

## CHAPTER 08

### Planning & Budgeting

*“The will to win is worthless if you do not have the will to prepare ”*

*Thane Yost*

**08.01** Planning is an important instrument of aiming at future. It means having a view of the future and deciding in advance where we would like to be and what is to be done in order to reach there. It is an activity by which the objectives are defined and specific goals and targets are formulated to be achieved. Planning is done by managers at all levels of an organization.

**08.02** Development organizations are involved in rendering services to the community. They, at times, deal with large resources. Hence, in an NGO, planning gains more significance as each project needs to be planned and budget drawn up to ensure proper funding inflow either from local or the foreign source.

**08.03** The framework for planning facilitates a clear linkage between the activities and finance. The activities are focused to attain the mission of the organization. The timeframe for implementation of each activity is to be clearly laid down. The activity plan and the financial plan are linked through budget code. The approach could be either logical framework or any

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*The framework for planning facilitates a clear linkage between the activities and finance.*

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other approach, which facilitates clear linkage or activities and the financial plan. In all the planning process needs to :

- ensure that the project or the programme plan is towards achieving the overall vision, mission and goal of the organisation.
- ensure that the programme plan is relevant to meet the needs of the target group.
- ensure that the projected plan is converted into a concrete action plan.
- ensure that the action plan is converted into cost plan by effective budgeting.

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**08.04** Hence planning is imperative in order to carry out its activities and programmes in a systematic manner.

**08.05** The process of planning is a dynamic one. It basically involves the following sequential steps :

- Planning
- Implementation
- Monitoring
- Evaluation

**08.06** The above components are the integral part of an organisation's internal control and monitoring procedures, which, is termed as the Planning, Monitoring and Evaluation System (PME System).

**08.07** As there are several stakeholders to whom the organization is accountable, the planning process needs to include the needs of the target group and the activities must be in line with the vision and mission of the organization. The activity plan and the financial

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plan needs to be clearly linked so that the resources can be put to optimal use in an efficient and effective manner.

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*Strategic plan is essentially a longterm plan. It is a process through which the broad perspectives such as vision, mission, goals and objectives are identified.*

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**08.08** Though basically, planning implies a view of the future activities and the course of action, the main types of plan that are practised by the development organizations are :

- Organisational Planning
- Programme Planning
- Strategic Planning
- Action Planning

**08.09** Strategic plan is essentially a long- term plan. It is a process through which the broad perspectives such as vision, mission, goals and objectives are identified. Further, effective methodologies are to be adopted for attaining the goals and objectives of the organization.

**08.10** Generally the planning is based on the programmes of the organization. The organizations carry out several programmes at various locations. The overall plan of the organization consisting of several programmes is known as organizational planning. This

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facilitates the organization to have a bird's eye view of the plan consisting of several programmes. Hence organizational planning is crucial in which the programme plan shall fall in place.

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**08.11** Budgeting is planning in financial terms. It is important that the plans are translated into financial terms.

**08.12** It is important to ensure that the budget includes a clear time plan, remittance schedule and reasonable matching contribution, wherever possible, from the partner organisation in addition to the quantum of funding expected from the donor.

**08.13** The significance of budgeting is that it involves specific goals for the organization. The budgeting is a crucial factor in the planning process which facilitates efficient allocation of limited resources, effective utilization and monitoring of the same. The ultimate objective for an organization is to ensure that the funds are put to optimum use in order to channelise the maximum benefits for the target group.

**08.14** Budgeting is an integral part of the total planning where both human and financial resources are involved. The framework for planning facilitates in linking the vision / mission/ activities with the budget through budget code.

**08.15** The budget process also needs to clearly identify and reflect the components that may involve beneficiaries contribution, which may be either in cash or in kind, the organisation's contribution and the funding agency's contribution.

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**08.16** Further, it needs to be also linked towards each programme component and clearly presented.

**08.17** The two flow charts, at the end of this chapter, depict the process of planning of a programme and the various factors which have to be considered while planning vis-a-vis budgeting. All budgets have two aspects, :

- The sources of funds
- Activities and expenses

**08.18** Another crucial aspect for an organisation in preparing the budget is the assumption for the cost and justification for the same .

**08.19** A budget when properly worked out taking the above into consideration, sets also the clear role for accounting and finance staff in the planning process.

**08.20** The management should also ensure that a planning process needs to be participatory especially in respect of projects or programmes.

**08.21** Generally, speaking, though budgeting implies preparation of estimates of costs in financial terms, the focus of the budget process for which it is prepared varies. This in fact, sets the framework for the following types of budgets :

- Long - Term Budget
- Short – Term Budget
- Organisation Budget
- Programme Budget
- Administration Budget
- Capital Budget
- Recurring Budget

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**08.22** Long - term budget planning is prepared to ensure continuity of the mission of the organization. A long - term budget is normally prepared for a period of, say, five years to enable the organization to identify the needs of the future keeping the goals and objectives of the organization in mind. Short - term budget is prepared to carry out the activities forming part of the goals and objectives of the organisation. The short-term budget is generally prepared for a period of one year to three years.

**08.23** An organization will have to not only prepare the budget for the programmes but also prepare the overall organization budget. The overall organization budget consisting of several programmes gives a complete macro picture of the budgeting strategy and requirements of the organization.

