

# Preparing the Annual Work Plan and Budget - Basic principles and detailed explanations -

## A. Basic principles

**(1) Three tools in one:** In an attempt to simplify reporting requirements for project staff, a single table will now be used for the preparation of the AWP&B, the preparation of the Annual Progress Reports and reporting on RIMS indicators:

- **At the beginning of the year:** Part I (narratives) and II (Summary and Detailed AWP&B Tables + Table by Budget Category) are prepared and sent to IFAD and CI for approval. In both AWP&B Tables, the “Achievements” Columns are left blank. At this stage, the AWP&B Table is used as a **planning tool**.
- **During the year:** The detailed AWP&B is used as a “management dashboard” to assess implementation progress at regular intervals by comparing achievements with plans. During the year, the AWP&B Table is thus used as a **monitoring tool**.
- **At the end of the year:** The “Achievements” columns of the AWP&B Tables are filled and the completed Tables are the basis for reporting on annual progress. Since the AWP&B Tables also include a Column for RIMS Indicators, separate reporting on RIMS indicators is no longer necessary. At this stage, the AWP&B Table is hence used as a **reporting tool**.

**(2) Stronger focus on expected results and physical targets:** In the past, most AWP&B submitted to the Cooperating Institution and IFAD for approval were most entirely focused on budgetary aspects. As a result, it would be difficult to understand the exact nature and scope of proposed activities, and even more importantly, of the nature of the benefits that may eventually accrue to targeted beneficiaries. In other words, the links between proposed budget requirements, planned activities, expected results and expected benefits were mostly unclear. With the revised template the focus is deliberately placed on the definition of quantitative targets in link with concrete expected results, while the inclusion of project indicators allows for a better scrutiny of project’s outcomes and/or impact.

**(3) The AWP&B as a more effective management tool:** The revised template is expected to reinforce the value of the AWP&B as an effective project management tool (as opposed to a document that is prepared for the sole purpose of budget approval). Hence the revised AWP&B will hopefully:

- Provide Project Directors/Coordinators with a formal framework for deciding which outputs will be produced over the next 12 months, which activities will be conducted, which staff will carry them out, and the time frame and financial resources for completing them. During project implementation, the AWP&B should also remain the main reference for monitoring progress against set targets.
- Provide the Cooperating Institution and IFAD with a more solid basis to approve AWP&B submissions; that is a clearer understanding of what the project is planning to achieve in any given year, how it plans to achieve it and at what cost.

**(4) The project Logframe at the core of the annual planning process:** In the past the project Cost Tables included in the project Appraisal Report were used as the main reference for the preparation of AWP&B. With the new template, it is now suggested that the project Logframe be the main reference for the annual work and budget planning exercise. In other words, the principal driver for the preparation of the AWP&B should be the question “*In pursue of the project overall goal and purpose, what can we achieve this year and how much money would we need to achieve this?*” as opposed to the question “*How much money did the project designers think that we should be spending this year on which activities?*” The fact that the project Logframe is now proposed to be at the centre of the AWP&B – and of subsequent Annual Progress Reports – will also greatly facilitate monitoring project progress towards achieving its overall goal and purpose.

## B. A step-by-step approach for preparing the AWP&B

The overall AWP&B template is composed of two parts:

- Part I (Word document) briefly presents some useful background information on some of the dimensions that may have influenced the annual planning exercise, as well as some information on the target group expected to be reached. This Part also presents the project’s implementation support needs, so that IFAD and the Cooperating Institution can plan implementation support missions.
- Part II (Excel document) presents the *Summary AWP&B Table*, the *Detailed AWP&B Table* and the *Summary Costs Table by Budget Category*.

**Some useful tips:**

➔ **“Plan well in advance”:** Depending on the specific project context, preparing the Detailed AWP&B Table may be a time-consuming exercise. For example, in highly decentralized contexts where planning is a bottom-up process (e.g. starting with the preparation of Community Development Plans), the planning exercise will have to follow a well defined process and start early enough so that the deadline for AWP&B submission can be met. Still, the difficulty for the Project Directors will be to reconcile various AWP&B from various levels/implementing agents.

In other contexts where budget planning is a top-down exercise (e.g. the Ministry of Finance notifies the project of the total annual allocation that will be made available during the next fiscal year), the difficulty will be to accommodate a pre-determined budget envelop with field requirements, which will sometimes require having to “negotiate” in advance with the Ministry of Finance an increase in the budget envelop or a re-allocation of funds from one Budget Category to another.

