

Writing a Project Plan Part THREE:

# Operational Planning and Activities-based Budgets



## Booklet 3

Sustainability for MBOs:  
Resource Books for Organizations

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This series of resource books on sustainability was written in response to the expressed needs of Membership Based Organizations (MBOs) of informal workers looking for a basic guide on operational practices and achieving sustainability. The project was initiated by WIEGO (Women in Informal Employment: Globalizing and Organizing), as part of the Inclusive Cities project, a collaboration of local/national MBOs of informal workers, international alliances of MBOs, and support organizations working together as partners to improve the situation of the working poor.

Written and illustrated by: Pauline Conley  
Edited by: Krystal Roy  
Cover Photo: WIEGO  
Design and Layout: Valentina Reid  
Series Editor: Rhonda Douglas, Global Projects Advisor, WIEGO  
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## Overview

### Sustainability for MBOs: Resource Books for Organizations

#### The Booklets

There are currently five Booklets in the series:

1. Writing a Project Plan Part ONE:  
Developing Outcomes and Objectives
2. Writing a Project Plan Part TWO:  
Measuring and Sharing the Impact of Your Project Results
- 3. Writing a Project Plan Part THREE:  
Operational Planning and Activity-Based Budgets**
4. Introduction to Proposal Writing
5. Transparent Financial Management for MBOs

Further books will be added to the series as funding allows. Check with [www.wiego.org](http://www.wiego.org) for updates.

#### The Aim

This series aims to assist leaders and managers of MBOs to build more sustainable organizations through strengthening administrative and financial management, as well as establishing more effective planning, monitoring and evaluation systems. The series will also look at issues related to fundraising.

## Using the Booklets

These resource Booklets provide ideas, guidelines and examples that will help decision-makers in your organization address project planning and some administrative systems in your MBO. You will find the following symbols throughout:



**Tips:** Quick tips to apply to day-to-day operations.



**Checklists:** Quick evaluation tools to make sure you're ready to move to the next step.



**Examples:** Case studies and examples showcasing practical applications.



**Definitions:** Clear descriptions of key words and terms.



**Learning Activities:** Exercises to help you make the methods and strategies your own, or to help you teach them to others.

# Introduction

## In this Book: From PPM to a Complete Project Plan

Booklets One through Three in this series form a basic guide to writing project plans using the *Logical Framework Approach* (LFA). This method is used in many international forums, and is usually the designated format for describing your project. The Logical Framework Approach is not only an effective planning methodology, but has become the most common way for partners in development practices to communicate with each other about their project plans. If you cannot describe your planned project using a Log Frame, then you will reduce your ability to effectively communicate your intentions with potential funding partners and other stakeholders.

Booklets One and Two in this series described steps to complete the Project Planning Matrix (PPM) for a Log Frame. The project elements described in the PPM are considered 'high level': they are descriptions of overall project achievements. The building blocks of those achievements are the Outputs your project team creates through acquiring Inputs and carrying out Activities. Booklet Three in this series will discuss those building blocks in detail by guiding you through the process of drafting an Operational Plan, including an Activities-based Budget.

This Booklet is a guide to one possible way of creating an Activity-based Project Budget from a Log Frame. Techniques may vary based on the expertise and practices within your organization, particularly reporting requirements and the size of the project in question. The instructions herein are intended to demonstrate—in the simplest terms possible—how to link a project budget directly to the Activities as they are described in the Log Frame.

# Making the Plan Operational: Activities and Inputs from Outcomes and Objectives

If your project planning team has completed the PPM, then you already know the answers to some big questions:

1. What is the problem you want your project to solve?
2. How do you know it's a problem (through needs assessment, research, and consultation with participants)?
3. How do you propose to solve the problem (your project Objectives and Outcomes)?
4. How do you know that this solution is the most effective (experience and other research)?

The next questions that need to be answered in your Project Plan are:

5. How are you going to create the Outcomes?  
and
6. How much is it going to cost?

These two questions will be answered by your Operational Plan and your Budget.

## Tip

### You Can Lead a Horse to Water, but You Can't Make it Drink

Part of understanding relationships between elements of the Log Frame (such as Activities, Inputs, Outputs, Outcomes, and Objectives), is being able to identify which actors are involved with each level of action. To review the definitions from Booklet One, the element/actor relationships are as follows:

| Log Frame Project Element | Definition and Actor   |
|---------------------------|--|
| Overall Objective         | A description of the behaviour change you expect to see in your Indirect <b>Beneficiaries</b> as a result of achieving your project Objectives.                    |
| Immediate Objective       | A description of the behaviour change you expect to see in the <b>Target Group</b> as the result of your project action. There is usually one Immediate Objective. |
| Outcomes                  | These are descriptions of expected changes in condition that <b>your project team</b> will achieve in order to reach the project Objectives.                       |

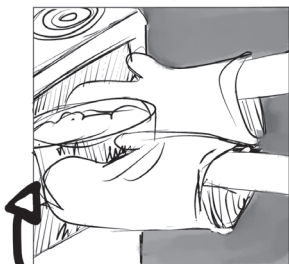
The project team creates the changes in conditions so that the Target Group can achieve the Immediate Objective, and the Beneficiaries can achieve the Overall Objective. Based on experience, a programme planning team predicts that if certain conditions are created, the Target Group will respond in a predictable way. If we put food before a hungry person, we can reasonably predict that they will eat the food. If we lead a thirsty horse to water, the horse will—in all likelihood—drink, but the drinking remains entirely up to the horse.

A project design will include monitoring of the Immediate and Overall Objectives and to what extent targets are reached; but the **part of the project that is in the creative control of the organization ends with the Outcomes**. As such, Operational Plans describe what needs to be put in place in order for those Outcomes to be achieved.

## Definition

### Operational Plan Components Review: Outcomes, Inputs, Outputs, and Activities

To review from Booklet One, the Log Frame project elements that are included in an Operational Plan are:



**Inputs:** The raw materials needed to carry out the Activities and achieve the Outputs. These will include anything with an associated cost.

