



GUIDELINES

FOR PREPARATION OF
ANNUAL WORK PLANS & BUDGETS
AND PROGRESS REPORTS

International Fund for Agricultural Development
Eastern and Southern Africa Division

April 2005

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APPENDIX B. SAMPLE ANNUAL REPORT

ABBREVIATIONS & ACRONYMS

AIDS	Acquired Immune Deficiency Syndrome
AIE	Authority to Incur Expenditure
AWPB	Annual Work Plan and Budget
BEF	Belgian Franc
BSF	Belgian Survival Fund
CI	Cooperating Institution
CKDAP	Central Kenya Dry Area Smallholder and Community Services Project
GOK	Government of the Republic of Kenya
HIV	Human Immune-deficiency Virus
ICB	International Competitive Bidding
IFAD	International Fund for Agricultural Development
KSH	Kenya Shilling
LS	Local Shopping
M&E	Monitoring and Evaluation
MOV	Means of Verification
NGO	Non Governmental Organization
OVI	Objectively Verifiable Indicator
PMU	Project Management Unit
PRA	Participatory Rural Appraisal
PY	Project Year
RIMS	Results and Impact Monitoring System
SDR	Special Drawing Rights
UNOPS	United Nations Office for Project Services
USD	United States Dollars

PREFACE

Projects and programmes assisted by IFAD are the main vehicle for working with member countries towards enabling rural communities and poor people to overcome their poverty. Activity planning, progress monitoring and evaluation of impact are important elements of effective and responsive project/programme management.

The Guidelines for Preparation of Annual Work Plans & Budgets and Progress Reports has been prepared with the aim to enhance programme planning and preparation, as well as progress reporting. The document is meant to provide an initial framework (adjusted according to specific country or programme contexts) for the preparation of Annual Work Plans & Budgets, as well as Progress Reports by programme implementers. It is also intended to serve as a standard guide for IFAD and its Cooperating Institutions, especially the United Nations Office for Project Services, in the exercise of their implementation oversight responsibilities. In effect, the expectation is that the *Guidelines* would save programme implementers and supervisors alike from having to “re-invent” the wheel in search of formats for work planning and progress reporting, while also improving the quality of tangible outputs. It is my hope that you will find the document useful and practical.

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GUIDELINES FOR PREPARATION OF ANNUAL WORK PLANS & BUDGETS AND PROGRESS REPORTS

I. INTRODUCTION

1. This document has been prepared primarily for managers of IFAD-supported projects¹. Managers is used in a broad sense, including Project Coordinators, Monitoring and Evaluation Officers, Financial Controllers, other members of a Project Management Unit² (PMU), and Heads of Departments or Institutions responsible for implementing parts of a project. What people in these positions have in common is managerial responsibility, which includes planning of project activities, control over project resources, monitoring of progress and results, and reporting on all these aspects.

2. The main objective of this document is to assist project managers to carry out two of their most critical duties, which require much attention each year: (a) annual planning and the preparation of an Annual Work Plan and Budget (AWPB); and (b) assessment of implementation performance and the preparation of progress reports.

3. The planning function is critical. During day-to-day implementation, an approved AWPB is the most important document in a project, and the principal guide on what to do and how to use resources. The quality of the annual planning process that leads to an AWPB can greatly influence the quality of implementation and project results. This process should not be a mechanical one that leads to simply doing more of the same activities that were done last year. The appraisal report should not be used as a blueprint, which could lead to simply doing what that document states should be done in a particular year. Instead, what is needed is a creative planning process, which identifies the best way to achieve project objectives and the most efficient way to use project resources from year to year.

4. Performance assessment is equally critical. Project management needs to continuously compare actual implementation progress with what was planned, and actual expenditure with what was budgeted. Progress reports play a central role in this. Implementation in a large project area and by many implementers, means that an elaborate system to collect data is required, which is then compiled in progress reports. These reports should be used by management to identify and solve problems, as well as identify and replicate successes. In addition, progress reports have a strategic management function: they should contain analysis of project performance and changes in the project environment that can then be used during planning for the following year and to modify project approaches and strategies.

