

Introduction

Welcome to *Financial Planning*. In this book you will be learning:

- How to develop a budget
- How to obtain funding.

In particular we will be looking at a number of aspects related to financial planning, including grants, budgets, community financial planning and so on.

When anyone decides to start a business they need to get money from somewhere. Many businesses get the money they need to pay their bills by selling products. Other businesses and organisations get money from doing things for other people. A business that does something for you is called a **service business** and a community programme that does something for people is called a **service programme**. And we say the programme provides a service.

When people decide to start a business they often need to get money **before** they can start to sell or provide a service.

Funding sources

There are a number of places you can usually go to get money to fund a community programme. You must be well prepared with facts about the programme, including programme goals or objectives and justification. You need to show that you have done the necessary preparation including financial planning.

We will divide our potential funding sources into:

- Government and
- Non-government sources.

Let's look at the government sources first.

Government grants

Money obtained from government and non-government organisations for running a community project is usually called a **grant**. This money is very useful for a community service programme because it does not have to be repaid.

In most countries it is usually possible for community organisations to get funding from various government departments and agencies to run community projects.

Countries have their own systems of how to distribute money.

Most DEP Community Management students come from communities in which it is not likely to be able to get funding for community projects from the government. The most likely way to get funding is from funding sources outside Burma, probably from non-government organisations (NGOs).

However, before we discuss NGOs, it may be useful to discuss other sources of funding which comes from governments:

- Foreign governments and
- Inter-governmental organisations (sometimes called multilateral agencies).

Foreign governments

Many countries have foreign aid or assistance programmes. These programmes are run in different ways, sometimes through the Department of Foreign Affairs, sometimes by a special agency, e.g. AusAID (the Australian aid agency), USAID (the American aid agency), CIDA (Canada) DANIDA (Denmark) etc.

In order to find out whether various foreign governments are able to provide assistance for a community project, it is probably best to make an inquiry to the various embassies which you know have foreign assistance programmes.

In some cases, a government aid agency has established a programme directed clearly at the Burmese community. An example is the Canada Fund for Burmese Refugees sponsored by CIDA, the Canadian International Development Agency.

Inter-governmental (multilateral agencies)

These are organisations which are run by governments of many countries together. The most important ones are the UN or United Nations Agencies. Many of these agencies also provide funds for community programmes e.g. the UN Development Programmes (UNDP), but usually the funding is provided to national governments or in partnership with national

governments to carry out the community programmes. So these agencies, usually referred to as international agencies, are a potential source of funding, but not easy to access directly by community organisations.

Non-government organisations

NGOs are groups of private individuals organised to work for the good of the community in various ways which they believe are good and useful. NGOs are non-government organisations which engage in many different kinds of activities, creating public awareness of social problems, lobbying governments, as well as providing direct 'relief' to those in need. Most countries have many NGOs which are based inside the country and which provide community services.

Your own community organisation is likely to be an NGO.

Since many DEP students belong to communities which do not have contact with government organisations for funding, and because there are very few local NGOs in Burma able to support projects, international NGOs are a very important source of funds for projects carried out in and by Burmese communities.

Different kinds of NGOs

Service clubs

Service clubs include organisations such as Rotary or Lions.

Their members are usually local business people and the clubs are social clubs which also collect money to provide community facilities such as recreation equipment in the local community.

Trusts and foundations

Trusts and foundations are usually set up with money that has been left when a person dies or donated by a wealthy family or large corporation or which has been collected from the public for specific purposes.

Non-religious charitable organisations

Probably the most famous non-religious charitable organisation is the Red Cross.

Another is the Save the Children Fund.

Religious charitable organisations

There are an enormous number of religious organisations which are set up to do charitable work. Again some work primarily in the country where they were established, some are very large and work internationally.

International Relief Agencies

There are a large number of international NGOs which focus on international emergency relief and community development work.

Some have direct connections with religious organisations, e.g. Dutch Inter-church Aid, Norwegian Church Aid, some have no religious connections. Examples are Care International, OXFAM.

Companies and corporations

Companies and Corporations are another kind of non-government organisation though their business is manufacturing or trading etc for profit rather than providing services for the good of the community.

Companies and corporations can, however, be a source of funding for community projects because they may see it as good for the company's public image.

Fundraising activities

Apart from external sources, your programme management team can sometimes use fundraising activities within the community and directly appeal to the public to make donations or to run fund-raising activities.

Banks and other financial institutions

These of course are also a possible source of funding – in the form of loans. The biggest problem with loans is that the money you get must be paid back.

Organisations with a Burma focus

A number of international foundations have programmes and may be able to provide funds in support of projects run in or by Burmese communities.

