Budgeting and Forecasting

Capacity Strengthening Workshop for Civil Society Organizations'

Kisumu, Kenya

September 26, 2025

Budgeting and Forecasting

- Session objectives
- Introduction to budgeting
- Budget development process
- Exercise
- Introduction to forecasting
- Common challenges

coregroup | SGSI
SMALL GRANTS FOR SCALED IMPACT

Session objectives

- Understand the concept and importance of budgeting
- Explore different types of budgets and their applications
- Learn the steps in the budget development process
- Apply budgeting principles in a practical exercise
- Understand the concept and role of forecasting
- Identify common challenges in budgeting and forecasting

coregroup | SGSI
SMALL GRANTS FOR SCALED IMPACT

Introduction to budgeting

What is budgeting?

- The process of creating a financial plan that estimates income and expenses over a specific period. This plan helps organizations allocate resources, anticipate financial needs, and ensure funds are used effectively.

Why is it important?

- Ensures financial sustainability
- Aligns spending with strategic goals
- Promotes transparency and accountability
- Helps avoid overspending and financial shortfalls

Introduction to budgeting (cont'd)

Types of budgets

- Operational budgets
- Project budgets
- Cash flow budgets
- Capital budgets



"You can sum up this year's budget with one word."

coregroup | SGSI
SMALL GRANTS FOR SCALED IMPACT

Introduction to budgeting (cont'd)

Budgeting plays a central role in financial planning and management by:

- **Allocating Resources**: Ensures funds are directed to priority areas.
- **Controlling Finances**: Tracks income and expenses to prevent overspending.
- **Setting Goals**: Supports strategic and operational planning.
- **Evaluating Performance**: Compares actual results with planned figures.
- **Supporting Decisions**: Provides data for informed financial choices.



coregroup | SGSI
SMALL GRANTS FOR SCALED IMPACT

Introduction to budgeting (cont'd)

Budgeting principles:

- Transparency and accountability
- Realism and accuracy
- Alignment with strategic goals
- Participatory budgeting



coregroup | SGSI
SMALL GRANTS FOR SCALED IMPACT

Budget development process

- Identifying income and expenses
- Engaging stakeholders
- Drafting and reviewing the budget
- Approval and implementation



coregroup | SGSI
SMALL GRANTS FOR SCALED IMPACT

Budget development process (cont'd)

Categorize Expenses

- Direct costs: E.g., salaries, project materials, travel expenses.
- Indirect costs: E.g., general and administrative expenses, office rent, utilities.

Estimate Costs Accurately

- Conduct thorough research to estimate costs accurately. This includes historical data analysis and market research to ensure realistic projections

coregroup | SGSI
SMALL GRANTS FOR SCALED IMPACT

Budget development process (cont'd)

Project Budgeting

- Back-of-the-envelope exercise.
    1. Define the Project Scope
    2. Identify Major Cost Categories
    3. Estimate Costs
    4. Add Contingency
    5. Summarize the Budget
- We will look at an example shortly.



coregroup | SGSI
SMALL GRANTS FOR SCALED IMPACT

Budget development process (cont'd)

Example back-of-the envelope exercise

1. Define the Project Scope: Provide health education and basic medical services to a rural community.
2. Identify Major Cost Categories:
   - Personnel Costs: 2 health educators, 1 project manager, 1 nurse.
   - Direct Costs: Educational materials, medical supplies, travel expenses.
   - Indirect Costs: Office rent, utilities, administrative support.
3. Estimate Costs:
   - Salaries:
     - Health educators: 2 x $1,500/month x 6 months = $18,000
     - Project manager: 1 x $2,000/month x 6 months = $12,000
     - Nurse: 1 x $1,800/month x 6 months = $10,800
   - Fringe benefits: 25%
   - Materials: $5,000
   - Medical Supplies: $7,000
   - Travel: $3,000
   - Indirect Costs: 10% of total direct costs
4. Summarize the Budget: TDC = $66,000. IDC = $6,600. Total costs = $72,600

Exercise

- Back-of-the-envelope exercise.
- Please take the shared Word file with the information, and the Excel template to fill out the budget.
- You have 20 minutes

coregroup | SGSI
SMALL GRANTS FOR SCALED IMPACT

Introduction to forecasting

Forecasting is the process of estimating future financial outcomes—such as income, expenses, and cash flow—based on historical data, trends, and assumptions. It helps organizations anticipate financial needs and make informed decisions.



coregroup | SGSI
SMALL GRANTS FOR SCALED IMPACT

Introduction to forecasting (cont'd)

Role of Forecasting in Financial Planning and Management

- **Complements budgeting** by updating financial expectations over time.
- **Guides resource allocation** based on projected availability.
- **Informs strategic decisions** such as scaling programs or adjusting spending.
- **Identifies financial risks** early, allowing for mitigation strategies.
- **Supports cash flow management** by predicting timing of income and expenses.

coregroup | SGSI
SMALL GRANTS FOR SCALED IMPACT

Common challenges

- Unpredictable funding
- Limited financial expertise
- Data availability and accuracy
- Changing program priorities

coregroup | SGSI
SMALL GRANTS FOR SCALED IMPACT

Any questions?



coregroup | SGSI
SMALL GRANTS FOR SCALED IMPACT