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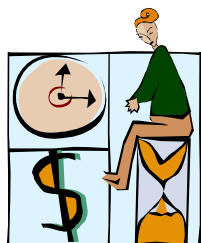
BUDGET ESTIMATION AND COST ALLOCATION

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The actual writing of a budget, including cost allocations, is in fact the last step in a series of steps that need to be taken to make the cost allocation itself coherent and realizable.

Before we are able to construct a budget and to allocate costs, we first need to ensure that the project for which the budget is to be constructed **stems out of need/demand and is realizable**.

The very first step towards ensuring that the project itself is meaningful comes from observation and the initial identification of need. This step should be followed by a **needs assessment**. The needs assessment must investigate need, preferably by asking the beneficiaries themselves, and combining their views with expert views as well. The needs assessment should also investigate the beneficiaries' awareness of need versus demand, as well as infrastructural, human resource, and managerial requirements to set the stage for a project's success.

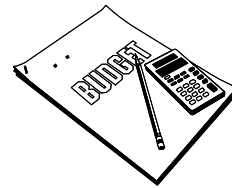


Based on the information obtained from having completed the above steps, one can then construct a project idea, framework and plan. This should include:

1. A clear **definition of the aims and objectives** of the project. The specifics here will define the nature, type and level of staffing needed, as well as other items crucial for the construction of an adequate budget.
2. Turning the objectives into a **plan of action** with full details. Such details need to include:

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- a. **Identifying the steps** that need to be taken in order to achieve the objectives.
 - b. Setting up of a **timetable** for operationalization. Usually, such a timetable includes different **phases**. The phases usually include: initial ground work, training and or upgrading human resources, piloting, implementing, monitoring, evaluating, and then, if possible or desired, scaling up. Scaling up means the expansion of the project to include other sectors, other areas or other needs as well.
 - c. Identifying the type, nature, and level of **human resources, technical, managerial and supervisory**, required to implement each of the steps. We have noted that in this country, the managerial and supervisory needs are often omitted.
 - d. Identifying infrastructural needs.
 - e. Identifying other operational needs.
 - f. Identifying other needs, for instance, advocacy needs.
3. Once the plan is set along the basic lines described above, one is able to construct a budget for the project and initially allocate costs. It should be stated here that in Palestine, budget and cost allocation requires a good amount of flexibility, as political and other impediments more often than not require adjustments in budget and cost allocations because of ongoing exceptional circumstances.
 4. Usually, budgets include the following items:
 - **Infrastructural costs:** this can include of range of one-time costs, such as building, repair and rehabilitation of buildings, buying equipment, computers, vehicles and other capital costs.
 - **Other one time costs:** such as initial human resource development- training, scholarships, travel etc. This item could also include costs such as initial curricula development, if the project is a training one; setting up a website; initial set up of local committees costs etc.
 - **Operating costs:** these are costs that are ongoing, and must be included in the budget on a monthly or yearly basis, depending on the time required to complete the project.
- a. **Human Resources Costs:** This part pertains to the monthly or periodic allotments for the human resources that will operate the



project. Those can be divided into technical human resources, and supervisory and managerial ones. Those can include:

Regular salaries: It is of the utmost importance to calculate salary costs in ways that can include the benefits they receive from working with an institution. Usually, we calculate the salary per year to be equivalent to 14 months actual pay. This is because, by law, institutions must compensate employees with one month's salary for each year the employee worked for the institution. Other hidden costs include holiday pay – if you have to replace the employee during this period, health insurance, and provident fund. Together, they generally come up to around 14 months.

Honoraria for consultants: for consultants, given that they have a more limited role in the project, and the assumption here is that these consultants will not be working with the project on a regular monthly basis, but in specific periods only, and that they are contracted on a fee for service basis, payment is budgeted in terms of hourly, daily or up to one month's pay. The usual fee for a consultant for one days work ranges between 100-400 USD daily, depending on the nature of work, market conditions and availability of human resources. For teaching, you need to factor in materials preparation: For each 50 minutes of presentation, there is generally about 2 hours of work in preparation.



- b. ***Other ongoing costs.*** Ongoing costs are costs that are expended on a regular or semi regular basis throughout the duration of the project. This can include medications purchase, stationery, photocopying and maintenance, transport, and other such regularly expended items.
- c. Depending on the project, we can include separately ***ongoing library purchase costs***, including the purchase of books, periodicals and CD Rom bibliographic searches, and email and networking costs.
- d. ***Field work costs:*** if the project entails much field work, added costs could be placed here, such as transportation, vehicle operating costs, temporary employment costs – for instance, for field workers, monitoring costs, such as obtaining information from records in the field, coding on computer, and analyzing the information in order to monitor and evaluate at later stages.

- e. **Printing and communications:** this can include printing educational material, training material, and reports of all sorts. Communications should include telephone, fax and email costs.
- f. **Rent and Utilities** (electricity, water, heating fuel etc.) For each project, one must assess the average utilization of space and utilities in relation to the total spent on these items by the institution, and then include them in each and every budget.
- g. **Evaluation costs:** it is well worth the while to include a special allotment of money for evaluation, to be conducted at the end of the project. Usually, this item includes: Honoraria for consultant evaluator, other costs of human resources participating in the evaluation, analysis and writing costs and finally, costs for the printing of the evaluation report.
- h. **Miscellaneous and unforeseen costs:** this item is the emergency item so important in Palestine. We usually place this at around 10% of the total cost of the project.
- i. **Management costs:** those range between 10% and up to 40% of the costs of operating the project. Management costs include accounting, auditing, operation of premises, secretarial assistance, utilization of laboratory, including computer laboratory services, as well as overall institutional supervision.

