



# Smart Budgeting for Think Tank Sustainability

February, 2026

## Key definitions in a simple language

Concept	Definition
<b>Organisational Budget - annual</b>	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.
<b>Internal Project Budget</b>	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.
<b>Proposal Budget</b>	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.
<b>Total funding</b>	Committed available financial resources to support operations, projects, and mission. Sum of current contracts signed.
<b>Annual Funding/ Income</b>	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.
<b>Direct Costs</b>	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.).
<b>Indirect Costs</b>	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, adm, accounting, office, IT, etc).



On Think Tanks

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<b>Indirect Rate / Overhead</b>	Indirect cost / Direct cost . The definitions depend on the funder you are working with.
<b>Total Reserves</b>	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.
<b>Annual Reserves</b>	Level of remaining funds (profit in private sector) that will contribute to Total Reserves. Total Reserves = Funding - Direct Costs – Indirect Costs
<b>Annual Reserves Rate</b>	Contribution to Annual reserves in %. Annual reserves= Annual reserves/(Direct +Indirect Cost)%
<b>Funder rate / day / hour</b>	Price charged to the funder for a day/hour of work of a certain team member.
<b>Cost rate / day / hour</b>	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.
<b>Contingency for FX</b>	Buffer to protect the organisation from unexpected shortfalls due to FX fluctuations.
<b>Inflation</b>	Increase in costs due to rise in prices. Used in multiyear budgets. Avoids budgets to be insufficient to cover expenses in later years.