**Activities:** The list of things your organization will do to achieve the outcomes/results and outputs.

**Outputs:** Resources created by the project in order to achieve the Outcomes.

**Outcomes (a.k.a. Expected Results or Results):** These are descriptions of expected changes in condition that your project will achieve in order to reach the project Objectives.

An Operational Plan is built from these components in order to create clear and objective instructions as to how your organization will achieve the Outcomes listed in your project PPM.

## Tip

### A Note on Outputs

Different partners and stakeholders—funding partners in particular—will have their own requirements regarding how planning information is to be presented. Most often, Overall Aims, Objectives, and Outcomes need to be listed with their associated Activities. In rare situations it will be necessary to list Outputs separately; but in many cases the Outputs are inferred from the Activities or the Outcomes. In the sample worksheet used in this booklet, Outputs are inferred through the Activities column.

## Learning Activities

### Building an Operational Plan from a PPM

With your project planning team, take the following steps to create an Operational Plan:

1. Set up an Activities Worksheet for each of your project Outcomes (on page 9).
2. For each Outcome, brainstorm with your project team and make a list of all tasks that will contribute to the Outcomes. This list should be as thorough as possible, without being incomprehensible.

#### Tip

If a particular Activity plan requires a level of detail that would make the overall plan difficult to read or understand, you can create a separate Work Plan for that Activity, which will be referenced to in the Activities Worksheet.

3. As the team completes the Activities list, begin to add information about *when* each Activity needs to happen (including frequency, if necessary) in the 'Timeframe' column, and assign responsibility for the task in the 'Person(s) Responsible' column.

#### Tip

Staff members entered in the Person(s) Responsible column should be only those that provide oversight, and are responsible for making sure things happen up to standard, on schedule and on budget. This is not necessarily the person that will actually do the work (those staff hours will be included in the Inputs).

4. In the 'Inputs' column, enter anything you need in order to carry out the listed Activities that have an associated cost (estimates or quotations of those costs can be added later). As you list the Inputs, ensure that they are numbered to reference the associated Activity; including materials, equipment, project staff, and regular staff time devoted to the project (more detailed information on calculating the cost of staff time and other expenses will be included in the Project Budget section to follow).
5. Finally, ensure that you include any Activities (and associated Inputs such as staff time, consultants, third party evaluators, etc.) that arose from your Monitoring and Evaluation Plan and your Risk Management Plan (which were covered in Booklet Two of this series).

**Example**

**The 'Street Vendor Project' Activities Worksheet**

In this example, a project planning team wanted to help informal street vendors from being displaced by exclusionary development and city planning practices, and to support them in making their workplaces safer and more efficient. The result of their planning efforts was a PPM for the 'Street Vendor Inclusion Project'. The project elements from that PPM were as follows:

**Overall Objective:** By 2018, 24,000 informal street vendors working in municipality X of City Y will benefit from inclusion in policies and practices regarding planning and development.

**Immediate Objective:** By 2018, 10,500 informal workers in 3 informal market hubs in City Y have increased livelihoods as the result of sanctioned access to adequate and safer productive public space.

**Outcome 1:** By 2018, 10,500 Informal workers (73% of whom are women) in 3 informal market hubs in City Y (District A, B, and C) can participate in urban planning design and development processes.

**Outcome 2:** By 2018, 10,500 Informal workers (73% of whom are women) in 3 informal market hubs in City Y (District A, B, and C) have safer and more efficient workplaces as the result of targeted infrastructure improvements in public market areas.

**Outcome 3:** By 2018, 60 Informal workers from 3 informal market hubs in City Y are able to successfully advocate for and claim their own rights as workers and citizens.

**Outcome 4:** By 2018, a total of 60 representatives from the informal workers' community in City Y (20 from each of the 3 key market areas) will be recruited and trained to effectively represent and advocate for their colleagues, and to hold decision-makers to account.

The Street Vendor Project planning team began their Operational Plan by creating Activities Worksheets for each project Outcome. An example of the worksheet for Outcome 1 was as follows (the complete Operational Plan includes one of these worksheets for each of the four Outcomes listed above):

To see the a full size Activities Demo, please go to Appenix 1 on page 32.

Activity numbers correspond with Outcome numbers

The Person Responsible is the one who will make sure the thing gets done - (not necessarily the person doing it)

Inputs are numbered so that expenses can be linked directly with Activities

Some larger Activities may require separate workplans or Terms of Reference that are indicated in the Log Frame

Time Frame info includes enough detail so that the project working calendar can be populated with Activities

Inputs are the things you need to carry out Activities that will incur a cost (the actual expense can be calculated later)

Regular staff time spent on each Activity is also an Input (details of how to calculate this expense will be included in the budget section)

Monitoring and evaluation Activities identified during the process of creating a Risk Register and a Monitoring and Evaluation Plan need to be added to Activities and Inputs



## Checklist

### Reviewing the Log Frame

With the addition of a completed Activities Worksheet—including Inputs—your Log Frame is now complete. Before moving on to creating a Budget, it's important to review the full Log Frame to make sure that it's as clear and complete as possible. Ideally, you'll find some people from outside the planning team to help you review using the following questions:

1. Is the PPM complete? Does it contain...
  - ...an Overall Objective, which describes a behaviour change in the Beneficiaries?
  - ...an Immediate Objective, which describes a behaviour change in the Target Group?
  - ...a list of Outcomes, which describe changes in condition created by the project?
  - ...a list of Indicators at all three levels?
  - ...a comprehensive list of Activities?
  - ...a list of Inputs (personnel, materials, equipment, etc.)?
2. Are the planning levels of the PPM logically linked? Is there...
  - ...a logical flow from Inputs and associated expenses to Activities?
  - ...a logical flow from Activities to Outcomes?
  - ...a logical flow from Outcomes through to Assumptions and all the way to the Immediate Objective?
  - ...a logical flow from the Immediate Objective, through Assumptions, to the Overall Objective?

