



Budget and administration guidelines

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1 APPLICABILITY OF THE GUIDELINES

In general, these guidelines apply to all recipients of project funding from the Nordic Council of Ministers. Note, however, that this document serves only as guidance. It is the contract signed with the Nordic Council of Ministers that stipulates the actual legal conditions for the use of any funding from the Nordic Council of Ministers.

2 THE RECIPIENT'S RESPONSIBILITIES AND DUTIES

The recipient is responsible for ensuring that the undertaking (project or program) runs in accordance with the objectives, financial framework, and timelines stipulated in the contract. Projects and programs financed with Nordic funds must be aligned with the Council of Ministers' vision, goals, strategies, and budget. They must contribute to Nordic benefits and relate to the three cross-sectoral perspectives: climate and environment, gender equality, children's rights and youth perspectives.

The recipient must plan and execute the project properly and effectively. This entails ensuring as a minimum that the undertaking is, to the greatest extent possible, financially and administratively managed in the same manner as the recipient's own ordinary activities, including the regular updating of bookkeeping records.

The recipient assumes both general and administrative responsibility for the undertaking, including compliance control in accordance with national legislation. The recipient is responsible for the satisfactory administration of the funding, including any issues related to national tax and VAT authorities.

The activities must be implemented within the approved budget, and reallocations of up to 10% of the budget, though only up to DKK 50.000, may be made without prior approval from the Nordic Council of Ministers provided that the reallocation is within the overall purpose of the activity. Reallocations regarding salary costs and other staff benefits always require prior approval from the Nordic Council of Ministers. Approval of reallocation of funds beyond the rules stipulated here may be obtained by the fund recipient contacting the Nordic Council of Ministers with the specific request.

If the recipient delegates tasks to a third party it is required that written agreements be made so to ensure compliance with any obligations the Nordic Council of Ministers have, including rules on disqualification due to conflict of interest. The funds recipient is responsible for the collective reporting and rendering of accounts, also for activities conducted by a third party. The requirements for reporting and rendering of accounts depends on the specific projects or programs contract.

3 DRAWING UP THE BUDGET

3.1 GENERAL GUIDANCE FOR THE BUDGET FORM

When applying for project or program funding, it is mandatory to fill out the Nordic Council of Ministers' budget form. The budget is included in the project or program description and appears in step 6. The budget must include all types of expenses related to the undertaking.

When evaluating the project or program, emphasis is placed on the extent to which the budget reflects the project or program description, and that the costs are reasonable and justifiable in relation to the proposed activities and outcomes. All budget lines must be described and justified. In particular, items of expenditure such as salaries for project staff, large one-off acquisitions, and travel and meeting costs must be described in detail.

The funds recipient is responsible for being aware of national legislation regarding allowances, travel expenses, living expenses, and salaries/fees, including regulations on labor market contributions (e.g., social security contributions), insurance, etc.

Funds granted from the Nordic Council of Ministers may be transferred from the year of grant to the following calendar year, and to the calendar year thereafter at the latest. The fund recipient may not budget for activities that occur after this point in time.

This further implies that funds granted must be spent within the two calendar years after the grant year cf. clause 3 of the contract. Unused funds must be repaid to the Nordic Council of Ministers. Regarding funds transferred from previous contracts, the grant year stated in the previous contract applies. The Nordic Council of Ministers does not finance any additional costs for the recipient.

3.2 EXPLANATION OF THE BUDGET FORM

The budget is used to state all expenses and income related to the undertaking. If applicable, also funding from elsewhere must be stated in the budget as income - read more about self-financing and co-financing in section 3.5. Interest that is acquired to the project after the funds have been paid out by the Nordic Council of Ministers belongs to the project.

For further guidance on how to fill in the budget in the digital portal see section 6 in the document "Project description - Guidance" at norden.org.

3.3 BUDGET

3.3.1 Budget line 1: Direct Project Costs

All costs directly related to project implementation must be accounted for in the first budget line. In the subsequent budget lines (1.1 to 1.5) the expenditures should be further detailed.

When entering salaries for the project manager and other project staff, the positions and FTE must always be specified in the "comment" field. The recipient is responsible for being aware of national regulations regarding fees, hiring, pay, termination, compulsory healthcare costs, insurance, etc. For projects or programs extending over several years it is a good idea to incorporate wage increases/adjustments that may occur during the project period. All salaries must reflect public wage levels.

