

Budget Monitoring

Speaker: When we talk about monitoring it has different meanings at different levels. Suppose a head of Asia of an international agency is sitting and monitoring budgets.

Speaker: He will see what was allocated. Let us say 1 million dollars to support 100 projects. He will see if the funds were there and whether 100 projects were supported in that amount. He will not go into the details of what happened every month in your project. Under the head of the south Asia region, there are various program officers. Each program officer has 10 NGOs to monitor

Speaker: They will see each project broadly, how much has been spent and whether it is in line with the projected budget and the actual spends. Now come down to the chief executive level, the chief functionary of the organization. Here it will go into micro management and he will look into activities being carried out project head-wise. Coming down to the program manager level, he will see what was done and not done each month. Getting down to the grass root level of the supervisor and workers, they will look after the implementation of each activity. Monitoring is a myth in terms of understanding it in one issue; it means different things at different levels. It is essential to understand monitoring in the right context. In our context when we are looking at monitoring, we are looking at micro monitoring as we are looking at the activities planned and what was achieved.

What was the project proposal and the narrative to the proposed budget? What was agreed upon in the grant agreement and MOU? These are restricted grants. In case of unrestricted grants, there is a certain amount of income, which the organization has earned that also should be monitored because institutionally, within the organization a budget has been prepared for its utilization. We need to understand that budget monitoring also includes implementation of planned activities within the said budget as well as their tracking. A monthly budget will help you track spends made on a monthly basis. If you add the actual expenditure to this, it will act as a tracking sheet for the organization to see whether the activity was held or not, how much was spent, etc. The budgetary control comes in the end, where we need to compare the actuals to the budgeted figures and corrective actions need to be taken on deviations, extension of projects, budget revision, etc. One thing to remember here is that actually what will be spent may not be what was exactly planned.

Some donors allow variances, upto 10%-20% within budget heads. Variations between projected and what was spent does not mean that the project failed. Let us now look at budget monitoring, whether the difference is minimal or large. In type 1 - minimal difference, you have by and large achieved your budget target. In type 2, you have overspent or the income has been less and hence this requires corrective steps. These can be taken by reducing expenses, increasing resources to meet expenses or redo the budget. Large variances need to be securitized to see what went wrong while a marginal variance of 5% - 10% is acceptable. It is essential to add notes to the variance report to explain the differences and the action taken.