For example, a number of organisations which provide assistance to refugees are actively involved with Burmese refugee communities.

Other organisations have aims e.g. to promote democracy, which lead them to identify Burma as one of their target communities.

Applying for funds

When applying for funds, be prepared to apply to many different funding sources. Remember, however, that most organisations providing funding

provide grants for specific purposes. You need to find out which funding organisations are most likely to be interested in funding your kind of project.

Budget cycles

A budget is a plan for managing finances, which outlines money coming in (income), and money going out (expenditure). Using a budget you can identify sources of income and expenditure which enables you to keep a check on your financial situation.

Just like businesses, government and non-government organisations have to develop budgets so that they don't waste the money they have.

Governments develop budgets so that they know how much they will have to raise and how much they can spend.

Budgets are just as important to NGOs and serve exactly the same function, to allocate their funds effectively and keep track of their actual spending so that their spending matches their income.

The budget process, which begins with planning how money is to be raised, allocated and spent, is called the **budget cycle**.

All organisations will carry out their budget process in ways which suit them. Non-government organisations all have their own distinct ways of budgeting reflecting where their money comes from and how they spend it. Government budget processes are extremely complex, but most governments follow more or less the same steps, though the timing will vary.

Summary

If you are going to work on behalf of a community or organisation planning a project, you must understand about sources of funds and about preparing budgets which show that you can manage the project.

Budgeting is a very important part of community managers' work. If you are going to work on behalf of a community or organisation planning a project, you must understand about sources of funds and about preparing budgets which show that you can manage the project. Budgeting is a very important part of community managers' work.

Topic 2 Introduction

This topic looks at developing a budget for a programme. We will be looking at the different parts of a budget and how the information is put together.

We will be using a number of words in this section that you may not be familiar with. These words are included in the glossary below and you should read them and their meanings carefully. That way, when you read the words in the text, you will know what they mean.

Glossary

Assets

These are the items that a programme buys that are expected to last for more than 12 months. Assets are sometimes referred to as capital items.

Expenditure

This is the total amount of money used for expenses.

Expenses

These are the day to day costs that a programme has to pay.

Income

This is the money that a programme receives from all sources. This includes fundraising, sales, fees, grants and any other source.

Running costs/recurrent costs

These are other names for expenses. They are the day to day costs that a programme has to pay.

Salary/wage

This is the money that a programme must pay to an employee for the work that they do.

Salary on-costs

These are costs that must be paid in relation to employees, in addition to the salary that an employee gets.

Suppliers

These are the people or organisations that sell goods or supply services to a programme.

Why develop a budget for a programme.

A budget is a plan for managing finances, which outlines money coming in (income), and money going out (expenditure). Using a budget you can identify sources of income and expenditure which enables you to keep check on your financial situation.

A budget is developed for several reasons.

Financial planning and monitoring

A budget is often developed because it forces the people managing the programme to think very carefully about how much money will be needed for their programme to go ahead.

Budgets also help programme managers and financial managers to ensure that programmes are not over funded and at a later date you have to justify why so much of the allotted funds have not been spent.

By setting a budget, the people spending the money know how much money has been set aside for each cost to the programme, and that they don't spend money on things not included in the budget. It should also mean that people do not overspend on items in the budget.

It is very important that the people setting the budget are very careful to include all the costs to the programme and that the amount of money put in the budget for each cost is sufficient. It is a good idea to ask someone with experience, to help you.

Information for funding bodies

Budgets are also developed because funding bodies require proof that sufficient funds have been applied for to enable the project to achieve its goals.

How do you develop a budget?

To develop a good budget you need to look at the sort of information that the budget provides. As an example look at the following budget:

YOUTH NEWSLETTER PRODUCTION	
Operating and Asset Budget	
for the period 2004/2005	
Income	Bt
Subscription	54,000
NGO Grant	79,240
Total Revenue*	133,240
Expenditure	
Recurrent costs	
Insurance*	1,400
Printing Costs	20,390
Telephone	7,520
Wages	41,700
Postage	5,430
Travel	6,950
Total recurrent costs	83,390
Assets purchased	
Computer	37,000
Fax machine	8,550
Furniture	4,300
Total assets purchased	49,850
Total expenditure	133,240
Surplus/(Deficit)	Nil

The main items are the total revenue (income) and total expenditure. The Surplus/ (Deficit) figure is calculated using the following equation:

$$\text{Surplus/ (Deficit)} = \text{Total Revenue (income)} - \text{Total Expenditure}$$

If the total income is more than the total expenditure the programme will have a **Surplus**.