3.3.2 Budget line 2: Communication

It may be applied for funding for communication-related activities, where the funds should be used either for raising awareness about the project or disseminating the project's results. Communication expenses may include:

- Publications, including layout and printing
- Media platforms and websites
- Translation

For larger projects, it is advisable to define the project's communication efforts from the outset. This ensures a more precise and realistic budget for communication expenses and facilitates the allocation of necessary resources.

Unless otherwise agreed upon, all publications funded by the Nordic Council of Ministers must be produced by the Nordic Council of Ministers' publishing unit. Furthermore, the administrative body is obliged to adhere to the Nordic Council of

Ministers' current communication and publishing strategy, as well as other guidelines for publication, dissemination, etc., as determined by the Nordic Council of Ministers.

It is the responsibility of the administrative body to allocate the necessary funds for communication and publication in the budget.

3.3.3 Budget line 3: External Evaluation

For larger projects (typically those with a budget of over DKK 2 million and lasting more than 18 months), it may be a good idea to include an external evaluation, either at the midpoint of the project or once it has concluded. However, this is not compulsory. Such an external evaluation must be justified in the application, at a cost proportional to the project's size, i.e., its budget and duration.

To ensure quality and relevance the order or tender for an external evaluation should happen in consultation with the Nordic Council of Ministers.

The Nordic Council of Ministers only provides funding for external evaluations that meet the minimum requirements:

Independent evaluation: Evaluations must be conducted by an external, independent person or entity. In other words, the Nordic Council of Ministers does not fund evaluations conducted by the organization's employees, members, or others involved in the project activities.

Contents of the evaluation: The evaluation must take account of the Nordic Council of Ministers' evaluation criteria:

- Assessment of goal achievement
- Assessment of the project administration (management, structure, and processes)
- Assessment of resource use and financial results/benefits
- Assessment of significant experience or new knowledge that can be used to prioritize future projects or programs

The recipient must submit the external evaluation report to the Nordic Council of Ministers before publishing of the report.

Any expenditure relating to internal evaluations – i.e., interim evaluations, ongoing exchanges of experience or similar by the project manager or other project participants – should be included under budget line 1: Direct Project Costs.

3.3.4 Budget line 4: Unforeseen Expenses

The budget must include a margin to cover unforeseen expenses. The amount must be min. 6 % and max. 10 % of the total for budget lines 1–3. This budget line is used if unforeseen expenditure occurs in relation to the other budget lines. The budget margin is used, e.g., if purchases or activities related to project implementation are more expensive than anticipated at the time the budget is drawn up, or if there are financial losses due to exchange rate fluctuations.

3.3.5 Budget line 6: Audit

If the recipient's accounts are not audited by the national audit office in one of the Nordic countries, and the total amount of funding is DKK 500,001 or more, the accounts must be audited by a registered public accountant. In these cases, the auditor must comply with the Nordic Council of Ministers' *"Instruction for the audit of grants Nordic Council of Ministers."* It is the fund recipient's responsibility to ensure that the

chosen auditor confirms in writing that he or she will conduct the audit in accordance with the Nordic Council of Ministers' instructions for auditing accounts.

Audit costs are entered as a part of the overall project budget. Generally, audit costs should not exceed 5 % of the total project budget.

Recipients with their own internal accounting units may submit a request to the Nordic Council of Ministers that the unit be authorized to audit the project.

Projects or programs with a budget up to DKK 500,000 are not subject to an audit requirement at the end of the project.

3.3.6 Budget line 7: Overhead (Indirect costs)

Overhead refers to indirect project expenses and may be included in the budget under specific circumstances. These expenses are not related to the projects or programs specific activities but are necessary to enable them.

Only by agreement and only to a limited extent can funds be allocated to cover overhead. Overhead must be justified and can only be used to enable the project's professional activities.

When can overhead be approved?

Overhead is not automatically approved and must always be negotiated between the Nordic Council of Ministers and the recipient. It requires a specific agreement where the need for overhead is justified.

What costs are covered by overhead?

