



**SCHOOL for
THINKTANKERS**

On Think Tanks



On Think Tanks

Smart Budgeting for Think Tank Sustainability

February, 2026

Bridging the gap 1

Even when think tanks and funders share a common vision and mission, their approaches to financial planning and funding models often diverge significantly.

THINK TANKS' NEEDS  FUNDERS' OFFERINGS

Therefore, clarity about organisational needs is essential for think tanks to develop smart budgets and guarantee their long-term financial sustainability.

Bridging the gap 2

Very few think tank leaders have a background in strategic planning and finance.

If you don't have a background or are unfamiliar with basic financial planning, it is a challenge to bridge the first gap and achieve sustainability.

Content

1. Key definitions
2. Building an organisational budget
 - Key steps
 - Key data
3. Developing an internal project budget
 - Key steps
 - Key data
4. Designing a proposal budget
 - Understanding your funder and its offer
 - Key steps
 - Relevant suggestions and tips
5. Recommendations



1. Key definitions

1. Key definitions - *in a simple language*

The 3 Budgets

Concept	Definition
Annual Organisational Budget	It is the total money an organisation plans to raise and spend across all activities during a year, plus the expected reserves needed for future financial stability, future investments, or tough times.
Internal Project Budget	A budget for a specific project developed in accordance with the organisation's internal financial guidance to calculate the full value of the project. It includes all direct and indirect costs, as well as reserves and contingency provisions.
Proposal Budget	It is the Internal Project Budget translated into the funder's prescribed templates and requirements. It shows how the funds will be allocated to deliver the project's objectives. Depending on the funders guidelines, it may be presented as detailed cost lines, staff days and rates, outputs, or lump sums.

1. Key definitions - *in a simple language*

Concept	Definition
Total funding	Committed available financial resources to support operations, projects, and mission. Sum of current contracts signed.
Annual Funding/ Income	Financial resources allocated for the year + expected additional funding to be received for the year. Ideally, this is the level of funding that allows the organisation to operate smoothly and allows for an expected annual level of reserves. It comes from grants, consulting services, sales of books, sponsorships, participation fees, memberships, rent, capital gains, etc.
Direct Costs	Expenses directly related to a specific project itself. They exist because the project exists (staff /consultants working for the project, travel expenses for the project, comms of the project, admin support to the project, etc.).
Indirect Costs	Expenses that support the overall operation of an organisation but cannot be directly linked to a specific project. They exist not because of a specific project (exec director, fundraising, finance, admin, accounting, office, IT, etc).
Indirect Rate / Overhead	Indirect cost/direct cost in %. The definitions depend on the funder you are working with.

1. Key definitions - *in a simple language*

Concept	Definition
Total Reserves	Accumulated remaining funds an organisation retains to ensure financial stability, manage risks, invest in future projects, cover unexpected expenses in the future, or face low funding years. Generally known as accumulated profits in the private sector.
Annual Reserves	Level of remaining funds (profit in the private sector) that will contribute to Total Reserves. $\text{Total Reserves} = \text{Funding} - \text{Direct Costs} - \text{Indirect Costs}$
Annual Reserves Rate	Contribution to Annual reserves in %. $\text{Annual reserves} = \frac{\text{Annual reserves}}{(\text{Direct} + \text{Indirect Cost})\%}$

1. Key definitions - *in a simple language*

Concept	Definition
Funder rate / day / hour	Price charged to the funder for a day/hour of work of a certain team member.
Cost rate / day / hour	Cost per day/hour of a team member to the organisation. For staff, this is equivalent to the full employment cost per working day/hour (salary + benefits, pension, etc). For consultants: the daily/hourly fee they charge to the organisation.
Contingency for FX	Buffer to protect the organisation from unexpected shortfalls due to FX fluctuations.
Inflation	Increase in costs due to a rise in prices. Used in multiyear budgets. Avoids budgets to be insufficient to cover expenses in later years.

How do these 3 budgets and key definitions come together?

Annual
Organisational
Budget

Annual funding,
annual costs and
annual reserves
for the
organisation.