5. This document has been prepared to address a felt need among IFAD-supported projects: the need for better and consistent guidance on how to prepare the AWPB and progress reports. The purpose of this document is to provide a common starting point for this, but not to establish a rigid standard, because the different characteristics of different projects and countries, as well as government requirements, call for certain flexibility. The aim is to provide generally acceptable basic standards, that can be expanded on and modified (for example, in accordance with government system) as needed, but that would nevertheless ensure that certain essential information is always included. Two fundamental questions regarding the AWPB and progress reports are addressed: (a) what should be included: the type of information; and (b) how should it be presented: suggestions on the report structure and format.

6. These questions will be addressed in two ways: by providing guidelines and by presenting samples. In Chapter II, the process of preparing an AWPB is discussed. Chapter III deals with AWPB content: what should be included as a minimum. Suggestions on how to present the information are also included. In Chapter IV, the different types of progress reports and their preparation are covered. Chapter V deals with the content and structure of the Annual Report.

¹ "Project" is used to refer to both projects and programmes.

² Almost all projects have some sort of Project Management, Coordination or Facilitation Unit, although their size, composition, and level of autonomy may vary. In this document, they are all referred to as PMU.

7. Guidelines, such as those presented in Chapter III and V, tend to be rather abstract when they suggest what should be done but don't show how it can be done. Therefore, a sample AWPB and a sample Annual Report are presented in Appendix A and Appendix B, using data from the Central Kenya Dry Area Smallholder and Community Services Project (CKDAP). These samples are considered to be in line with basic standards, and can be used as an initial framework for the layout of the AWPB and Annual Report, to be modified and improved to meet the specific characteristics and requirements of a particular project and country. It should be noted that the contents of this document and the samples are not some new invention, but represent current "good practice" based on analysis and discussion of AWPBs and progress reports produced by some 25 projects in the region in recent years.

II. PLANNING

A. Planning Principles

8. Many IFAD-supported projects have several major components and a range of implementing agencies. Activities under each component and by the various implementing agencies should reinforce each other and jointly lead to achieving the objectives of the project. Successful implementation, therefore, will require appropriate strategies and clear annual work plans, which will help to integrate the different activities, and to coordinate the efforts of different implementing agencies. To achieve this, a number of principles should be kept in mind:

- planning is a continuous process that takes place at different levels;
- planning should include a consultative, participatory process involving stakeholders; and
- planning should be objective-oriented, using a Logical Framework Approach.

B. Three Levels of Planning

9. Planning entails more than just preparing an AWPB. Throughout the life of a project, planning should take place at three levels: (a) strategic planning; (b) annual work planning; and (c) short-term activity planning.

10. **Strategic Planning.** An implementation strategy describes the approach that will be followed under the project, including basic principles, typical activities that will be implemented, and milestones that will generally be achieved along the way. For community infrastructure development, for example, basic principles could include: *participatory planning; affordable technologies and low maintenance requirements; community contribution; and community responsibility for operation and maintenance.* Typical activities would include: *regular progress meetings with local project committees and training them.* Milestones would include: *signing an implementation agreement, and formal handing over of completed structures.* A good strategy or logical model is one critical element for a project to succeed (Figure 1).

Figure 1. The need for a good project strategy or logical model (IFAD M&E Guide)

<i>A Successful Project</i>	Good theoretical [logical] model + Good implementation = Leads to project success
<i>Theoretical Failure of a Project</i>	Incorrect theoretical [logical] model + Good implementation = Leads to project failure
<i>Failure in implementation</i>	Good theoretical [logical] model + Failure in implementation = Leads to project failure
<i>Absolute failure</i>	Incorrect/illogical theoretical model + Failure in implementation = Leads to project failure

11. An initial project strategy for each component is normally outlined in the appraisal report. Ideally, project management will increasingly use analysis of the external environment, needs assessment, participatory planning and actual implementation experience to complement the project design. To facilitate this process, a strategic review should take place at least once a year, before planning and budgeting for next year starts. During such a review, actual implementation experience and performance evaluation would be used to decide what works and what does not work, to determine

if the project indeed appears to be heading towards achieving its objectives and whether new directions are needed.