3. Is a change in condition that benefits the Target Group clearly described for each Outcome?
4. Does the Immediate Objective describe the change in behaviour in the Target Group that is required to reach the Overall Objective?
5. Does the Overall Objective describe the change in behaviour in the indirect Beneficiaries required to reach the aim of the project? In other words, does this change address the problem your project seeks to solve?
6. Are the Indicators all specific enough? Do each of them include information regarding:
  - The Target Group (who).
  - The quantity: An amount that indicates the size of your action, (commonly defined by how many people you will deliver the Outcome to).
  - The quality: To what level or standard?
  - The timeline: By when? How often?
  - The location: Where?
7. Are the Indicators objective enough? Could anyone take this measurement and get the same result as anyone else? Would the information you collect convince a skeptic of your success?
8. Are all the assumptions important enough to be included in the plan?
9. Can the need for each Input/expense be linked to the Overall Objective through the Log Frame?
10. Is your Log Frame clear? Could someone from outside your organization understand your project by reading it?

# Writing an Activity-Based Project Budget From your Activities Worksheet

A Budget is used for setting financial objectives, to monitor project expenses and to provide information to funders. A Project Budget should include revenues and expenses, and should be balanced. It's a *projected* Budget, which estimates what can be anticipated financially over the project period. Budgets are not set in stone: they are working documents. However, in order to be useful, the Budget needs to reflect the costs of planned actions with as much detail and accuracy as possible.

## Who Uses Budgets?

**Leaders and Managers:** For making decisions and monitoring progress.

**Boards of Directors:** For overseeing the financial health of organizations and projects.

**Staff:** For checking allocations.

**Funders:** For assessing cost effectiveness, deciding on grant size, and for measuring efficiency.

**Banks:** If loans are necessary.

**Members:** To keep operations transparent and accountable.

## Why Use an Activity-Based Budget?

Writing a Budget based on your project's Activities means that each and every expense can be linked through the Project Plan or PPM to the Objectives and Aims. This means that all budget items are justifiable, verifiable and accurate. An Activities-based Budget is transparent: there is no guesswork for funders or other stakeholders when it comes to interpreting the figures. Eventually, the project team will have the best monitoring framework possible for ensuring that the project stays on budget. Finally, your

Activities-based Project Budget fits into the big picture: It's proportionally relevant to the sum of your organization's operations, programmes and expenses.

Finally, in a world where operating or core funding is becoming harder and harder to find, it becomes increasingly important to make sure that budgets reflect the true cost of the project to the organization as a whole. Your project will consume some of the organization's resources such as office supplies, telecommunications and regular staff time. An Activities-based Budget, when well-drafted, will track these expenses accurately.

### Tip

#### Tracking Expenses Through the Log Frame

When writing a Budget, keep an imaginary skeptic on your shoulder. If anyone points to any single number in your Budget and asks you "How did you come up with this figure?" you must be able to answer the question factually. Keep this question in mind when preparing your Budget. Imagine that the skeptic looking over your shoulder is asking you to justify every item included. In reality, you may be asked to clarify Budget items months or years from the time of writing. Make sure your notes and documents (quotations, receipts, etc.) are referenced to the PPM's Activity numbers so that you'll be able to provide detailed information when required.

## Some Typical Expense Categories

For every Input noted on your Activities Worksheet, you must calculate an expense. The majority of these will fall into the following categories that are typical of many Project Budgets, but this list is not exhaustive. In consultation with your bookkeeper and/or accountant, you will find the categories that make the budget information as useful as possible for your organization and project; and those that best fit any reporting requirements.

### Regular Staff Salary Costs

This expense item will include project time put in by staff who will work on other things besides the project. For example, a Secretary General might provide oversight a few hours a month, and an administrative assistant might refer phone call enquiries and help with organizing meetings. You can budget for these expenses by assigning a unit cost to each staff position (hourly or daily), and estimate how many units of work you will need from each staff member per activity.

#### Example

### Estimating Staff Time for the Street Vendor Project

Referring to the sample Activities Worksheet above, the Street Vendor Project planning team estimated that the amount of regular staff time (by position) that was required to carry out Activity 1.1 was as follows (beginning with 1.1.b):

#### 1.1.b

Project Leader (oversight): 16 hours

Research Officer: 16 hours

Senior Project Officer (strategy sessions): 6 hours

Project Officer (strategy sessions): 6 hours

#### 1.1.c

Project Leader: 21 hours

Senior Project Officer: 5 hours

Project Officer: 21 hours

Research Officer (documentation and training): 21 hours

#### 1.1.d

Research Officer: 66 hours

Project Leader (oversight): 6 hours

Project Officer: 60 hours

Admin. Assistant: 30 hours

In order to calculate the expense associated with this staff time, a unit cost (in this case hours) was assigned to each position, which included all expenses (salary, benefits and any statutory remittances) associated with that position. In the case of the organization planning the Street Vendor Project, those expenses were as follows:

| Staff Position         | Unit/Hourly Expense Rate |
|------------------------|--------------------------|
| Project Leader         | 420                      |
| Senior Project Officer | 251                      |
| Project Officer        | 131                      |
| Research Officer       | 111                      |
| Admin Assistant        | 114                      |

So, the expenses for the Inputs listed in the Activities Worksheet were calculated as follows:

| Activity No.                                      | Staff Time             | Total Activity Hrs (all years) | Hourly Cost | Input Cost    |
|---|------------------------|--------------------------------|-------------|---------------|
| 1.1.b   | Senior Project Officer | 6                              | 251         | 1,506         |
| 1.1.b   | Research Officer       | 16                             | 111         | 1,776         |
| 1.1.b   | Project Officer        | 6                              | 131         | 786           |
| 1.1.b   | Project Leader         | 16                             | 420         | 6,720         |
| 1.1.c   | Senior Project Officer | 5                              | 251         | 1,255         |
| 1.1.c   | Research Officer       | 21                             | 111         | 2,331         |
| 1.1.c   | Project Officer        | 21                             | 131         | 2,751         |
| 1.1.c   | Project Leader         | 21                             | 420         | 8,820         |
| 1.1.d   | Research Officer       | 66                             | 111         | 7,326         |
| 1.1.d   | Project Officer        | 60                             | 131         | 7,860         |
| 1.1.d   | Project Leader         | 6                              | 420         | 2,520         |
| 1.1.d   | Admin.                 | 30                             | 114         | 3,420         |
| <b>Total Regular Salary Cost for Activity 1.1</b> |                        |                                |             | <b>47,071</b> |

Eventually, it may be useful to summarize project costs by regular staff position (for all Activities and Outcomes).