If the total expenditure is more than the total income, the programme will have a **Deficit**.

There are three areas to pay attention to when developing the budget for a programme. They are:

- **Income** - Where will the programme get its money from and how much will that be?
- **Recurrent costs** - How much money will the programme have to pay for the day to day running costs?
- **Asset Purchases** - What equipment will the programme need and how much will it cost?

Before we look at estimating the amounts in these three areas there are a number of other things to note about this budget.

Rounding off

The figures in the budget are our best calculation (guess) at what the incomes and expenditures will be. No-one expects you to be 100% accurate with your estimates.

Accuracy

When you do the budget for your programme you must try to include all the expenses that the programme will have to pay otherwise you will have expenses but no money in the budget to pay for them.

Income

Is the money that the programme will receive from all sources?

The **sales** figure of Bt54,000 is the amount of sales that are expected to be made.

The **grant** figure of Bt79,240 is the amount of additional income needed from a donor to cover the expenses and make the surplus figure equal to Nil.

The total of the sales and the grant in our example is Bt 133,240. This is because we do not expect to get money from any other source.

Recurrent costs

The recurrent costs are the day-to-day costs of keeping the programme running. They include wages, service charges (e.g. electricity and telephone) printing costs, postage etc.

Asset purchases

An asset is something that you will have for more than 12 months.

This will include things like any motor vehicles, buildings, furniture etc.

Surplus/(deficit)

If there is money left over then the programme has a surplus (of cash). If there is not enough money to pay all the bills then the programme has a deficit (of cash). This budget has no surplus or deficit.

Assets

Now let's look at the three areas of the budget we call assets.

Estimating the cost of assets

Asset purchases are usually a major part of the costs of the programme. Businesses try to get value for money by getting **quotes** for the expensive items they buy.

What is a quote?

People often ask a supplier how much an item will cost before they buy it.

A quote is the answer the supplier gives telling you the price.

Before you accept quotes make sure that you have it in writing.

We get a quote so that we can get the best equipment we can afford.

Most funding agencies require those bodies receiving funds to obtain at least 3 quotes when purchasing expensive items.

A business will normally get two or three quotes so that it can compare the price and choose the best one.

One of the advantages of quotes is that if a supplier knows that you are getting quotes from other places they will give you the very best price they can.

Another advantage of getting quotes is that the act of talking to people about prices and products actually helps you to decide exactly what it is that you want.

There are some important **rules** regarding quotes:

1. Cheapest is not always the best. Cheap things often break down more quickly. The cost of maintaining cheaper equipment might be too high. So, although the item is cheaper to buy, the money that is spent on it over a period of say 12 months might be much more than the cost of the more expensive item.
2. Make sure that the quotes are detailed and cover all the points that you want
3. Ask about maintenance costs and the cost of spare parts.
4. Availability of spare/replacement parts
5. Make sure that you get equipment that will do the job you need it to do.

Tenders

When we discussed quotes before we said that they helped get the best equipment for the price we can pay.

A tender is like a quote except that people or organisations tender to **do** things rather than **sell** things. In other words, when an organisation invites tenders, it is inviting providers to supply something.

Tenders are important to community organisations for two reasons.

First, sometimes a community organisation may have money available to establish some kind of community programme. It might want to pay some experienced organisation to provide the service.

Governments often follow this method, they invite experienced organisations to implement a programme and in order to locate the best provider, and they call for tenders.

Organisations who call for tenders are called **purchasers** because they want to buy or purchase the service. When tenders are called for a programme or project, the organisations that are interested in trying to get the job are called **tenderers**.

The second reason tenders may be important for community organisations, is that sometimes a community organisation may want to be a tenderer. An example might be a community which has a number of unemployed people willing to work and the government wants a job of work done, e.g. clearing some land for a new building. If the government calls for tenders, the unemployed people can form an organisation which offers to do the work.

So a community group or organisation can sometimes be a purchaser, while in other cases it may be a tenderer.

Information about the project or programme is provided in a document called a **tender specification**. This document describes what the job is, what needs to be done and what information the tenderer must provide.

How does the tendering process work?

The purchaser prepares a tender specification and invites tenders by putting up notices or an advertisement in the paper. Interested tenderers then ask the purchaser for the tender specifications.

When the tenderers get the tender specification from the purchaser, they write a reply. The reply they write is called the **tender document** and should include the following information:

1. How the tenderer is going to do the job that the purchaser wants done.
2. The time frame - that is, when the job will start, when it will finish and when important parts of the job will be finished along the way
3. A history of the tenderer showing its capability and why it should get the job.
4. A budget showing how much it will cost if the tenderer gets the job.
5. Any other issues that the purchaser wants answers to. These issues will be referred to in the tender specifications and these should therefore be read very carefully.