12. Review of the project logic is an important aspect of strategic planning. Do the outputs that the project is producing lead to project outcomes as expected, or is something missing? If necessary, modifications could be made to the project strategy and approaches, which may result in deviation from the appraisal report and modifications to the logical framework.

13. **Annual Planning.** The project design and strategies only provide general guidance. IFAD-supported projects are implemented based on an approved AWPB, and annual planning therefore is the most important planning activity. Annual planning is expected to do four things:

- take local needs and priorities on board;
- review and where needed adjust the project strategy;
- set realistic targets for the year in line with implementation capacity; and
- produce a practical, user-friendly tool, the AWPB, that can direct implementation by multiple implementers and facilitate progress monitoring.

14. The AWPB is more than a guideline. It represents:

- a commitment of project management and implementing agencies to carry out a set of activities, produce specific outputs and achieve certain targets; and
- agreement by government and donors that the planned activities are appropriate in light of the project objectives, and approval to spend the necessary money as specified in the annual budget.

15. Modification of the activities that are described in the original project design can be done if needed, as long as such modifications are in accordance with the project objectives and the loan agreement. Any proposed changes to the original project activities, and amendment of the project strategy and implementation approaches, should be clearly described and justified in the AWPB.

16. **Short-term Activity Planning.** The AWPB will only define project activities that are to be carried out in general terms. It may indicate, for example, that *the primary school in Machele Village will be rehabilitated between March and November 2003*, or that *conservation training for five resource management committees in Sanga District will be carried out during July*. For each of these activities, an overall cost indication will be included. However, the AWPB will not provide details about the number of bags of cement to be bought for school rehabilitation, or how exactly the community will contribute, or who will be contracted as supervisor. Nor will the AWPB indicate which committee members are to be trained, what the venue of the training will be, and what training materials are required. In general, the AWPB does not contain operational details of planned activities.

17. Therefore, work planning does not stop with an annual plan: more is needed to achieve effective project implementation. Each implementing agency should use the approved AWPB as a starting point for detailed activity planning; close supervision and coordination of field activities; and progress review. This would be done during regular planning meetings, typically weekly or monthly, where it is decided exactly what activities need to take place during the coming month, when, where and by whom. Individual work planning should be considered as part of this process, because it allows for realistic planning based on the time a person actually has available for the project.

C. Participatory Planning Process

18. Although it is not strictly part of the annual planning process, needs assessment often takes place during the initial stages of project implementation and will be directly linked to planning. Needs assessment provides information about local social and economic conditions, problems, priorities and possible interventions. These exercises will inform implementing agencies about what is important

under each component for specific geographical areas, and as such will contribute to strategic planning. The findings will also be an important source of information for annual planning.

19. Most projects use some sort of decentralized or bottom-up planning process, starting from the community or beneficiary level, which contributes to the AWPB in varying degrees. This is important, but not easy to do well. The people involved are normally project staff who have had some training in how to facilitate the planning process. Annual planning workshops are commonly used to discuss and harmonize work plans among different implementing agencies.

20. There is scope for improving the quality of these processes. Needs assessment using Participatory Rural Appraisal (PRA), as a way to identify what communities want, should be properly balanced with technical and financial evaluation of proposed problems and solutions. *Dam construction* is a typical first demand by a community in response to *water shortages at the end of a dry season*; but when these shortages are caused by environmental degradation, *micro-catchment rehabilitation* may be more appropriate. There may also be alternative technical solutions that are more cost effective than constructing a dam.

21. PRAs can be time-consuming and costly, also for communities. Care should be taken to avoid excessive repetition of such exercises from year to year. An aspect that requires particular attention is training of facilitators who have the capacity to use participatory methods effectively and make the participatory process a meaningful one.