## Project Staff Salary Costs

Project staff positions are those that are allocated 100% to a given project, so the cost of that salary (plus benefits, etc.) can be included as a lump sum amount. If a project staff member will be working in only one Outcome area, that information should be reflected in the budget.

### Tip

#### Project Staff or Regular Staff: What Are Your Project Needs?

Are you creating new staff positions for the project? Reasons for doing this could include current staff not having enough time, current staff not having the particular expertise necessary, or operations growing beyond current capacities.

If you do budget for a new staff position, remember that salary is not the only expense. Include costs for creating the job description and/or Terms of Reference (TOR), posting the position, fielding enquiries and reviewing applications, interviewing, hiring, orientation, human resource department expenses, payroll remittances, benefits packages, any staff training or professional development, and ongoing supervision.

## Consultants and Other Third Party Experts

These expenses should be based either on experience (receipts for similar services from within the last year), or quotations from the consultant in question.

## Equipment and Furnishings

These are usually considered as capital costs, as they represent acquisition of assets that will outlive the project period. These expenses should be based on quotations from vendors, or price listings from catalogues, online catalogues, etc.

## Office Expenses

These are things such as rent, office supplies, utilities, telecommunications expense, postage, etc. Estimates for these expenses should be based on past experience (receipts) or quotations from vendors or catalogues.

### Tip

#### Monitoring and Evaluation Expense

When budgeting for development projects, it's prudent to keep monitoring and evaluation expenses categorized separately.

## Communications and Promotion Expense

These are any expenses associated with promoting your organization, and your programmes and projects to the outside world—such as websites, publications, brochures, flyers, and press releases, and any associated production expense such as graphic design or printing.

## Insurance

If you require insurance for your project, costs should be based on reliable quotations from insurance agents or brokers. If your project shares insurance expense with the larger organization, you might want to consider expensing a portion of this to the project.

## Professional Fees and Audit Expense

Your project will generate more work for your bookkeeper, and will likely need to be audited annually (or will represent part of your organization's audit costs).

## Meeting and Training Expense

This expense category can include things like venue rental, A/V equipment, refreshments, meeting materials, training stipends, etc.; and could be based on experience or quotations. Remember to multiply the cost by the expected attendance and by the frequency.

# The Expense Side of the Budget Sheet

## Example

### Building Budget Expenses

#### The 'Street Vendor Project'

Once the Street Vendor Project planning team had assigned costs to each of the Inputs on their Activities Worksheet (see 'Inputs' column in the example right), they were ready to start building an Activity-based Project Budget. The first step was listing all of the Input expenses by Activity.

This example includes notes regarding how the amounts were arrived at, and the sources of quotations and other information. Copies of quotations and receipts referred to herein would be filed for future reference, using the activity reference numbers. The expenses are also given a category.

To see the a full size Budget by Activity Table, please go to Appendix 2 on page 36.

| Activity No. | Input   | Notes   | Category                          | Expense          |
|--------------|---|---|-----------------------------------|------------------|
| 1            | Salaries  |   | Salary Expense                    | 131,925          |
| 1.1          | Consultant fee for infrastructure audit set up and data entry | Re: Past project receipts sim researcher 245/hr   | Monitoring and Evaluation Exp.    | 11,025           |
| 1.1          | Travel for consultant   | 3.23/km x 30km plus days  | Monitoring and Evaluation Exp.    | 500              |
| 1.1          | Software for data base  |   | Office Expense                    | 5,000            |
| 1.1          | Training stipend for data collectors                          | fromReceipts: 120/day, 600 days   | Training Expense                  | 72,000           |
| 1.1          | Photo-documentation   | Inception benchmarking (baseline)   | Monitoring and Evaluation Exp.    | 15,000           |
| 1.2 & 1.7    | Focus Groups  | Focus group to present to SVs, conducted by 3rd party & 3rd party analysis of meetings with authorities and focus group results | Monitoring and Evaluation Exp.    | 7,998            |
| 1.7          | Evaluator   | Consultant  | Monitoring and Evaluation Exp.    | 17,500           |
| 1.2          | Refreshments  | 35/personx40x4  | Meeting Expense                   | 1,540            |
| 1.2          | Venue   | Venue rental, 1 day   | Meeting Expense                   | 600              |
|              |   | Receipts  | Meeting Expense                   | 2,000            |
|              |   |   |                                   | 1,260            |
|              |   | 1000copies - 19000)   |                                   |                  |
|              |   |   | <b>Total Outcome 2</b>            | <b>261,912</b>   |
| 3.1 to 3.4   | Salaries  |   | Salary Expense                    | 55,636           |
| 3.2          | Training venue for community Reps                             | 300 for half day x3   | Training Expense                  | 900              |
| 3.2          | Refresh for community Rep. training                           | 35/person x 15 +30+45   | Training Expense                  | 3,150            |
| 3.2          | Community Rep training stipend                                | 120/person/day  | Training Expense                  | 10,800           |
| 3.2          | Training materials for community reps                         | Printing Quote  | Printing Expense                  | 1,200            |
| 3.2          | Survey (3rd party)  | Participant feedback  | Monitoring and Evaluation Exp.    | 4,991            |
| 3.3          | Branding Activation   | Quotation   | Promotion Expense                 | 15,000           |
| 3.3          | info mat for Community Development Programme                  | Monthly 11x3x3 copyx 6000 copies@ 3/copy  | Promotion Expense                 | 595,000          |
| 3.3          | SMS for Community Development Programme                       | Av. 3500/mos x 33 months x750   | Telecommunication Expense         | 24,750           |
| 3.4          | Comm. Dev. Ongoing workshop Materials                         | 5/per x 1000/yr x 3 yrs   | Printing Expense                  | 15,000           |
| 3.5          | 3rd party survey (with 3.2 above) of officials                |   | Monitoring and Evaluation Exp.    | 2,495            |
| 3.4          | Community Development Portable meeting structure              | Quote 899 + branding 1500 x 2 tents for 3 areas   | Furniture and Equipment           | 14,400           |
|              |   |   | <b>Total Outcome 3</b>            | <b>743,322</b>   |
|              |   |   | <b>Total Outcomes 1 through 3</b> | <b>1,375,542</b> |