➔ **“Know where you’re going”:** Another frequent difficulty with which Project Directors will be faced during the project planning exercise relates to the fact that project Logframes are often poorly defined. For example, Component Purposes may be missing, “real” outputs may not be properly defined, targets may not be identified or existing targets may not be realistic, etc. Therefore, a pre-requisite for sound annual planning will be to redefine or clarify the overall project results’ framework. An old English maxim says: “*if you don’t know where you’re going, any road will take you there*”. This is what needs to be avoided by all means by Project Directors: there needs to be full clarity on the project objectives and expected results, so that the best road may be taken.

➔ **“Know where you’re coming from”:** A last “pre-requisite” for sound annual planning is also the need to reflect on past year’s performance and achievements, or lack thereof. Therefore the preparation of the AWP&B for Year 3 should ideally follow the preparation of the Annual Progress Report on Year 2.

In all cases, the annual planning exercise should involved all project staff and strategic project stakeholders so that the AWP&B is realistic, well understood and “owned” by all.

**Step 1 – Preparing the Detailed AWP&B Table**

The Detailed AWP&B Table has been designed so that it may be a useful management tool for Project Directors, the Cooperating Institutions and IFAD. Although it is not a mandatory requirement (unlike the Summary AWP&B Table) it would be useful if annexed to the main AWP&B submission.

Following are some directions for filling up the table:

Column #	Directions for filling up the Detailed AWP&B Table
(A)	<p><u>Before Mid Term:</u> This column details the Outputs that are expected to be produced over the next 12 months, together with the related Activities that will need to be implemented for these Outputs to be produced.</p> <p><u>After Mid Term:</u> In addition to listing the Outputs that are expected to be produced over the next 12 months together with the related Activities, this column should also include the various Component Purposes so that corresponding indicators may start to be reported upon [See Notes (B) and (C) below]</p>
(B)	<p><u>Before Mid Term:</u> This column lists the Project Indicator(s) related to the Outputs in Column (A), as identified in the project Logframe or M&amp;E Plan. Occasionally, Project Indicator(s) may also relate to the Activity Level. For each element in Column (A), there can be more than one indicators listed in Column (B): when this is the</p>