D. Logical Framework Approach

22. The use of objective-oriented planning or a Logical Framework Approach is not always well integrated in projects. It is common that at the start of annual planning, a project is explained in terms of, for example, having *a certain amount of money to spend in order to distribute a certain number of cattle to farmers* - because that is what the appraisal report says. The discussion then focuses on *who should be given animals and how to select and train the beneficiaries*. In fact, the project is aiming for a certain output, for example: *capacity for land preparation restored to pre-drought levels*. Restocking cattle for animal traction was identified as the means to achieve this output during project design. However, there may be a better solution than distributing cattle to individual farmers, and the discussion during annual planning should focus on how best to achieve that output: *capacity for land preparation restored to pre-drought levels*.

23. Use of a Logical Framework Approach in annual planning can be a good way to avoid a blueprint approach based on an appraisal report. However, in many projects, there is a weak understanding of the project objectives and design among staff and implementing agencies, which leads to mechanical planning, late submission of work plans, and activities that are not clearly linked to objectives. Using the logical framework could improve annual planning, but it is not a very easy tool. Its effective use would require that:

- a limited number of clear, general outputs have been defined under each component or specific objective, and a good output-to-outcome logic has been defined;
- the project logic has been reviewed, understood, revised as needed and accepted by key implementing partners as a good summary of the project design;
- the logical framework is presented in a user-friendly manner, a planning tool that is more easy to use during annual planning than the 4x4 matrix (as shown in Figure 2); and
- project staff have been trained in using a Logical Framework Approach.

24. The most striking feature of a Logical Framework Matrix is its hierarchy of objectives (the first column). Various documents and development agencies use different terminologies, but most commonly used may be the following: an objective is a general term for anything a project tries to achieve, a result is a general term for what is actually achieved. More specific terms for objectives and results at different levels of the Logical Framework are shown in Figure 2.

Figure 2. Logical Framework Matrix and hierarchy of objectives and results

Narrative Summary (hierarchy of objectives)	Objectively Verifiable Indicators	Means of Verification	Assumptions
Trying to contribute to a Goal (overall objective) leads to Impact - a little, or a lot.			
Trying to achieve a Purpose (project development objective) leads to an Outcome .			
Trying to produce an Output leads to Output Delivery - or not.			
Implementing an Activity leads to successful Activity Completion - on time, within budget - or not.			

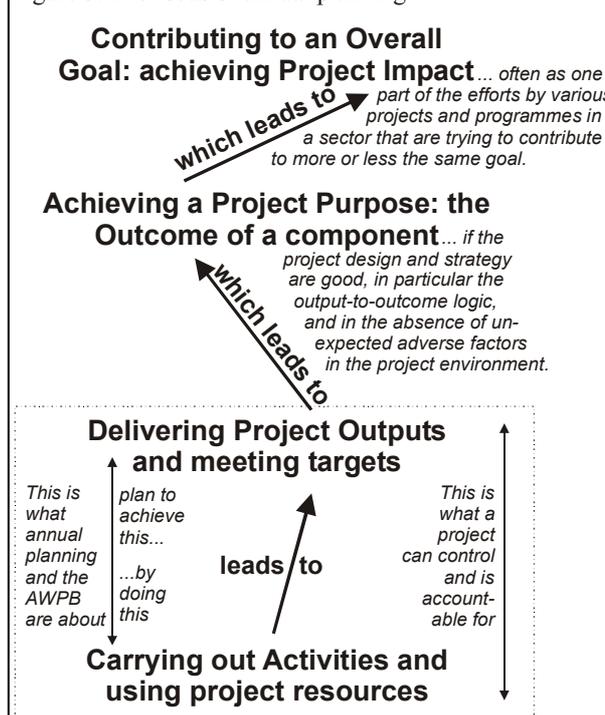
25. Accountability of a project will be primarily at the bottom two levels of the logical framework (Figure 3): to carry out planned activities; deliver the outputs; and use resources efficiently while doing so. The process of preparing the AWPB therefore also concentrates on these two levels of the logical framework, and involves defining: (a) activities to be carried out in order to produce outputs; and (b) resources required to implement activities, including people, facilities, equipment, funds.

