifically for knowledge institutions participating as consortium member in MOFA funded activities the following applies.

In case the institute works on the basis of an integrated cost system or on rates agreed with the national government, these rates may be included in this model budget. In accordance with the Dutch Standards for Remuneration Act (WNT), the hourly rates calculated in this way are subsequently capped. Furthermore, the rates concern integral staff costs (or all-in-rates) that, in addition to direct staff costs, consist of a surcharge for indirect (non-project-specific) costs. Therefore no additional indirect costs can be charged to the rates calculated in this way. As a result, the integral staff costs of knowledge institutions should not be included in the calculation of the total indirect costs of the consortium.

The above is illustrated with two fictitious examples:

##### **Example 1 – Consortium with a knowledge institute NOT working with integrated cost system:**

When dividing the direct / indirect costs no further breakdown of the knowledge institute's share needs to be made. The total percentage of indirect costs calculated by the consortium members is a weighted average (that includes the knowledge institute) and amounts 13% of the sum of the direct and indirect costs. The fictitious calculation below is drawn up as follows:

- 1) as a first step contingencies (fictitious) are set at 2%
- 2) subsequently they are deducted from the total available amount
- 3) the remaining 98% is then divided among the indirect costs (13% of 98%) and....
- 4) ..... among the direct costs ((100%-13%)\*98%)

**Table iv – Cost division of a consortium with a knowledge institute NOT working with integrated cost system**

	Direct costs	Indirect costs	Sub total (direct+indirect)	Contingencies	Grand total (direct+indirect+ contingencies)
I	II	III	IV	V	VI
Share of the <b>total grant amount requested~</b>	85.3% <sup>4</sup> (=(100%-13%)*98%)	12.7% <sup>3</sup> (=13%*98%)	98% <sup>2</sup> (=85.3% + 12.7%)	2% <sup>1</sup>	100%

The numbers in the table relate to the text above explaining how the table was drawn up.

~Total grant amount requested = direct cost + indirect costs + contingencies (II+III+V)

**Example 2 – Consortium with a knowledge institute that does work with the integrated cost system:**

When dividing the direct / indirect costs for a consortium including a knowledge institute that does work on the basis of an integrated cost system, presenting the institute's share separately from the other partners is obligatory.

Looking at the example at hand:

- The institute's share in the total activity budget requested at MOFA amounts 10%
- As in example 1 above, the percentage of indirect costs of the consortium members (excluding the knowledge institute) is calculated at 13% of the sum of the direct and indirect costs.

The fictitious calculation below is drawn up as follows:

- The institute's share is set at 10% of the total activity budget. Because of the all-in rates of the knowledge institute neither indirect costs (column III), nor contingencies (column V) can be claimed.
- The other consortium members have 90% left for the total of direct costs, indirect costs and contingencies.
- Of this 90%, the partners claim 2% for contingencies.
- This 2% is deducted from the 90%. As a result 88% remains for direct and indirect costs.
- The 88% is then divided among the indirect costs (13% of 88%) and....
- ..... among the direct costs ((100%-13%)\*88%).

**Table v – Cost division of a consortium with a knowledge institute that does work with integrated cost system**

Consortium partner	Direct costs	Indirect costs	Sub total (direct+indirect)	Contingencies	Grand total (direct+indirect+ contingencies)
I	II	III	IV	V	VI
The <b>knowledge institute's share</b> of the total amount requested~	10% <sup>1</sup>	0%	10%	0%	10%
The <b>other partners'</b> share of the total amount requested~	76.56% <sup>6</sup> (=(100-13%) X 88%)	11.44% <sup>5</sup> (=13% x 88%)	88% <sup>4</sup>	2% <sup>3</sup>	90% <sup>2</sup>
<b>Total</b>	<b>86.56%</b>	<b>11.44%</b>	<b>98%</b>	<b>2%</b>	<b>100%</b>

The numbers in the table relate to the text above explaining how the table was drawn up.

~Total grant amount requested = direct cost + indirect costs + contingencies (II+III+V)

## Annex – Activity budget to be included in the grant application

The activity budget to be included in the grant application should be based on the standardized model budget (section 2 of this guide), the theory of change and the activity plan. The activity plan defines the type and duration of the activities and necessary interventions in relation to the intended results and required resources.

The activity budget consists of three overviews (see tables on the following pages):

1. budget by year
2. budget by result area
3. budget by country

### Key points!

- In line with The Ministry of Foreign Affairs Grant Decree<sup>4</sup>, a narrative explanation must be added to the budget by year (Table 1), giving insight in how all figures of Table 1 were developed. Preferably, the applicant/lead partner also submits all underlying PxQ-calculations (of all consortium partners) of Table 1.
- Also, the budget by year (Table 1) –apart from the expenses- has to give insight in the income related to the MOFA funded activities. At the bottom of Table 1, various income sources are included, which the applicant may choose from. In case that the MOFA funded activities generate income, please:
  - Fill in the amount per source per year in the correct rows/columns in Table 1;
  - Add an explanation on the sources and amount of income to the narrative explanation belonging to Table 1. The explanation e.g. describes the origin and identity of the source, assurance of income, etc.