Column #	Directions for filling up the Detailed AWP&B Table
	<p>case, a new line will be added for each indicator (so that each indicator is described in a distinct Cell).</p> <p><u>After Mid Term:</u> As an incentive for Project Management to start thinking in terms of outcomes and impact (rather than solely in terms of outputs and activities), this column will also list the Project Indicators associated with the Component Purposes.</p>
(C)	<p><u>Before Mid Term:</u> This column lists the RIMS Indicator(s) related to the Project Indicator(s) identified in Column (B) or the Outputs identified in Column (A). There can (and probably should) be more than one Project Indicators for each RIMS Indicator.</p> <p><u>After Mid Term:</u> As an incentive for Project Management to start thinking in terms of outcomes and impact, this column will also list the RIMS Indicators associated with the Component Purposes. At this Level, the RIMS Indicators will most be probably be drawn from the list of "Second-level" RIMS Indicators. Again, there could be more that one Project Indicators associated with any given RIMS Indicator.</p>
(D)	<p>These four columns apply only for the Activity Level. Depending on the calendar quarter in which a given activity is planned (Quarter 1, 2, 3 or 4) an X is added in the relevant Cell.</p>
(E)	<p>This column applies only for the Activity Level. It identifies the Unit, Implementing Agency or staff which/whom will be responsible for the implementation of the related activity identified in Column (A). When specific activities are being implemented by service providers (such as NGOs), this column can be used as a tool to manage these contracts.</p>
(F)	<p>In this column and for each Output identified in Column (A), the overall target that the project is supposed to reach at the end of the implementation period (as identified in the Appraisal Report) should be mentioned. When no overall targets have been defined in the Appraisal Reports and subsequent Logframes, the mention "NT"* should be made.</p> <p>*No Target</p>
(F.a)	<p>This column identifies the revised target for the total project duration that may have been identified in the course of project implementation, or following a Mid-Term Review. Such a revised target will "supersede" the appraisal target initially identified in Column F and will therefore become the reference against which overall progress will be assessed at the time of project completion. For sake of clarity and transparency, however, the project should continue to include the Appraisal target in column (F), even when this initial target has been revised.</p>
(G)	<p>This column identifies the annual target that the Project plans to achieve over the next 12 months in relation with either the Output identified in Column (A) or the Indicators identified in Columns (B) and/or (C). Sometimes, but more rarely, the annual target may also relate to an Activity identified in Column (A).</p>
(Ga)	<p>This column identifies the unit cost that may have been defined in the Appraisal Cost Tables (or initial project budget) in relation with the physical target associated with the Output in Column (A) or the Indicators in Columns (B) and/or (C).</p>
(H)	<p><u>At the beginning of the year:</u> This column should NOT be completed at the beginning of the calendar year: it will be completed <u>at the end</u> of the year as a basis for the preparation of the Annual Progress Report.</p> <p><u>At the end to year:</u> This column identifies the cumulative target that has been achieved since beginning of project implementation in relation with the Outputs or Indicators identified in Columns (A), (B) or (C).</p>
(I)	<p><u>At the beginning of the year:</u> This column should NOT be completed at the beginning of the calendar year.</p> <p><u>At the end to year:</u> This column compares the cumulative target identified in Column (H) with the total (Appraisal) target identified in Column (F). The % herewith obtained is the percentage of total (Appraisal) target achieved since beginning of project implementation.</p>
(J)	<p><u>At the beginning of the year:</u> This column should NOT be completed at the beginning of the calendar year.</p> <p><u>At the end to year:</u> This column identifies the annual target that has been actually achieved.</p>
(K)	<p><u>At the beginning of the year:</u> This column should NOT be completed at the beginning of the calendar year.</p> <p><u>At the end to year:</u> This column compares the actual annual target achieved in Column (J) with the annual target initially planned identified in Column (G). The % herewith obtained is the percentage of planned annual target met.</p>
(L)	<p>This column identifies the total budget that has been identified in the initial Appraisal Report (or Loan Agreement) in relation to the expected Outputs identified in Columns (A).</p> <p><u>Note:</u> Depending on the level of details of the Costs Tables in the Appraisal Report/Loan Agreement, it may be difficult to provide this type of budget information for all the Outputs listed in Column (A). When this is the case, the information on total budget will be linked with the "Component" Level, rather than the "Output"</p>

Column #	Directions for filling up the Detailed AWP&B Table
	Level.
(L.a)	Same as for Column (F.a), but in relation to the revised budget that may have been defined in the course of project implementation or following a Mid-Term Review.
(M)	This column identifies the annual budget that will be necessary to achieve the expected Outputs and their related Targets identified in Columns (A) and (G) respectively.
(N)	This column identifies the Budget Category that will be used to finance each Activity listed in Column (A).  <u>Note:</u> It is suggested that the Activity Level be as detailed/broken down as possible, so that any given specific Activity may be financed from a single Budget Category only. This would for example greatly facilitate the work of project Accountants. If it is not possible, as many Budget Categories as necessary may be added in relation with a single Activity.
(O)	This Column identifies the Financier (source of fund) for each Activity listed in Column (A).  <u>Note:</u> Again, it is suggested that the Activity Level be as detailed/broken down as possible, so that any given Activity may be financed from a single Financier. If it not possible, or when IFAD is expected to finance only a certain percentage of any activity, the percentage of total Activity costs covered by each Financier may be also mentioned in Column (O).  <b><u>Important note:</u> Projects may add as many Financiers columns as they are co-financiers in the project.</b>
(P)	<u>At the beginning of the year:</u> This column should NOT be completed at the beginning of the calendar year: it will be completed <u>at the end</u> of the year as a basis for the preparation of the Annual Progress Report as well as Financial Reports.  <u>At the end to year:</u> This column identifies the cumulative budget that has been spent since beginning of project implementation in relation with the Outputs or Activities identified in Columns (A).
(Q)	<u>At the beginning of the year:</u> This column should NOT be completed at the beginning of the calendar year.  <u>At the end to year:</u> This column compares the cumulative budget spent since beginning of implementation and identified in Column (P) with the overall budget available identified in Column (L). The % herewith obtained is the percentage of overall budget spent so far.
(R)	<u>At the beginning of the year:</u> This column should NOT be completed at the beginning of the calendar year.  <u>At the end to year:</u> This column identifies the <u>annual</u> budget that has been spent in relation with the Outputs or Activities identified in Columns (A).
(S)	<u>At the beginning of the year:</u> This column should NOT be completed at the beginning of the calendar year.  <u>At the end to year:</u> This column compares the annual budget actually spent identified in Column (R) with the annual budget initially planned identified in Column (M). The % herewith obtained is the percentage of planned budget spent.