26. The hierarchy of objectives provides the link between day-to-day project implementation, for example *conducting a farmer training in fertilizer/manure application under dryland conditions*, and the overall goal of a project, for example *improved food security and nutrition for smallholders in semi-arid areas*.

27. How this works is illustrated below.

- Under an agricultural development component, a project uses funds, equipment and staff (inputs) to *train farmers in fertilizer/manure application under dryland conditions* (activity). This leads to a specific result:
 - *30 farmers in Maji Moto village trained in appropriate fertilizer/manure application under dryland conditions* (after one such training); and
 - *3,560 farmers in the project area trained in appropriate fertilizer/manure application under dryland conditions* (after four years of implementation).
- This particular result at the activity level leads to the project delivering an output: *technical capacity of smallholders to successfully produce dryland crops has increased*. This output may not be due only to the training in appropriate fertilizer/manure application but may also be due to other activities, for example: *introduction of improved varieties of drought tolerant crops*; and *training in soil & water conservation techniques*.
- This particular output, maybe together with another output at the same level (for example: *improved access to farm inputs*), may result in achieving the purpose (objective) of this component and producing an anticipated outcome: *increased crop yields and reduced incidence of crop failure*.

Figure 3. The focus of annual planning



- This Outcome may in turn contribute to achieving an overall goal and achieving impact: *improved food security and nutrition for smallholders in semi-arid areas.*

28. One of the biggest challenges is for projects to plan for delivering outputs: instead of planning for *10 farmer training courses on fertilizer/manure application under dryland conditions in project year 3*, because that is what is stated in an appraisal report, the question is: what is the best way to achieve *increased technical capacity of smallholders to successfully produce dryland crops*? By concentrating on another output, namely *improved access to safe water sources managed by the community*, a certain project changed from *boreholes with handpumps* in the project design to *protected wells with bucket and winch*, because it was concluded during discussions with the community that this was a cheaper yet feasible alternative that allowed more water points to be established, while easier maintenance and fewer problems with availability of spare parts made it a better alternative for community management.

E. Stages in AWPB Preparation

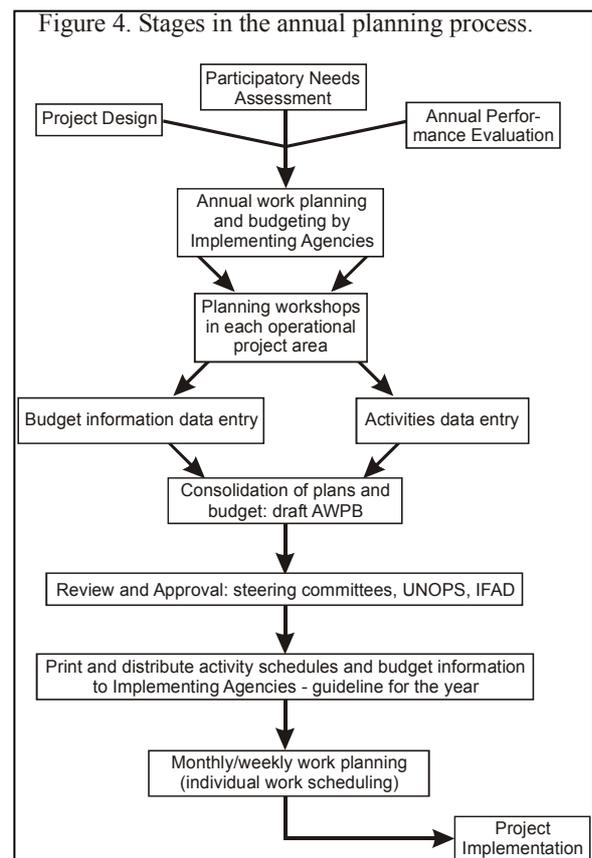
29. The AWPB for the first year of the project will usually be based on the project design and will be prepared by a small team of experienced staff. From project year 2 onwards, the decentralized and participatory planning process should take over (Figure 4). Three important sources of information should be used when implementing agencies prepare their part of an AWPB:

- the project design, which provides the overall framework for project implementation³;
- the findings of needs assessment and participatory planning exercises in the project area; and
- the findings of annual strategic review and performance evaluation⁴.