**08.24** Programme budget represents the allocation of funds towards implementing various activities planned with a programme. Generally, it also represents the action plan towards executing a specific programme.

**08.25** Administration budget or programme support cost represents the allocation of funds for recurring expenses relating to administration. These expenses are incurred to co-ordinate and run the programme. It

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is a better practice if the administration budget is kept at the minimum in the overall project cost.

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*Capital budget represents funds allocated for purchase of capital assets such as building, land, vehicles, equipments etc.*

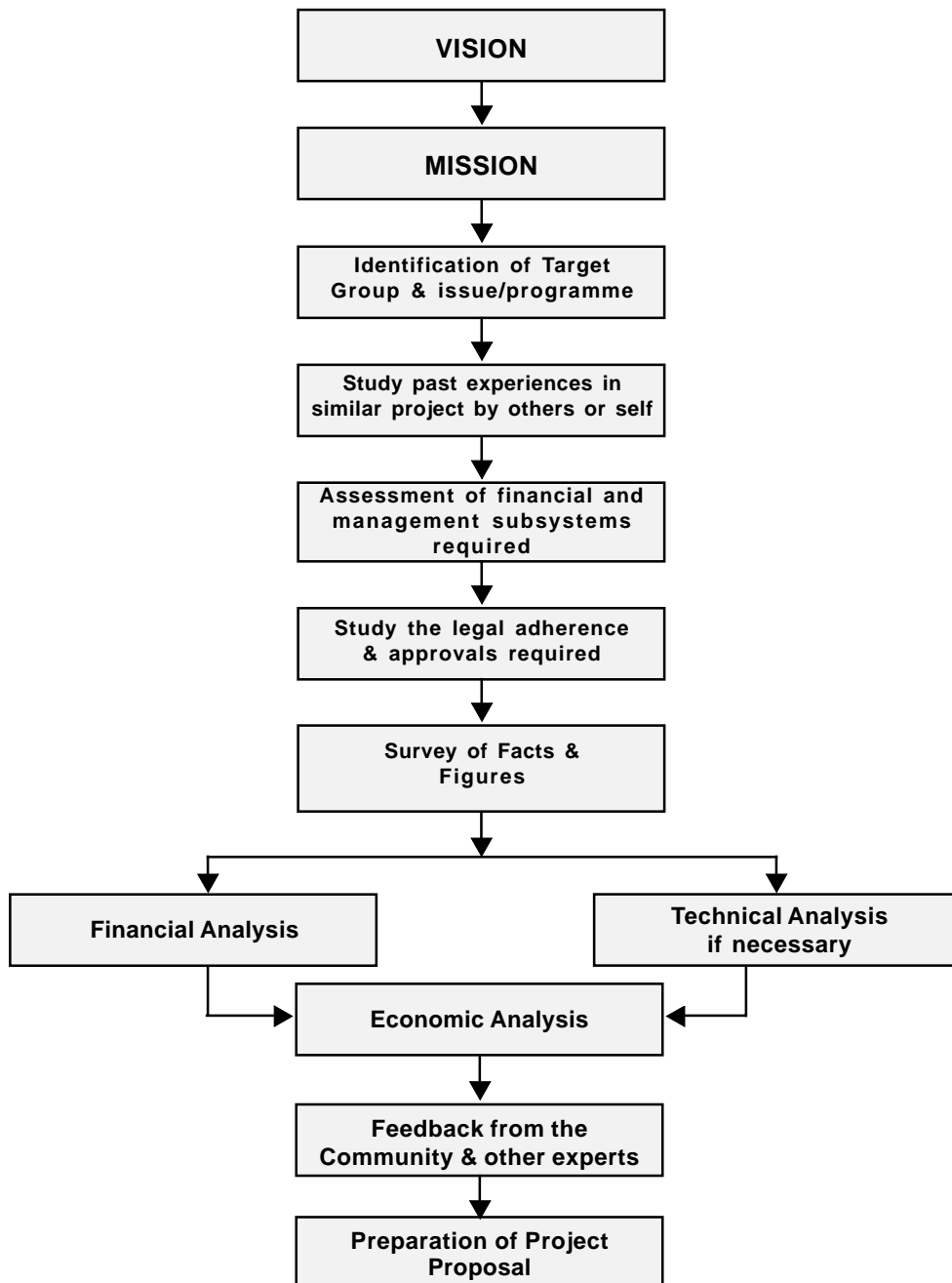
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**08.26** Capital budget represents funds allocated for purchase of capital assets such as building, land, vehicles, equipments etc., These expenses are non-recurring in nature and are assets of the organization.

**08.27** A very important indicator for investments in capital assets is to first ascertain if they are required to serve the objectives of the organization before incurring the same.

**08.28** Budget is, thus, a very important tool of financial management. It helps in estimating in advance the probable receipts and payments and it also helps in comparing the variances after the completion of the project activities. In other words, budget is the financial parameter on the basis of which the project activities are conducted. After completion of the activities the actual expenditures are compared with the budgeted expenditure, the variances help in understanding the terms of budgeting as well as implementation.

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**FLOW CHART SHOWING THE BUDGETING PROCESS**

