ACTIVITY BASED BUDGETING

Activity-Based Budgeting (ABB) is a financial management tool that profiles the component costs of project activities against a timeline. By planning activities in this way an ABB can be used to assess:

* when activities will take place and the FCO becomes liable for payment
* whether all component costs of an activity have been considered
* what the total outcome cost of an activity is likely to be
* whether activities are affordable and good value for money

The ABB is also a useful tool for:

* planning and monitoring the financial performance and actual progress of a project
* assessing the impact on a project if adjustments are made to any of the three key project implementation factors (Purpose, Money and Time)

**Please note that an ABB must be provided for each project proposal, attached as a separate annex**

**Examples**

**Example 1:** The following table is not an ABB. It provides little useful information about how the proposed project budget will be spent. There is no breakdown of costs within each Expenditure Category and no timeline to show when costs will be incurred or which particular activity they are assigned to. As such it is not possible to assess the cost of individual activities or whether the budget is realistic, justifiable or value for money.

|  |  |  |
| --- | --- | --- |
| **Expenditure Category** | **Total Cost** |  |
| Personnel | 11075 |  |
| Travel | 9000 |  |
| Accommodation & Subsistence | 6000 |  |
| Capital | 20000 |  |
| Monitoring and Evaluation | 1600 |  |
| Admin/Mgt | 9425 |  |
| Other | 9800 |  |
| **Total** | **66900** |  |

**Example 2:**

The following table is better. Although lacking any time-based considerations it does provide some insights into the component parts of each activity, namely, what they are and how much they will cost. It shows individual and comparative costs for each activity, allowing Project Teams to assess whether funds are being appropriately assigned. It can be used as a stepping stone towards a fully developed ABB.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Activity | **Components** | **Total Cost (£)** | **Sub-Totals (£)** |  | **%age** |
| **Visit to UK by 8 Scientists** | Flights | **£7,200** | **£11,280** |  | **27%** |
| Subsistence | **£1,200** |  |
| Hotels | **£2,880** |  |
| **Develop written recommendations and methodology for local implementation, arising from visit** | Scientists’ Fees | **£12,000** | **£12,400** |  | **30%** |
| Books, materials and printing | **£400** |  |
| **Training on the Recommendations arising from the Visit**  **(4 x half-day training)** | Venue and Catering | **£5,000** | **£5,630** |  | **13%** |
| Trainer’s Fees | **£400** |  |
| Materials | **£230** |  |
| **Follow-up Training – Review Action Plan Implementation**  **(4 x one-day training)** | Venue and Catering | **£4,000** | **£5,030** |  | **12%** |
| Trainer’s Fees | **£800** |  |
| Materials | **£230** |  |
| **Project Management** | Project Manager | **£3,500** | **£4,500** |  | **11%** |
| Secretary | **£1,000** |  |
| **Evaluation** | Local consultant fees | **£2,500** | **£2,850** |  | **7%** |
| Travel costs | **£350** |  |
| **TOTAL** | | **£41,690** | **£41,690** |  | **100%** |

*(Please note: The yellow column on the right hand side of this table shows a breakdown of the sub-totals into percentages of the overall project cost (£41,690). This is not included in the standard FCO form, but it is a useful method for identifying whether activities are providing good or poor value for money.* What we now need to know is when will activities take place (in order to achieve the project outputs and purpose)? The following examples illustrate how these questions can be answered using a simple chart.

Example 3:

Activities can now be assigned a date along a timeline to show when they will occur.

Example 3 identifies blocks of activities against particular months. This can be further broken down to show more detail e.g. more rows can be added under each activity in order to list all key tasks needed to achieve that activity, and more columns can be added to break down months into weeks and even days for tasks and activities that are time critical. The amount of detail shown depends on the timeline and complexity of the project and activities.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Activity | **May** | **June** | **July** | **August** | **September** | **October** |
| **Visit to UK by 8 Scientists** |  |  |  |  |  |  |
| **Develop written recommendations and methodology for local implementation, arising from visit** |  |  |  |  |  |  |
| **Training on the Recommendations arising from the Visit**  **(4 x half-day training)** |  |  |  |  |  |  |
| **Follow-up Training – Review Action Plan Implementation**  **(4 x one-day training)** |  |  |  |  |  |  |
| **Project Management** |  |  |  |  |  |  |
| **Evaluation** |  |  |  |  |  |  |

Figures from Example 2 can now be transferred into Example 3, adding additional rows and columns as necessary.

See **Example 4** below for a complete ABB.

**Example 4: An Activity Based Budget**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Activity | **Details** | April | **May** | **June** | **July** | **August** | **September** | **October** | **November** | **Totals** |
| **Visit to UK by 8 Scientists** | Flights-Economy |  | **£7,200** |  |  |  |  |  |  | **£11,280** |
| Subsistence |  | **£1,200** |  |  |  |  |  |  |
| Hotels |  | **£2,880** |  |  |  |  |  |  |
| **Develop written recommendations and methodology for local implementation, arising from visit** | Scientists’ Fees |  |  | **£12,000** |  |  |  |  |  | **£12,400** |
| Books, mat. & printing |  |  | **£400** |  |  |  |  |  |
| **Training on the Recommendations arising from the Visit (4 x half-day training)** | Venue & Catering |  |  |  | **£5,000** |  |  |  |  | **£5,630** |
| Trainers’ Fees |  |  |  | **£400** |  |  |  |  |
| Materials |  |  |  | **£230** |  |  |  |  |
| **Follow-up Training – Review Action Plan Implementation (4 x one-day training)** | Venue & Catering |  |  |  |  |  | **£4,000** |  |  | **£5,030** |
| Trainers’ Fees |  |  |  |  |  | **£800** |  |  |
| Materials |  |  |  |  |  | **£230** |  |  |
| **Project Management** | Project Manager |  | **£700** | **£700** | **£700** | **£700** | **£700** |  |  | **£4,500** |
| Secretary |  | **£200** | **£200** | **£200** | **£200** | **£200** |  |  |
| **Evaluation** | Local consultants’ fees |  |  |  |  |  |  | **£2,500** |  | **£2,850** |
| Travel costs |  |  |  |  |  |  | **£350** |  |
| Totals | | **£0** | **£12,180** | **£13,300** | **£6,530** | **£900** | **£5,930** | **£2,850** | **£0** | **£41,690** |

This Example provides the minimum level of detail needed for Programme Teams to assess value for money, per activity, for this project.

**Additional Guidance and Information:**

1. Successful bidders will need a non-personal bank account to receive the project funds.
2. Please submit your budget in the currency you operate in:
   1. For implementers who would wish to receive the project funds in RMB, please submit your budget (both in the proposal and in the ABB) in RMB, using the budgeting exchange rate 10.53.
   2. For UK-based implementers who would wish to receive funds in GBP, please submit your budget in GBP.
   3. For implementers whose bank accounts are in other currencies, please contact us for the exchange rate issue.
3. Please note that we pay project funds by reimbursement, pre-payment is not allowed.
4. Under some circumstances, we may ask successful bidders to adjust project plans (activities and/or budgets) during the project cycle.