In the next step the Street Vendor Project planning team summarized these expenses as per category:<sup>1</sup>

| Category                                 | Project          | % of budget | Outcome 1      | Outcome 2      | Outcome 3      |
|--|------------------|-------------|----------------|----------------|----------------|
| Street Vendor Training Programme Expense | 713,110          | 52%         | 88,260         | -              | 624,850        |
| Salary Expense                           | 338,453          | 25%         | 131,925        | 150,892        | 55,636         |
| Printing Expense                         | 116,900          | 8%          | 73,700         | 27,000         | 16,200         |
| Monitoring and Evaluation Exp.           | 99,209           | 7%          | 52,023         | 39,700         | 7,486          |
| Telecommunications Expense               | 33,390           | 2%          | -              | 8,640          | 24,750         |
| Office Expense                           | 29,260           | 2%          | 5,500          | 23,760         | -              |
| Furniture and Equipment                  | 26,320           | 2%          | -              | 11,920         | 14,400         |
| Meeting Expense                          | 10,260           | 1%          | 10,260         | -              | -              |
| Training Stipend Expense                 | 8,640            | 1%          | 8,640          | -              | -              |
| <b>Total</b>                             | <b>1,375,542</b> | <b>100%</b> | <b>370,308</b> | <b>261,912</b> | <b>743,322</b> |

The expense categories are sorted from largest to smallest, in descending order. In addition, percentages of the totals have been calculated—which will become useful later in the analysis of budget ratios.

<sup>1</sup> This summary was achieved simply through using Microsoft Excel Data Sort command, sorting by column "Category" and then "Activity No.[Number]".

### Tip

One of the advantages of an Activity-based Budget is revealed in this example: Sorting the expenses by Outcome is a simple operation. In the event that a funding partner has interest in one Outcome over others, creating budgets for these new situations can be done quickly and accurately without having to write new budgets.

### Example

#### **Adding General Expenses to an Activities-Based Budget**

The final step to calculating budget expenses would be to add general expenses to the Input expenses from the PPM. These are benefits that the project will take from the general organization, but which could not be easily assigned to any one Activity or Outcome. In the case of the Street Vendor Project these will include items such as professional fees (for legal advice, audit fees and bookkeeping) and insurance. The amount will be calculated as follows:

$$(\text{Project input expense} \div \text{total operating expense}) \times \text{total general expense} = \text{portion expensed to project for one year}$$

The operating expense in the last audited statement was 2,890,720.

The input expense for the Street Vendor Inclusion Project for one year (of a three-year project) is estimated at 1,375,542 ÷ 3 or 458,814.

The quote for the organization's insurance for one year is 132,000.

Therefore, the calculation would look like this:

$(458,814 \div 2,890,720) \times 132,000 =$  Insurance Expense for one year of the project, which is (0.16, or 16% of total budget)  $\times 132,000 = 21,120$  for one year, and 63,360 for the duration of the project.

The addition of general expenses is illustrated on page 29: the completed Street Vendor Project Budget follows.

## The Revenue Side of the Budget Sheet

A Project Budget should be balanced, with project Revenues equal to project Expenses. Some typical sources of revenue for non-profits are grants, donations, earned revenues (such as membership fees or publication sales), and interest revenue.

In addition, a Project Budget can include an *organizational contribution*. This represents the amount of money and/or resources the organization will transfer from its core operations to benefit of the project.

In many cases—particularly in the early stages where fundraising for the project is still underway—unconfirmed revenue amounts in a project budget will be considered 'pending'. It's important to include enough revenue to balance the budget, while ensuring that the revenues listed remain conservative: If there is not a reasonable likelihood of receiving awards of the size and from the sources indicated, then they should not be included.

### Example

#### Building the Revenue Side of the Budget

The Street Vendors Project has received a confirmed grant from one foundation. A second grant is still pending, but they have made it through to the third round of the application process and are assured that they are likely to receive the funding.

The project team has created a fundraising plan for the remainder of the project, and they are confident that they will be able to fill the gap. However, in the interests of being conservative, the remainder of the project revenue will appear as an 'organizational contribution'. This demonstrates that if the organization is unable to raise any further funds, the organization will still be able to cover the costs of completing the project (a matter that would be confirmed separately by the organization's Financial Director, and approved by the Board of Directors or Council).

### Definition

#### Organizational Contributions

Organizational contributions can be any cash or resources drawn from unrestricted (not earmarked for another project or specific purpose) or reserve funds (the organization's savings) and contributed to a project. These amounts could be generated through things like in-kind contributions of goods and services, and earned revenues such as membership fees.