*Article 27, Ministry of Foreign Affairs Grant Decree: “The budget gives insight in income, including contributions of third parties, and expenses related to the intended activities for the next twelve months of the period for which the grant is requested. The budget includes an explanation per budget item.”.*

- In case MOFA needs clarification on the (financial) information submitted with the application, further explanation can be requested from the applicant at any time during the assessment process, be it with due regard for article 7, third paragraph of the MOFA Grant Decree.<sup>5</sup>.
- Apart from the budget by year (Table 1) and budget by result area (Table 2) for ODA-activities also a cost division by country should be provided (Table 3). It goes without saying that Table 2 and 3 are also based on the activity plan (and the ToC).
- The indirect cost percentage is explained in section 3.2.
- In multiyear budgets inflation and annual salary increases should be incorporated as laid down in the collective labour agreement.
- Applications by consortia are submitted by one of the consortium members, i.e. the lead partner. Individual budgets from consortium partners are combined by the lead partner into one total budget. The use of a standardized model budget by consortium partners is explained in section 4.
- In the light of the activities’ progress and new circumstances, annually adjustments within budgets may be made. Provided MOFA’s explicit permission has been obtained. The proposal to adjust the budget must be compatible with the ministry’s intended results and acceptable in the light of the activity’s circumstances.

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<sup>4</sup> <https://wetten.overheid.nl/BWBR0018039/2013-07-01>

<sup>5</sup> If Article 4:5 of the General Administrative Law Act has been applied, application of the first and second paragraph implies that the date receipt of the grant application shall be the date the grant application was supplemented.

**Table 1 – Budget by year**

EXPENSES	Year 1	Year 2	Year 3	Year X	Total
<b>I. Direct staff costs</b>					
A.1 Staff costs for non-local personnel of knowledge institutes					
A.2 Staff costs for non-local personnel of all other consortium partners					-
B.1 Staff costs for local personnel of knowledge institutes					
B.2 Staff costs for local personnel of all other consortium partners					-
C. External: consultants and advisers					
	Year 1	Year 2	Year 3	Year X	Total
<b>II. Other direct program costs</b>					
A. Program activity costs					
A.1 Coordination costs consortium					-
B. Local NGO's and other third parties (non-consortium members)					
C. Activity related travel costs					-
D. Project office costs					
E. Activity-related equipment and investment costs					-
F. Monitoring, evaluation en auditing					
<b>III. Subtotal of I and II</b>	-	-	-	-	-
	Year 1	Year 2	Year 3	Year X	Total
<b>IV. Overheads / indirect costs</b>					
A. (fixed) Percentage indirect costs (=max. 15% of V)					-
<b>V. Subtotal of III and IV</b>	-	-	-	-	-
	Year 1	Year 2	Year 3	Year X	Total
<b>VI. Contingencies (max. 4% van V)</b>					
A. Optional percentage reserved for contingencies (Max. 4% of V)					-
<b>VII. Grand total (V + VI)</b>					
<b>Income (source and amount per year)</b>	Year 1	Year 2	Year 3	Year X	Total
Dutch Government					
International Government(s)					
International Organisation(s)					
Financial Sector (loan, guarantee, .....)					
Business contributions					
Private donors (including private persons)					
Income generated by the activities (services) funded by MOFA					
Knowledge institutes					
Other (sources of) income.....					
<b>Total Income</b>					

**Table 2 – Budget by result area**

EXPENSES	Result 1	Result 2	Result 3	Result X	Total
<b>I. Direct staff costs</b>					
A.1 Staff costs for non-local personnel of knowledge institutes					
A.2 Staff costs for non-local personnel of all other consortium partners					-
B.1 Staff costs for local personnel of knowledge institutes					
B.2 Staff costs for local personnel of all other consortium partners					-
C. External: consultants and advisers					
	Result 1	Result 2	Result 3	Result X	Total
<b>II. Other direct program costs</b>					
A. Program activity costs					
A.1 Coordination costs consortium					-
B. Local NGO's and other third parties (non-consortium members)					
C. Activity related travel costs					-
D. Project office costs					
E. Activity-related equipment and investment costs					-
F. Monitoring, evaluation en auditing					
<b>III. Subtotal of I and II</b>	-	-	-	-	-
	Result 1	Result 2	Result 3	Result X	Total
<b>IV. Overheads / indirect costs</b>					
A. (fixed) Percentage indirect costs (=max. 15% of V)					-
<b>V. Subtotal of III and IV</b>	-	-	-	-	-
	Result 1	Result 2	Result 3	Result X	Total
<b>VI. Contingencies (max. 4% van V)</b>					
A. Optional percentage reserved for contingencies (Max. 4% of V)					-
<b>VII. Grand total (V + VI)</b>					



**Table 3 – Budget by country**

EXPENSES	Country 1	Country 2	Country 3	Country X	Total
<b>I. Direct staff costs</b>					
A.1 Staff costs for non-local personnel of knowledge institutes					
A.2 Staff costs for non-local personnel of all other consortium partners					-
B.1 Staff costs for local personnel of knowledge institutes					
B.2 Staff costs for local personnel of all other consortium partners					-
C. External: consultants and advisers					
	Country 1	Country 2	Country 3	Country X	Total
<b>II. Other direct program costs</b>					
A. Program activity costs					
A.1 Coordination costs consortium					-
B. Local NGO's and other third parties (non-consortium members)					
C. Activity related travel costs					-
D. Project office costs					
E. Activity-related equipment and investment costs					-
F. Monitoring, evaluation en auditing					
<b>III. Subtotal of I and II</b>	-	-	-	-	-
	Country 1	Country 2	Country 3	Country X	Total
<b>IV. Overheads / indirect costs</b>					
A. (fixed) Percentage indirect costs (=max. 15% of V)					-
<b>V. Subtotal of III and IV</b>	-	-	-	-	-
	Country 1	Country 2	Country 3	Country X	Total
<b>VI. Contingencies (max. 4% van V)</b>					
A. Optional percentage reserved for contingencies (Max. 4% of V)					-
<b>VII. Grand total (V + VI)</b>					