The following general administrative costs are defined to be covered by overhead:

- The recipient's office expenses (rent, cleaning, support staff and other ordinary operating expenses), including:
 - administrative contact with the Nordic Council of Ministers
 - budget and accounting work
- Involvement of the recipient's management in the co-operation (here management is defined as the director and members of the board/ executive).

NB: Administrative expenditure included in the budget as overhead must not be included under any other budget line for the project.

Who is eligible to receive overheads?

In principle, the Nordic Council of Ministers only pays overhead to NGOs. Only in particular and justified cases may publicly administered entities receive overhead, and then the entity in question must be subject to specific rules for overhead in relation to externally financed projects or programs (research activities etc).

Institutions and organizations financed by the budget for the Nordic co-operation usually receive a basic subsidy for day-to-day operations, including funding for assistance and support functions that overhead is intended to cover. Only if there are exceptional and compelling reasons will overhead be provided to projects managed by these administrative bodies.

Which recipients cannot receive overhead?

Under no circumstances may overhead be granted for

- Contracts awarded via tendering procedures

- Contracts entered with private companies, usually for the procurement of a specific service or product, e.g., consulting services, etc.

Calculation of overhead costs

When completing the budget form, overhead costs are calculated based on the total budget.

- For ordinary project and program funding, overhead costs may be max. 7 % of the total budget.
- For funding of research activities, the overhead costs may be max. 15 % of the total budget.

3.3.7 Budget line 8: Funds for regranting and project activities

The budget line for funds for sub-projects (redistribution) is always used for programs, but it may also be relevant for projects. The budget line includes funding allocated to third parties within the scope of the main project. This may include activities that support the overall objectives of the undertaking and help ensure a wider implementation and a local anchoring. The funds must be used in a transparent and appropriate manner and it is important that they are in line with the undertaking's objectives, strategies, administrative rules and guidelines, and defined focus areas that have been approved in relation to the accepted project or program description. For programs that include funds for redistribution it must always be specified in the budget comments how the funds are distributed between administration, activities, and different focus areas. See section 6 for further guidance on how to structure the budget of a program.

If the administrative body entrusts third parties to perform tasks within the contract and thus disburses funding to underlying projects or activities, a written agreement must be made with the third party to ensure that the administrative body's obligations to the Nordic Council of Ministers are always met. In these cases, the administrative body is obliged to comply with the Nordic Council of Ministers' rules on disqualification due to conflict of interest.

The administrative body is responsible to the Nordic Council of Ministers for the overall reporting and financial reporting for the undertaking and must ensure that reports and accounts for all underlying projects and activities are submitted to the administrative body. The requirements for reporting and rendering of accounts depends on the specific projects or programs contract.

3.4 BUDGET COMMENTS

The expenses in the budget should be described in more detail under "comment" to the right in the budget table when necessary. The comments are used to note detailed explanations for the entered budget lines and help ensure that the budget is understandable for whomever assess' the project or program description. Additionally, the comments are important for assessing the level of expenditure in the project, which is part of the assessment of the project or program description. Therefore, lines in the budget that require further explanation should be described in the comments. This could be, for example, what the expense will be used for or cover.

When funds are set aside for salaries for the project manager and/or other project staff, the position and FTE must always be specified in the budget comments. It is also important that significant expenses in the budget are specified in the budget comments in the form of a calculation of cost per unit, number of units and the total

amount. Large expenses in the budget should always be specified in the budget comments.

3.5 SELF-FINANCING AND CO-FINANCING

“Other financing” is used by the Nordic Council of Ministers as a collective term for financing that is added to the undertaking besides the Nordic Council of Ministers’ expected funding. Other financing may be both self-financing and co-financing, both of which may take the form of financial contributions or other resource mobilization. Only financial contributions should be included in the budget.

Self-financing

Self-financing is considered as the fund recipient’s own financial contribution to the undertaking.

Co-financing

Co-financing, on the other hand, is additional external funding that complements the anticipated funding from the Nordic Council of Ministers. The amount may constitute a larger or smaller portion of the overall budget and can e.g., come from other international organizations like the EU, UN, OECD, etc.

The Nordic Council of Ministers normally has no requirement of other financing for receiving funds. If there is a requirement for other financing the funds recipient will be made aware of this in relation to the preparation of the project or program description.