The completed Budget, with the Revenues included, looks like this:

**STREET VENDOR INCLUSION PROJECT**  
**January 2015 to December 2018**

**Project Budget**

**REVENUES**

|                                     |         |                  |
|-------------------------------------|---------|------------------|
| Grant from Foundation A (confirmed) | 320,000 |                  |
| Grant from Agency B (pending)       | 650,000 |                  |
| Organisational Contribution         | 520,562 |                  |
| <b>Total Project Revenues</b>       |         | <b>1,490,562</b> |

**EXPENSES**

|  |         |                  |
|--|---------|------------------|
| Street Vendor Training Programme Expense | 713,110 |                  |
| Salary Expense                           | 338,453 |                  |
| Printing Expense                         | 116,900 |                  |
| Monitoring and Evaluation Expense        | 99,209  |                  |
| Insurance Expense                        | 63,360  |                  |
| Audit and Bookkeeping Expense            | 45,000  |                  |
| Telecommunications Expense               | 33,390  |                  |
| Office Expense                           | 29,260  |                  |
| Furniture and Equipment                  | 26,320  |                  |
| Meeting Expense                          | 10,620  |                  |
| Training Stipend Expense                 | 8,640   |                  |
| Legal Fees                               | 6,300   |                  |
| <b>Total Project Expense</b>             |         | <b>1,490,562</b> |

**Total Revenue over Expense** **0**

*(Note that this budget now includes some general expenses that are shared with the organization, as discussed in previous pages. These include expenses for insurance, audit and bookkeeping, and legal fees.)*

As the organization continues to fundraise, this information will be adjusted to accommodate other request amounts. For example, an application is made to a third agency for funding for the Street Vendor Inclusion Project. The budget that accompanies the proposal is adjusted on the revenues side to reflect the request amount as follows:

**REVENUES**

|                                     |         |                  |
|-------------------------------------|---------|------------------|
| Grant from Foundation A (confirmed) | 320,000 |                  |
| Grant from Agency B (pending)       | 650,000 |                  |
| Request from Agency C               | 300,000 |                  |
| Organisational Contribution         | 220,562 |                  |
| <b>Total Project Revenues</b>       |         | <b>1,490,562</b> |

The fact that these changes are made from the basis of a strong and detailed Activities-based Budget means that the organization will not have to write a new budget every time they have different communication or reporting requirements (such as funding proposals).

## Checklist

### Reviewing Your Project Budget

Here are some additional items you might want to consider before finalizing your project budget:

- All revenue estimates are conservative: If you're not sure the money is likely to come, do not include it in your projected budget.
- Each of your expenses are clearly referenced to a project Activity through your project Inputs.
- Your summarized budget lists expenses according to significant categories, descending from the largest amount to the smallest.
- Administrative costs or core expenses (organizational resources that will be required by the project not including salaries) do not exceed more than 15% of the total project budget.
- Expenses for capital items and other significant purchases are backed up with quotes from catalogues and referenced to an Activity number.
- Audit and insurance expenses are included.
- Travel expenses are based on quotes or on receipts from similar types of travel in the last year.
- Travel expenses include a per diem rate for travelling staff members, or estimated travel costs for food and local transport if you do not use per diems.
- Fees for consultants and/or third party experts are based on quotations from the consultants or on receipts for similar work in the last year.

- If your project takes place in more than one country, or has partners providing resources in another currency, the exchange rates are documented clearly and a provision for potential exchange loss has been included in your notes.
- If your project extends over several periods (years), you have included a provision for cost of living or inflationary increases. This should be based on inflation rates or the consumer cost of living index for the project country.
- Your project budget is in line with the organization's operating budget: The size of the project budget is proportionate to the amount of work involved, and easily fits in to the total operating budget (covered in more detail in Booklet Five).

# Conclusion

## How Does LFA Fit into a Thorough Project Plan?

The material in Booklets One through Three have guided you through the Logical Framework Approach, the end results being components of a Project Plan that include a PPM, a Risk Register, a Monitoring and Evaluation Plan, and an Activities-based Project Budget. However, in order to be truly complete, these components must be tied together with narrative. Written portions of the Project Plan introduce, summarize and explain the detailed information provided in the Log Frame. They should be as clear and succinct as possible, and need to include the following:

1. A narrative description of the problem your project seeks to solve. This is a problem that the people in your Target Group face, and it should be described from their point of view.
2. An explanation of how you know that this is a significant problem for the people in your Target Group. The explanation needs to be backed up with evidence such as a needs assessment, consultation with your Target Group and any other related research.
3. A description of the Target Group or direct Beneficiaries, which should include the size and location of the population and basic demographic information such as level of education and literacy rates, income level, quality of life, languages spoken, etc.
4. A description of the indirect Beneficiaries, similar to your description of Target Group or direct Beneficiaries.
5. An explanation of how you know that your project action is the best way to address the problem. This would include any experience and/or research that supports your decisions on intervention strategies and project design.

6. If the project is not 100% new, describe what has been improved or changed. For example, the project might be expanding to serve more people and/or new locations. Describe how you are building on your previous success.
7. What is innovative about your project? What new approaches have you designed for tackling traditional development problems, and why was the innovation necessary?
8. If your project is replicable, meaning that a similar-sized project could be repeated again in another location, then include information regarding your replication strategy. This could include other locations, timelines, etc.
9. If your project is scalable, include a description of your strategy for up-scaling. For example, could you roll it out to other districts or cities to reach a larger group of people, or add to the services that the project delivers? This should include timelines, benchmarks and/or targets.
10. You will also need to demonstrate your knowledge of what work is being done by other organizations in this area (i.e. the 'competition'), and how your project is unique. This description will establish that your project action fills a gap that is not currently being filled, while avoiding the duplication of current services.

In Booklet Four, the focus will shift to writing funding proposals. Finally, Booklet Five will address some important facets of financial management for MBOs.

