

## How to: make a budget

### The need of a good budget

For any project, financing is essential. In order to get people to invest in your project, it is important to inform them on the expected expenses. The more insight a potential partner has in the finances and expenses, the more likely he will cooperate with you.

### Direct vs. indirect costs

First of all, it is important to distinguish 2 different types of costs in relation to your project. Indirect costs are costs that help support the project but are not directly linked to the project itself. An example of this is renting a building, electricity bills, phone bills, etc. Direct costs are costs directly related to the project. An example of this is materials needed to provide a leadership course.

### Areas to consider

In predicting the financial side of your project, it is important to distinguish between different areas. The more detailed and clearer a budget is, the better. This way, any outside party (e.g. a partner) knows where the money goes to. Additionally, by dividing the cash flows beforehand, it is easier to analyse in which areas you went either over or under budget during the evaluation phase. Determining this can help you in risk management for the coming term. What would you do differently next time.

Areas to consider/distinguish between:

1. **Direct labour costs** – this concerns any personnel needed for operation of your project.
2. **Material costs** - this may include any stationary, course material, etc.
3. **Travel costs** – consider all parties involved in your project
4. **Administrative costs** - this concerns any legalities that come with your project. Are there any governmental costs incurred?

Consider per item the following things:

Budget Item	Unit of Measurement	Quantity required	Cost per unit	Total cost	Client contribution	Own contribution
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### Contingency

One of the most important things in making a budget is including a contingency. This is a certain amount of money that represents the uncertainty of the project. This amount can be used in case of project delays, when you underestimated the costs, or in unforeseen situations. The higher the risk or uncertainty of the success of the project, the higher the contingency will be.