



British Embassy  
Monrovia

## Activity Based Budgets guidance for bidders

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 when payments will be due
- whether all component costs of an activity (including any applicable taxes) 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.**

**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
	<b>66900</b>

## Example 2: An Activity Based Budget

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

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		
<b>Totals</b>		£0	£12,180	£13,300	£6,530	£900	£5,930	£2,850	£0	£41,690

### When evaluating project proposals, we will use your Activity Based Budget to:

Assess the quality of project planning, e.g. (list not exhaustive):

- Has the implementer included the right range of activities that will achieve the project Outputs?
- Does the timeline meet overall project and programme schedule requirements? Is it realistic and achievable?
- Has the implementer considered the 3 key project management factors of Purpose, Money and Time?

Evaluate the costs of activities, linking value with the Project Outputs and Purpose and the wider strategic objectives of the International Programme:

- Have the activities been properly costed?
- Are they necessary to achieve the Outputs and Purpose?

- Are they good value for money?

Identify waste and poor value in budgets, and respond to it:

- Are component costs realistic? Have any costs been duplicated or inflated?
- Are any component costs unnecessary?
- Might there be opportunities to reduce costs through synergies with other activities?

Profile the timing and value of project spend:

- Is the payment schedule correct / realistic?
- When will payments be made?
- When and how much funding is required to make those payments?

Identify activity workload and any pressure points:

- Is the implementer being under/over ambitious with its proposed range/timing of activities?
- Does the implementer have enough / the right resources to deliver the activities?
- Should activities be scheduled differently to e.g. avoid overload and work within an implementers available resources?

Correctly receipt activity:

- Following FCDO Resource Accounting principles

**For successful bids, we will also use your Activity Based Budget as a project management tool:**

The ABB can be used to:

- Assess actual progress of a project against the forecast time line and costs;
- Set milestones, identify project-critical events (i.e. those events that are essential for a project to proceed to the next stage) and agree key dates with an implementer and the Programme Team for reviewing progress and submitting reports;
- Highlight risks (allowing for early mitigation of those risks), as well as possibly indicate potential fraud;
- Help clarify the range and level of interest of project stakeholders;
- Manage and assess a project against the three key factors of Purpose, Money and Time, including early indications of over / under spends (to aid decisions about requesting additional funds or returning unused funds).