Internal
Project
Budget

How much a
project will cost to
the organisation.
Calculates the
value of the
project.

Proposal Budget
(Funder Budget)

How the value
of the project will
be presented to
the funder.

Annual Organisational Budget

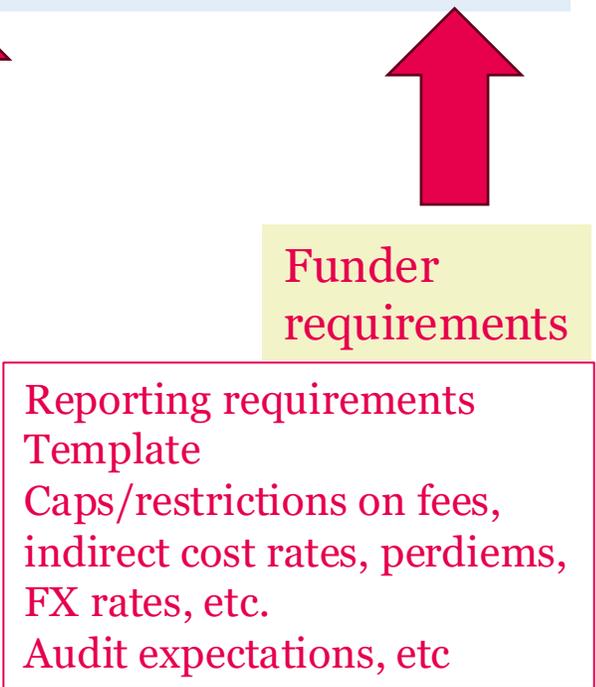
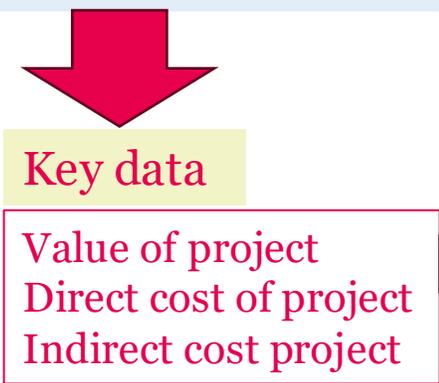
- Annual Funding
- Direct Costs
 - Staff & consultants
 - Expenses
- Indirect Costs
 - Staff & consultants
 - Expenses
- Level of Reserves

Internal Project Budget

- Direct Cost of project
 - Team members: cost rates and days
 - Expenses
- Indirect Rate
- Reserves rate
- Inflation
- Contingency FX

Proposal Budget

- Value of Outputs, or
- Fee rates & days, or
- Direct costs + indirect costs





2. Building an Organisational budget

Key steps for organisational budget



A good practice..

Build 3 scenarios

Reserves generator
(ideal scenario)

Cost Recovery
(no reserves)

Loss generator
(funds don't cover
costs)

What are your assumptions for each one?
Which is the most suitable for the year?
What will you need to be to get a Reserves generator scenario?

Organisational Budget template

Tool 2A: Organisational Budget

Open the tool (Excel) or look at the template and let's walk through each step together.

Which decisions can be made to move from one scenario into another? In terms of expenses, funding, reserves...etc

Who do you need to talk to (program, funders, finance), and what would you suggest to make any scenario more likely? Answer these questions with your head of finance and strategic planning hat on.

10 minutes at the table, further discussion.

Key data you extract from Organisational Budget

- Indirect rate
- Reserves rate



3. Developing an Internal Project Budget

Always find out what your funders' conditions are:

- Check the call for proposals and ToRs.
- Do you know the budget? Some funders do not include a budget limit in their calls for proposals. Ask for a "ball park" figure.
- Check if they have any restrictions on fees, indirect rates, travel policies, etc.
- Ask for a sample contract – some funders include this in the documentation attached.
- Understand payment guidelines from the funder: e.g. some reimburse expenses while others pay lump sums, some allow for margins over expenses while others don't, etc.
- Ask peers who have worked with this funder in the past – this is also important because sometimes funders treat organisations differently.

When to find out what my funders conditions are?