# Appendix 1

## The 'Street Vendor Project' Activities Worksheet (see page 9)

**Outcome 1: By 2018, 10,500 Informal workers (73% of whom are women) in 3 informal market hubs in City Y (District A, B, and C) can participate in urban planning design and development processes**

| Activities  | Time Frame  | Person(s) Responsible   | Costs (Inputs)  |
|---|---|-------------------------|---|
| <p>1.1 INFRASTRUCTURE AUDIT: in three strategic areas in City Y (District A, B, and C)</p> <p>1.1. a Photo-documentation of 3 areas (inception benchmarking)</p> <p>1.1.b Design terms of reference, including mapping, data collection and encoding protocols, reporting methods, and timelines, followed by at least 5 upgrade projects based on the audit (including but not limited to storage, hand conveyances, shelters, power sources and sewage/waste water management and OHS).</p> <p>1.1.c Workshop to train 20 data collection teams (one university student volunteer matched with one local trader) to collect data.</p> <p>1.1.d Students and trader partners perform audit (one week in each of the three target areas, followed by a three week processing time), and collected data is processed, overseen by Project Officer.</p> | <p>Design<br/>June through August 2014</p> <p>Training<br/>June 2014</p> <p>Perform Audit<br/>July 2014 – District A<br/>August 2014 – District B<br/>September 2014 – District C</p> | <p>Research Officer</p> | <p>1.1.a Photo-documentation: R15,000</p> <p>1.1.b Project Leader (oversight): 16 hours</p> <p>Research Officer: 16 hours</p> <p>Senior Project Officer (strategy sessions): 6 hours</p> <p>Project Officer (strategy sessions): 6 hours</p> <p>Contract employee (data entry, mapping): 6 days and travel/incidentals</p> <p>Data base software</p> <p>1.1.c Project Leader: 21 hours</p> <p>Senior Project Officer: 5 hours</p> <p>Project Officer: 21 hours</p> <p>Research Officer (documentation and training): 21 hours</p> <p>Workshop materials</p> <p>Refreshments</p> <p>Venue and AV rental</p> <p>1.1.d Collection: teams, 2 people each x 15 days (stipend) = 30 days/600 hours</p> <p>Research Officer: 66 hours</p> <p>Oversight: Project Leader: 6 hours</p> <p>Fieldwork students (Raw data capture): 20 students x 1 week x 3 areas = 60 (stipends)</p> <p>Final data processing (office admin): 30 hours</p> <p>Field work oversight of data collecting: Project Officer: 60 hours</p> <p>Documentation materials and equipment.</p> <p>Stationery/ office supplies – collection materials/ forms.</p> |

| Activities   | Time Frame  | Person(s) Responsible              | Costs (Inputs)   |
|--|---|------------------------------------|--|
| 1.2.<br>Create draft audit report regarding equipment needs with recommendations and sketch designs, and take it back to traders for input, then finalize.   | January 2014-2015?  | Research Officer                   | 1.2 Project Leader: 45 hours (design and oversight)<br>Senior Project Officer: 8 hours<br>Research Officer: 35 hours<br>Project Officer: 15 hours<br>Published reports/ presentations<br>Venue rental, AV expense<br>M&E: Focus group to present to traders conducted by 3rd party (to assess level of IWs<br>Awareness of needs in their sector, and the overall contribution of their sector to local economy and cultural life) – R7998 |
| 1.3<br>Final report with recommendations regarding urban infrastructure is presented to the City, Y by IW representatives (See Result No. 3 for group formation and preparation, follow up and monitoring) | Draft presented to traders and feedback received by November 2014, and final version presented to city in January 2014. | Senior Project Officer:<br>8 hours | Project Officer: 16 hours  |
| 1.4<br>Identify worker ambassadors through existing committee structures, ensuring balanced representation across geographic areas and sectors   | May to June 2014  | Senior Programme Officer           | Senior Programme Officer: 8 hours  |

| Activities   | Time Frame           | Person(s) Responsible                     | Costs (Inputs)  |
|--|----------------------|---|---|
| 1.5<br>Training for ambassadors on negotiation skills, relevant issues and laws, and rehearsal/preparation for the presentation of focus material as follows:<br>2014: audit report (created under Result No. 1)<br>2015: results of market tour surveys (traders and attendees – re: Result No. 5)<br>2016: tbd | July and August 2014 | Senior Project Officer<br>Project Officer | Senior Programme Officer: 6 hours<br>Programme Officer: 8 hours<br>Speaker fee<br>Refreshments<br>Workshop materials<br>Training Stipend: 216 hrs   |
| 1.6<br>Focus groups and report analysis to evaluate training uptake, to ensure IW awareness, and include IWs in final draft of audit report.   | September 2014       | Project Leader                            | Project leader: 3 hours oversight<br>Project Officer: focus group questionnaire design, meeting facilitation support<br>3rd party evaluator: 6 days |

# Appendix 2

## The Complete Budget by Activity Table (see page 20)

| Activity No. | Input   | Notes   | Category                       | Expense |
|--------------|---|---|--------------------------------|---------|
| 1            | Salaries  |   | Salary Expense                 | 131,925 |
| 1.1          | Consultant fee for infrastructure audit set up and data entry | Re:Past project receipts sim researcher 245/hr  | Monitoring and Evaluation Exp. | 11,025  |
| 1.1          | Travel for consultant   | 3.23/km x 30km plus days  | Monitoring and Evaluation Exp. | 500     |
| 1.1          | Software for data base  |   | Office Expense                 | 5,000   |
| 1.1          | Training stipend for data collectors                          | fromReceipts: 120/ day, 600 days  | Training Expense               | 72,000  |
| 1.1          | Photo-documentation   | Inception benchmarking (baseline)   | Monitoring and Evaluation Exp. | 15,000  |
| 1.2 & 1.7    | Focus Groups  | Focus group to present to SVs, conducted by 3rd party & 3rd party analysis of meetings with authorities and focus group results | Monitoring and Evaluation Exp. | 7,998   |
| 1.7          | Evaluator   | Consultant  | Monitoring and Evaluation Exp. | 17,500  |
| 1.2          | Refreshments  | 35/personx40x4  | Meeting Expense                | 1,540   |
| 1.2          | Venue   | Venue rental, 1 day   | Meeting Expense                | 600     |