Using tender documents

Organisations must be very careful with what they write in tender specifications and documents. If an organisation's tender is accepted, it must do the work for the price in the tender document.

It must also do the work **on time**.

That means that if a tenderer makes a mistake and does not charge enough to carry out the job it could end up making a loss on the deal.

Similarly, if a purchaser does not specify carefully exactly what service it wants the tenderer to provide, it could finish up with inferior equipment or services.

Purchasers and providers involved in tendering must be very careful.

Recurrent costs

Recurrent is the day-to-day costs of running the programme, such as salaries, telephone bills, electricity bills, insurance costs and other recurrent costs.

Salaries

When you are putting together the plan for your programme, you should budget for all the costs that you will have. A major cost for most businesses, organisations and community programmes is the cost of employing people.

People can be more expensive to hire than you think as in many cases you do not just pay salaries. In many cases there are other costs that may need to be paid to employees, such as holiday pay, sick pay etc.

Another thing to consider is the cost of pay rises that might be necessary during the life of the programme. Also, if somebody goes on leave, you will have to pay them while they are away.

You should decide how many people you need to employ and what each person will do. Then you can decide how much each person will be paid and what the

extra payments which need to be made.

Rates of pay

When you estimate salaries you need to decide the appropriate level of pay for each kind of job.

In many countries there is also a minimum rate set by the government for various kinds of work or negotiated between employers associations and trade unions.

There are other costs e.g. medical expenses, contributions to retirement funds etc that might have to be paid.

An example

A publishing programme is setting up a budget to cover salaries for a staff of six. Due to the pressure of meeting deadlines it is necessary to hire additional staff to speed the job of typing/word-processing documents for publication.

There is no provision in the budget so the wages for the office staff are taken from office running costs. This leaves the office running costs part of the budget short of funds for stationery, phone calls etc.

If you do not take these costs into account your programme could run into serious financial trouble.

Other recurrent costs

There are lots of other costs that you will have to pay when running a programme and they are listed below.

If you have been involved in a similar programme, you will have a good idea of what the costs are.

However, if you have never done anything like it before you should try to find someone who has experience with similar programmes and ask them to look at what you have done.

Some of the recurrent expenses that a programme may have are:

- telephone
- electricity
- petrol
- motor vehicle maintenance if the programme owns a vehicle
- insurance
- stationery

- office maintenance expenses
- rent

There are many other expenses that you could probably think of. Try to include everything.

How do I estimate recurrent costs?

To get accurate figures for your budget you must be able to estimate costs as accurately as possible

If you have had experience in similar programmes before you will have some idea about what many of the costs are likely to be.

If the programme has been running for a while then you should be able to have a look at previous budgets and compare them to actual month by month expenditures.

If you use figures from last year's budget then ensure that those costs are still accurate. You might have to add a percentage for inflation (i.e. price increase).

You can estimate accurately because you can ask people how much they will be and make an agreement to pay at a fixed rate, e.g. rent.

With insurance you can get a quote.

But how will you estimate the monthly telephone charges?

Other recurrent costs

Costs like telephone, stationery, petrol and electricity are harder to estimate.

Getting the above costs right is especially difficult if you don't have any experience in a similar programme.

The best thing to do is to ask someone, who has had experience, for advice. Nobody expects you to get the figure exact, but try to get an accurate figure.

Electricity is a cost that is hard to get right, especially if the programme needs to use electricity for heating or cooling.

You need to use the experience you have had in other programmes, or ask the people selling air conditioners what the running costs are, or ask an adviser.

Submissions (proposals)

A **submission** is the set of documents that the programme sends to the funding body when applying for funds.

One of the documents that the funding body will need from the programme is the budget. Talk to representatives of various funding bodies if you can before you send in the submission.

They will tell you whether they currently have any money available for grants and about the types of programmes that they fund.

Ask the funding agency what information you need to send. They often have standard forms to fill out. When you are asking someone for money it is a good idea to do the paperwork the way they want.

Remember, the budget for the programme must be detailed and accurate. You must make sure that the budget has a heading that tells the funding body what programme the budget relates to. The budget must also outline the timeframe.

Often agencies may require you to justify the purchase of assets, employment of staff and other major expenses.

The budget must include the three areas discussed earlier. They are:

- Income - show all the estimated income for the programme from all sources and how much will be received from each source
- Recurrent costs - show what recurrent costs the programme will have and how much each will cost
- Asset purchases - list the assets and how much they will cost. Make sure you have any quotes in writing before you send in the budget. Make clear why certain assets to be purchased will be needed.