- Even if some of this information is not directly useful to develop the Internal Project Budget, the sooner you have it the better.

Key steps for internal project budget

Key Inputs we already know

- Indirect Rate
- Reserves Rate
- Inflation (multiyear)
- Contingency FX
- Funders conditions



Calculate your direct cost

- Staff members (days, fee rate)
- Consultants (days, fee rate)
- Expenses: comms, travel, adm, etc)



Build your Internal Project Budget

Internal Project Budget - Template

Tool 2B: Internal Project Budget

Open the tool (Excel) or look at the template, and let's walk through each step together.

Key data you extract from the Internal Budget

- Total Value of Project
- Total Direct Cost
- Total indirect Cost



4. Designing a Proposal Budget

Understanding your funder and its offer

Why is this important?

There is a wide range of funders globally.

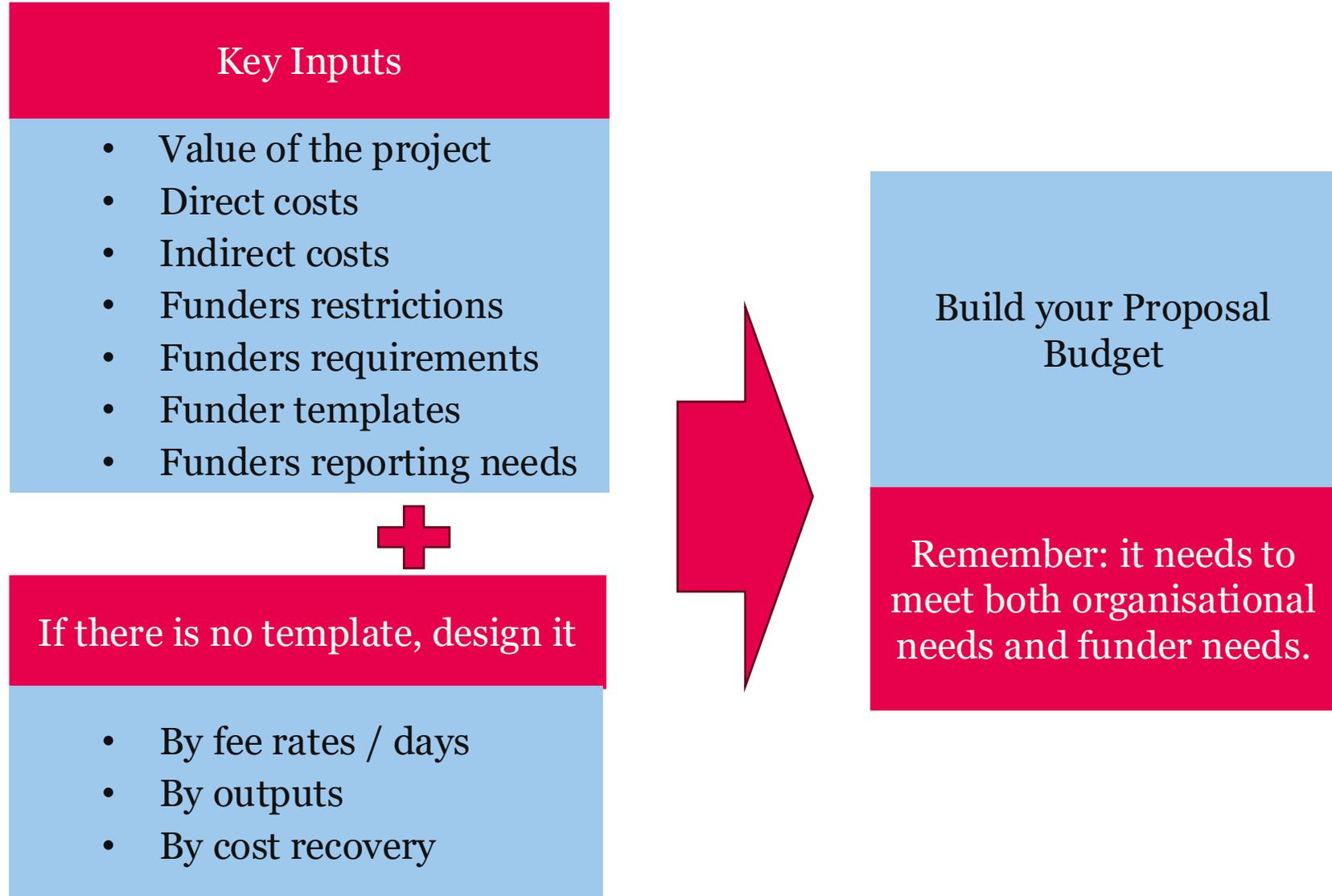
- General funding approach: Some are flexible, partially flexible and restrictive.
- Types of funders (institutional nature): multilateral, bilateral/public, private foundation, private consultancy, think tank, other NGO, etc.
- Types of contracts: grant, consulting service, sponsorship, etc.
- Restrictions are shaped by multiple factors: the funder's institutional nature, the type of contract used, and the funding history between the funder and the organisation. For example, GIZ operates under strict government regulations; DAI applies US Government strict compliance rules; Mercator Stiftung is more flexible for service contracts but stricter under grants; and the Hewlett Foundation is highly flexible as long as commitments are delivered.