| Activity No. | Input   | Notes   | Category                 | Expense        |
|--------------|---|---|--------------------------|----------------|
| 1.3          | Stationery/materials  | based on receipts                               | Meeting Expense          | 2,000          |
| 1.3          | Dev. Comm Training Refreshment  | 35/personx216                                   | Training Expense         | 1,260          |
| 1.3          | Speaker.dispute resolution  |   | Training Expense         | 15,000         |
| 1.3          | IW rep Training stipend   | 120/person/day                                  | Training Stipend Expense | 8,640          |
| 1.4          | Printing reports  | based on receipts for past publication 10/ book | Printing Expense         | 500            |
| 1.4          | Folders/cover   | Catalogue rates                                 | Office Expense           | 500            |
| 1.4          | Venue rental 1/2 day  | Quotation                                       | Meeting Expense          | 300            |
| 1.5          | Venue rent- meets with politicians                                    | Quotation                                       | Meeting Expense          | 2,000          |
| 1.5          | Pol, mtgs, refreshm   | Past receipts                                   | Meeting Expense          | 1,820          |
| 1.5          | Meeting materials and reports for meetings with politicians/officials | Printing Quote                                  | Printing Expense         | 42,000         |
| 1.6          | Inf. Audit report deliv.  | Present to SV comm.                             | Meeting Expense          | 2,000          |
| 1.6          | Design poster   | Quote from Graphic Designer                     | Printing Expense         | 3,500          |
| 1.6          | design fact sheet   | Quote from Graphic Designer                     | Printing Expense         | 1,200          |
| 1.6          | Poster print  | x500  | Printing Expense         | 12,500         |
| 1.6          | Fact sheet print  | 2000 x 7  | Printing Expense         | 14,000         |
|              |   |   | <b>Total Outcome 1</b>   | <b>370,308</b> |

| Activity No. | Input                               | Notes  | Category                          | Expense        |
|--------------|-------------------------------------|--|-----------------------------------|----------------|
| 2.1 to 2.6   | Salaries                            |  | Salary Expense                    | 150,892        |
| 2.1          | Data capture                        | 5hrs x 36mos x R90/hr  | Monitoring and Evaluation Exp.    | 16,200         |
| 2.1          | Documentation Equipment             | Camera, re. Quote (6000), measuring equip. (350), GIS mapping (2550), Site specific cases (1020), maintenance & recalib. (2000)                    | Furniture and Equipment           | 11,920         |
| 2.1          | Telecommunications                  | 120/mnth x 2 staff x 36mos   | Telecommunications Expense        | 8,640          |
| 2.1          | Stationary/materials                | Based on Previous year & 1.4 above   | Office Expense                    | 2,500          |
| 2.1          | 3rd party survey)                   | 6 days (per area at inception and completion of Project) x 3 500 per day (for gathering survey data) = 21000 + 2500 towards canvassing SV opinions | Monitoring and Evaluation Expense | 23,500         |
| 2.2.         | Mapping & Draughting supplies       | Paper reams (900), draughting supplies/sundry (1580)   | Office Expense                    | 2,480          |
| 2.2.         | Stationary/office supplies/printing | 3 prints/mos x 36 x R35 each   | Office Expense                    | 3,780          |
| 2.2.         | Drafting Technicians                | 5 sites x 2 iterations x 5 hrs x 300/hr  | Office Expense                    | 15,000         |
| 2.6          | Report design, layout & printing    | Reports for local lws & Int. IW networks (8000 - design/layout), Printing (version 1 3/copy x3000copies; version 2 10/copy x 1000copies - 19000)   | Printing Expense                  | 27,000         |
|              |                                     |  | <b>Total Outcome 2</b>            | <b>261,912</b> |

| Activity No. | Input  | Notes   | Category                          | Expense          |
|--------------|--|---|-----------------------------------|------------------|
| 3.1 to 3.4   | Salaries   |   | Salary Expense                    | 55,636           |
| 3.2          | Training venue for community Reps                | 300 for half day x3                             | Training Expense                  | 900              |
| 3.2          | Refresh for community Rep. training              | 35/person x 15 +30+45                           | Training Expense                  | 3,150            |
| 3.2          | Community Rep training stipend                   | 120/person/day                                  | Training Expense                  | 10,800           |
| 3.2          | Training materials for community reps            | Printing Quote                                  | Printing Expense                  | 1,200            |
| 3.2          | Survey (3rd party)                               | Participant feedback                            | Monitoring and Evaluation Exp.    | 4,991            |
| 3.3          | Branding Activation                              | Quotation                                       | Promotion Expense                 | 15,000           |
| 3.3          | info mat for Community Development Programme     | Monthly 11x3x3 copyx 6000 copies @ 3/copy       | Promotion Expense                 | 595,000          |
| 3.3          | SMS for Community Development Programme          | Av. 3500/mos x 33 months x750                   | Telecommunication Expense         | 24,750           |
| 3.4          | Comm. Dev. Ongoing workshop Materials            | 5/per x 1000/yr x 3 yrs                         | Printing Expense                  | 15,000           |
| 3.5          | 3rd party survey (with 3.2 above) of officials   |   | Monitoring and Evaluation Exp.    | 2,495            |
| 3.4          | Community Development Portable meeting structure | Quote 899 + branding 1500 x 2 tents for 3 areas | Furniture and Equipment           | 14,400           |
|              |  |   | <b>Total Outcome 3</b>            | <b>743,322</b>   |
|              |  |   | <b>Total Outcomes 1 through 3</b> | <b>1,375,542</b> |





**About WIEGO:** Women in Informal Employment: Globalizing and Organizing is a global research-policy-action network that seeks to improve the status of the working poor, especially women, in the informal economy. WIEGO builds alliances with, and draws its membership from, three constituencies: membership-based organizations of informal workers, researchers and statisticians working on the informal economy, and professionals from development agencies interested in the informal economy. WIEGO pursues its objectives by helping to build and strengthen networks of informal worker organizations; undertaking policy analysis, statistical research and data analysis on the informal economy; providing policy advice and convening policy dialogues on the informal economy; and documenting and disseminating good practice in support of the informal workforce. For more information see [www.wiego.org](http://www.wiego.org).



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