### Step 2: Preparing the Summary AWP&B Table

The value of the Summary AWP&B Table is that it will be much shorter than the Detailed AWP&B Table and therefore less complex to read and comprehend. It will be thus an easier reference for all project partners (e.g. during supervision missions).

The Summary AWP&B Table is easily prepared by:

- Deleting the “Activity” Level in the Detailed AWP&B Table so that only the “Output” Level (and above) is left; and
- Deleting the above Columns (D), (E), (N) and (O) in the Detailed AWP&B Table.

### Step 3: Preparing the Summary Costs Table by Budget Category

The Costs Tables identified in the project Appraisal Report or in the Loan Agreement represent the agreed-upon budgetary framework within which agreed upon project activities may be financed. Whether IFAD and the

Borrower may agree to re-allocate up to 30% of any initial budget line to another (provided that ample justification is provided) above this threshold, a Loan Amendment will have to be prepared.

For each budget category, monitoring expenditures against available budget is therefore crucial and this is the reason why the Summary Costs Table by Budget Category is an important financial management tool for Project Directors. (This is also the reason why a “Budget Category” Column has been added in the AWP&B Table).

On IFAD and the Borrower’s side the summary presentation, for each Budget Category, of the initial budget available, the budget spent so far and the annual budget requested will greatly encourage them to approve the proposed AWP&B with due diligence.

If a comprehensive, detailed AWP&B Table has been properly prepared and if the Activity Level in this Table has been broken down to the extent possible, preparing the Summary Costs Table should be easy. This how it may be done:

Column #	Directions for filling up the Summary Costs Table by Budget Category
(A)	Use the exact information contained in the <i>Summary Costs Tables by Budget Category</i> of the Appraisal Report or Loan Agreement to complete the Column.
(B)	Use the information contained in past year Financial Report to complete the Column.
(C)	In the Detailed AWP&B Table, and for each Budget Category, use Column (N) to identify the proposed expenditures in Column (M) and add up the latter.

#### Step 4: Preparing the AWP&B narratives

The last step is the preparation of the AWP&B narratives. The intention is not to have lengthy descriptions of the various dimensions that will impact on the annual planning exercise, as suggested in the template. In fact, the shorter, the better!

The important thing to remember is that the AWP&B narratives first and foremost aim at providing the Government, IFAD and the Cooperating Institution with some assurance that the decision-making process during the planning exercise was informed by a sound analysis of the project’s external context. *For example, if an important change in the policy framework is expected to take place during the next calendar year (e.g. enactment of a new policy on agricultural subsidies to protect small-scale farmers), some new specific project activities may have to be planned (e.g. organization of sensitization campaigns so that small-scale farmers in the project target area may take advantage of this new policy).*

The second important objective of the AWP&B narratives is to draw the attention of the Government, IFAD and/or the Cooperating Institution on some of the specific challenges that Project Directors are anticipating to face, so that the necessary mitigating measures may be taken in advance (which will hopefully prevent problems from occurring). *For example, if the Project Director is anticipating major delays in the procurement process based on previous years’ experience, drawing the attention of both the Government and the Cooperating Institution on that issue may hopefully result in a smoother/faster procurement process.*

Providing the Government and IFAD with a written rationale for some of the proposed variations suggested in the AWP&B -as compared to the initial Appraisal Report- may also facilitate the approval of these changes. *For example, if the Government and IFAD are informed that there were major changes in unit costs since project design, it will be easier for them to approve a request for an increase in some initial budget lines. Another example would be if Project Directors would want to adopt a new implementation strategy (e.g. using service providers for the implementation of a specific component as opposed to implementing it directly as initially planned by project designers): as this may have budget implications, a full rationale for the new approach would greatly help IFAD or the Government approve it.*

Lastly, the section on “Implementation support needs” aims at providing a more systematic basis for Project Directors to inform IFAD and the Cooperating Institution on any capacity gaps that they would like to see solved.