Summary

This topic has looked at what steps to take, and what information is needed to develop a budget. A budget, as you have seen, is a very complex and important document. It must be detailed and it must be accurate. If you make mistakes in a budget, there can be serious consequences.

If you are going to develop a budget for a programme you must consider assets, expenses and recurrent costs and you must ensure that your figures are correct. Do not forget to include the information required by the funding bodies - without their approval you don't get any funds.

Topic 3 Introduction

This short topic looks at the process of applying for funds for a service program. It is most important that the submission you send to the funding body is as clearly as you can make it. Make your funding application look as professional as possible. Make sure that it is neat and the writing is easy to read. Have it typed if possible. The funding application should be well set out and it should be clear to state what you are applying for.

Process for applying for funds

When applying for funds you must consider the following things:

Justifying the need and identifying a suitable program

The justification outlines the community need or needs that the program will meet. It explains why the program is needed. This section includes statistics collected in the community profile and needs assessment.

Once you have identified a service and program that will meet the need you must write a brief outline of the program. The outline should provide the relevant background information used to identify the need for the service.

Here is an outline of program to build a health facility in the Imagined community.

Name of the Community: Imagined Community

Name of the program: Program to build village clinic

Outline of the program:

The Imagined Community has a high level of child mortality (18%). Thirty one percent of parents receive basic health training. The needs assessment shows that parents in particular, need some health facilities in the community. The community profile shows that 84% of all those who receive health education in the village hall, travel more than 40 km to health facilities. The major illnesses are malaria - 42 %, dysentery - 38%.

The Imagined Community would like to develop a program for patients in the community to build a village clinic.

You can see in the above example that relevant statistics have been provided. These statistics identify the child mortality percentage of children in the community and the percentage of community parents receiving basic health education.

This shows that there is a need for a readily accessible clinic in the immediate area.

Statistics related to the major illnesses and distances people travel to access health facilities have also been included.

The target group has also been identified in the program outline. In the example the program is aimed at the parents of Imagined Community.

Eligibility for funding

All funding agencies have guidelines outlining what sort of programs they can provide money for.

You must ensure that you provide enough information in your funding application to show that your program fits into those guidelines.

If you do not, then you will not get the funding, regardless of a good idea your program is.

Ask the funding body for information about their guidelines. They might have written information they can send you.

If possible, speak directly to the funding agency directly.

Preparing a detailed and accurate budget

To prepare a detailed and accurate budget to accompany the funding application you must:

- 1. Justify the budget against the needs you have identified**
- 2. Prepare accurate financial statements**
- 3. Prepare a submission using the funding agency guidelines**

Accurate financial estimates

We have spent a lot of time talking about accurate financial statements.

Make sure that your budget is as accurate and detailed as you can make it. This will show that you have carefully thought about where the income will come from and what you will be spending the money on.

Strategies for getting the funding application approved

If you want funding for your program approved you need to convince the funding body that the program is needed in your community.

You must also ensure that the program meets all of the criteria used by funding agencies to approve programs.

To do this your funding application should be well set out and clear.

You must:

- Demonstrate a need for the program in the community
- Develop an accurately costed budget for the program
- Ensure that the submission includes a time frame for the program
- Ensure that the funding application includes all the relevant details concerning the program
- Ensure that the program and the funding application meet all criteria as outlined by the funding agency.

Make sure that the person reading the application knows:

- Who is applying for the funds e.g. contact name, address, organization, telephone, facsimile and e-mail should be included.
- What the program is for i.e. a brief statement of purpose and plan of action.
- Why the program is needed in your community
- What it will do to help your community
- Provide a detailed budget that is fully justified and accurate.

Other strategies for getting a funding application approved

It may not be as easy as you think to get funding for your program.

Although you know that your program is a great idea and the community really needs the program to go ahead, other people will have other ideas about what the community needs and why their ideas are better than yours.

Naturally you will want your program to be one those which gets a grant, so what else can you do to help support your funding application?

Well, you can get as much community support as possible for your program. This may involve:

- Talking to the village headman and your member of parliament and convince them the program is a good idea for the community
- Provide a letter of reference from respected community members. It will help if the funding body can see that credible members in the community think the program should go ahead
- Getting local business people interested and enthusiastic
- In many countries, talk to the media and try to get them to put an article in the paper or talk about it on the radio
- In many countries, seeing if a TV station to do a feature on the program in the news or on a current affairs program.

Summary

This topic has looked at what to do when applying for funds and how to give you the best chance of successfully obtaining funds.

If you want to apply for funding for a service program, make sure you provide all of the information required by the funding body.

