1. Hello and welcome to the Lecture on “Budgeting in Program Planning and Evaluation.” The content for this lecture is taken from “Health Program Planning and Evaluation: A Practical, Systematic Approach for Community Health” by Issel; and other sources listed at the end of the lecture.

2. The objectives of the lecture are as follows:

   To define and describe the basics concepts of budgeting; To describe the uses of a budget; Describe different types of budget; To outline the basic format for a project budget.

3. No program plan is complete without a budget. An obvious question amid all of the planning and development of a project is: “How much will all of this cost?” Budgets are mechanisms for planning and tools for communicating and refining program goals, objectives and priorities.

   - It is a form of financial plan for an organization, which is used to project future income and expenses. They are projections of dollar amounts that enable the program planner to assess the fiscal feasibility of doing a project.
   - Budgeting is a cyclic process, which most programs and organizations carry out on an annual basis.
   - They can also be used to measure the actual performance of a program or an organization.
   - Different budgets can be created depending on what particular aspect of a public health organization requires focus.
   - Budget relates to a future period of time and therefore involves some form of prediction and assumptions.
   - Instead of monetary terms, budget can also be expressed in terms of units of output that need to be purchased/achieved for future periods of time.

4. Budgets also serve many uses: Forecasting: Budget is based on certain events that are expected to occur, for example, a private hospital might project its income (i.e. surgical procedures) and costs (i.e. staff salaries) for a fiscal year.
   Planning: Organization can look ahead to ensure it has the necessary resources for the expected level of future activity.
   Coordination: Budget ensures coordination between different departments of an organization.
   Control: Can function as a mechanism to achieve control over costs and expenditure.
   Motivation: Budget also acts as target to be meet, which motivates workers to achieve. For example, providing a treatment to X number of patients.

5. Different budgets can be created depending on what particular aspect an organization decides requires focus. There are is forecast Budget: Budget figures are prepared based on estimations and budget is adjusted when actual figures arrive.

   Performance Budget: where estimates are made on upcoming revenues and expenses.
   Cash Budget: A cash budget forecasts how cash will be used throughout the year. It looks into cash inflow and outflow of an organization.
   Production Budget: Certain budgets are not shown in terms of money but in the form of services or products, such as the number of specific surgical operations in a budget year.
**Master budget** is the combination of different types of budgets of an organization. For example, cash budget and forecast budget can be combined in a master budget.

6. There are also different budgeting techniques. Incremental budgeting: this technique uses past historical budget as a basis for setting future budget. Zero based budgeting: a direct opposite approach to incremental budget. Each time budget is started from scratch and no reference is given to previous budgeted amounts. Under this system all budgets start with zero figure and each activity, which costs money needs to be justified. Most US governmental agencies use this approach.

7. There are common terms that are used in relation to budgeting that you should be familiar with which are as follows: **Fixed costs**: cost that do not vary with the number of clients served. Examples of fixed costs include rent, salaries of administrative personnel, and insurance costs. In contrast, variable costs do vary with the number of clients served.

**Variable cost**: costs or expenses that change in proportion to the activities of a project or an organization. Examples of variable costs include program advertising, copying program handouts.

Another way to think about costs is as **direct or indirect**. Generally, the wages and salaries of staff providing the intervention are direct costs, as are materials or supplies used with clients.

Examples of indirect costs are utility bills, telephone charges, and staff travel expenses to present at scientific conferences.

Direct costs reflect those resources that are used directly in the delivery of the program whereas indirect costs are those costs not associated with the delivery of the program, but are more generally associated with supporting the program.

8. **Operational Costs**: expenses that have to be met for implementing activities of a project or an organization. These are directly billed to the donor agency because they have a direct impact on the beneficiary community; for example, organizing a village meeting, training workshop, and running an awareness campaign.

**Administrative costs**: expenses incurred not directly tied or aimed for a specific project or activity. For example office maintenance, IT costs, office security guard etc.

**Capital Costs**: most donors advice cuts in capital costs, yet these costs continue to remain essential. These include expenses for buying computers, research equipment, office furniture, vehicles, office building etc.

**Personnel Costs**: expenses on salaries and pensions of staff and consultants. This also includes costs of recruitment (ad, interview...etc.). Personnel costs are mainly expressed in hours/days/months.
9. After the program budget is complete and nearly final, it is possible to do a break-even analysis. A break-even analysis is the mathematical determination of the point at which the expenses related to providing the program are equal to or less than the revenues generated for or from the program.

Even programs provided by not-for-profit agencies would be wise to conduct a break-even analysis. This rudimentary process provides useful insight into the amount of funding needed. Unfortunately, all too often public agencies and public programs neglect fiscal accountability and efficiency accountability by not conducting a break-even analysis.

The budget must also include expenses related to the program evaluation. Whether the program staff will be involved in the evaluation activities or whether a consultant is hired, funds must be allocated to support the evaluation before the projects begins. Evaluation expenses generally fall into the same categories as program expenses, although material expenses are typically limited to supplies and copying costs. At a minimum, a meaningful evaluation cannot be done for less than 10% of the direct program costs.

Budget justification is a requirement for virtually all grant proposals or projects, although the degree of detail expected varies by funding agency. More detailed budget justifications demonstrate a more thorough program implementation and evaluation plan. Most budget justifications involve some narrative explanation of why the dollar amounts are requested, but they must also include fairly detailed arithmetic formulas that show the derivation of specific costs.

10. Budgeting is an integral process of the planning process, and it is done through a collaborative manner in an organization. This diagram shows how budgeting is related to planning process.

11. Here’s a simple format of a budget. This bring us to the end of our lecture. Thank you for listening. Please take a look at the questions at the end of the lecture. These questions can help you prepare for the exam.