If the project makes use of other financing, this must be stated in both the description of the project or program as well as in the budget.

If there is reason to believe that other financing may be added to the project but has not been secured at the time of application it should be described in the description of the project and subsequently in the final report. If other financing is added after the contract has been signed, the budget must be updated and confirmed by the Nordic Council of Ministers. If other financing added after the contract is signed results in changes to the contents of the project, the project description must be updated and approved by the Nordic Council of Ministers. Non-financial contributions (in-kind contributions) are not to be included in the budget. However, information about such in-kind contributions is relevant and can instead be described in connection with the completion of project activities in section 3 of the project description.

If there is other financing, and in the case that there are unused funds after completion of the undertaking, a proportion of the unused funds equal to the Nordic Council of Ministers share of the total budget must be repaid to the Nordic Council of Ministers. This also applies if other financing is provided after the contract has been signed.

4 STATUS REPORT

The status report must be based on the project or program description that forms the basis of the contract. The purpose is to clarify whether the project is advancing according to the plan and to highlight any deviations. The status report is only relevant for projects or programs with a standard contract and a budget of more than DKK 500,001. The report must be concise and precise, summarizing the progress of the project, changes, and the status of the main objectives. Significant challenges, including time and budget overruns, must be reported to the Nordic Council of Ministers.

5 FINAL REPORT

No later than two months after completion of the undertaking, the recipient must submit, via the project portal, a comprehensive final report, an evaluation, audit statement, and a complete set of project accounts.

The recipient's duty to report on the progress of the undertaking includes the following:

- Achievement of objectives and results
- Deviations from the planned and realized activities and the consequences thereof
- Developments in significant prerequisites and risks, including a description of how these developments may have affected the realization of the project.

The financial accounts must be signed by two authorized individuals from the administrative body, one of whom must be the financial manager. The final instalment of funds cannot be paid out until the Nordic Council of Ministers has received and approved the final reporting.

The financial accounts must be in Danish, Swedish, Norwegian, or English.

The funds recipient must keep all relevant information concerning the project, including accounting records, for the entire project period and for at least five years after completion, regardless of type and storage medium.

If the recipient's accounts are not audited by the national audit office in one of the Nordic countries, and the funding is DKK 500,001 or more, the administrative body must additionally submit a separate audit statement when submitting the final reporting. The auditor must comply with the Nordic Council of Ministers' instructions for audit.

6 PROGRAMS

When managing a program, the distribution of program funds is organized for projects that are expected to contribute to the programs and the Nordic Council of Ministers overarching goals in specific sectors. The primary activity of a program is the distribution of program funds to individual projects, which can be done through calls for proposals or direct allocation. The program's governing document is the program document, which describes the overarching goals (impact) and focus areas, administrative guidelines regarding the programs allocation mechanisms, processes for selection and evaluation of the projects, as well as the roles and responsibilities of involved actors. The program must have expected results (outputs) and short-term effects (outcomes), activities, and a budget.

In general, program funds fall into one of three categories:

- Funds for administration: Funds related to the management and administration of the program.
- Funds for activities carried out by the program recipient: Funds that are used for activities that contribute to the program's results and overall objectives, but are not considered administration.
- Funding for distribution within the focus areas: The majority of the program's funds are typically used for distribution within the program's focus areas. If the program has funding to be distributed across several

focus areas, it makes sense to divide the amount between the relevant focus areas.

7 SUPERVISION BY THE NORDIC COUNCIL OF MINISTERS

The Nordic Council of Ministers' supervision of the recipient's management of the funding primarily consists of an assessment of the recipient's reporting and financial accounts.

However, the Nordic Council of Ministers may choose to carry out ad hoc monitoring, where we contact the selected recipients separately. The purpose of the monitoring is to ensure that the fund recipients comply with the terms of the grant.

If the recipient is found to be in significant breach of contractual obligations the Nordic Council of Ministers can terminate the project agreement and demand repayment of the funds, irrespective of whether part of the work has been completed. To the extent that the Nordic Council of Ministers benefits from the partial completion of the work, the Nordic Council of Ministers may reduce the repayment accordingly. The recipient must pay all costs arising from any breach of its obligations under the contract.