List of Conditions or Restrictions from funders

Tool 3: Funder conditions

What type of restrictions have you encountered?

Key steps for proposal budget



Proposal Budget - Templates

Tool 2c: Proposal Budget

Open the tool (Excel) or look at the template and let's walk through each step together.

Relevant suggestions

What happens when restrictions are too tough, and you cannot adapt to them, e.g., complex reporting, funder does not cover all your indirect rates, or is not willing to cover the true cost?

- At least you now know about any gaps and you can plan to make up for them with another project.
- Next time you work with this funder, you will know in advance how it works and you can decide whether you go for it or not.
- Explore alternatives such as alternative contract types, **present information differently** or simply have an honest talk with them (funders do evolve).

Candid tips

- Don't be afraid to ask, don't limit your questions. You are your funder's partner.
- Programme officers often understand your situation: funders operate under constraints that do not always align with how think tanks work, and they know it. As a result, they are often willing to help.
 - Identifying a contract type that works better for you (e.g. IDRC or Mercator),
 - Sharing information such as contract value thresholds or conditions that do not trigger audits (for example, limits on indirect cost rates),
 - Agreeing on practical solutions such as allocating more days to direct costs.
 - Often, it is a combination of these options.

Candid tips

- Finance and technical teams must work together to ensure that both project quality and financial sustainability are met.
- Negotiate non-financial benefits. For example, retaining ownership of project outputs can be extremely valuable.

ADVICE:

What matters most is spending the right amount—neither more nor less—so your organisation can continue operating, investing, and facing difficult periods. This does not depend on how much funding you receive, but on how that funding is structured and spent.



5. Recommendations

Recommendations

- This is not a linear process, it's iterative.
- Start with your expectations about your organisation: How large do you want it to be? What levels of reserves do you need? How will you get there?
- Spend time understanding your organisational needs and how adaptable you are.
- Invest time building a relationship with your funder: get to know your funder, investigate, and speak to them and their colleagues, explore alternatives.
- Give your funder the least amount of information you need to give to them, it will help you reduce burden on reporting and allow flexible operation.
- Openly ask for core funding.
- Every project should start with an internal project budget. Remember, this is not the budget you will send your funder!
- Work together: Finance and programmes complement each other.

Recommendations

- Keep records: track funders conditions, even for lost projects. You will 100% use them in the future.
- Keep track of actual project costs > useful for future budgeting:
 - To understand how much a project REALLY costs
 - To understand how much time is invested in certain activities
- Keep track of your organisational budget. It will help you understand your possibilities: How much can you invest? When can you hire?
- Identify if you are being cost efficient: if you are spending too much time on a task or on your staff or consultants bill or office costs, you should consider alternatives.
- Use simple templates that suit more than one purpose: Budgeting, implementation and monitoring.
- Remember: What use is it to deliver a perfect report if it undermines the sustainability of your organisation?