30. The project design as provided in the appraisal report should not be regarded as a “bible” which could be adjusted/changed only at the time of mid-term review. While the appraisal report is to provide a basis, it is important for project implementers to continue reflecting upon the project environment, as well as implementation experiences, possibly to make adjustments required to operationalise the basic project design and project strategy.

31. **First Stage.** Implementing agencies may first carry out their own planning exercise, define the activities required to produce outputs, and resources required. It is useful to provide implementing agencies with a standard form or forms to assist in activity planning and budgeting at this level.

32. The various implementing agencies should then come together in a local planning workshop to discuss their proposals. This would be the first level where plans are checked in relation to each other, to the project objectives, the design, and the available resources. Synchronization of the activities of different institutions is very important at this stage.



³ The project design and its subsequent adjustments would be referred to in various documents such as: the appraisal report; the logical framework; the Project Implementation Manual; loan and grant agreements, which contain specific conditions that should be met; letter to the borrower; and a mid-term review report.

⁴ Annual performance evaluation can include: review workshops; assessment of changes in the project environment; use of performance questions to evaluate implementation experience and results under each component; analysis of past reports, prepared by implementing agencies, consultants; etc.

33. **Second Stage.** Implementing agencies would then submit their planned activities, together with a summary that explains and justifies the focus for the year, to a central level such as a district or regional office or the PMU. Project management should review the plans and budgets, contact the implementing agencies if there are questions and provide feedback as needed. Usually the data from activity and budget forms that have been submitted would be entered in a computer:

- planned activities are typically entered in tables or in a spreadsheet; and
- budget information is entered in tables, a spreadsheet or separately in an accounting package.

34. During data entry, it is possible to add codes to each activity, which identify the different areas where activities will take place and the institutions that will implement them. Using such codes, activities can then be sorted in different ways, and budget information can be aggregated more easily.

35. **Third Stage.** There is need to consolidate work plans and budget information at a central point – a head office of central ministry or the PMU. While it is possible to do this by sending computer files with planning and budget information for consolidation, it may be useful to use a participatory approach to this process, e.g. organize a stakeholder workshop.

- budget information will be consolidated in the AWPB and will result in budget summary tables; and
- activity schedules will be consolidated in the AWPB and will result in tables with planning information on outputs/activities, including a budget per activity, together with text that summarizes the focus for the year and justifies any proposed deviations from the project design.

36. **Fourth Stage.** The consolidated AWPB is presented to management, one or more steering committees and often the Ministry of Finance for approval. After this, the AWPB will be submitted to the CI (Cooperating Institution) and IFAD for comments and approval. After necessary amendments have been made and approval has been granted at all levels, the AWPB should be printed and distributed. During the year that follows, it becomes the main document that is used constantly by the implementing agencies, as well as by the CI as a basis for supervision.

37. There is often a deadline for submission of budget estimates to government, so that they can be included in the national budget and secure the government contribution to the project. The loan agreement will spell out when a draft consolidated AWPB must be submitted to IFAD and the CI for review and comments. Because annual planning can be an elaborate exercise, it is useful to summarize the different steps and their timing on a planning calendar that is made available to all implementing agencies, to ensure that:

- project requirements will be submitted on time to be included in the national budget;
- the draft AWPB will be submitted to IFAD and the CI on time; and
- all key implementing partners are involved in the planning process.

Figure 5. Example of an annual planning calendar

The project year in this case is from January to December.

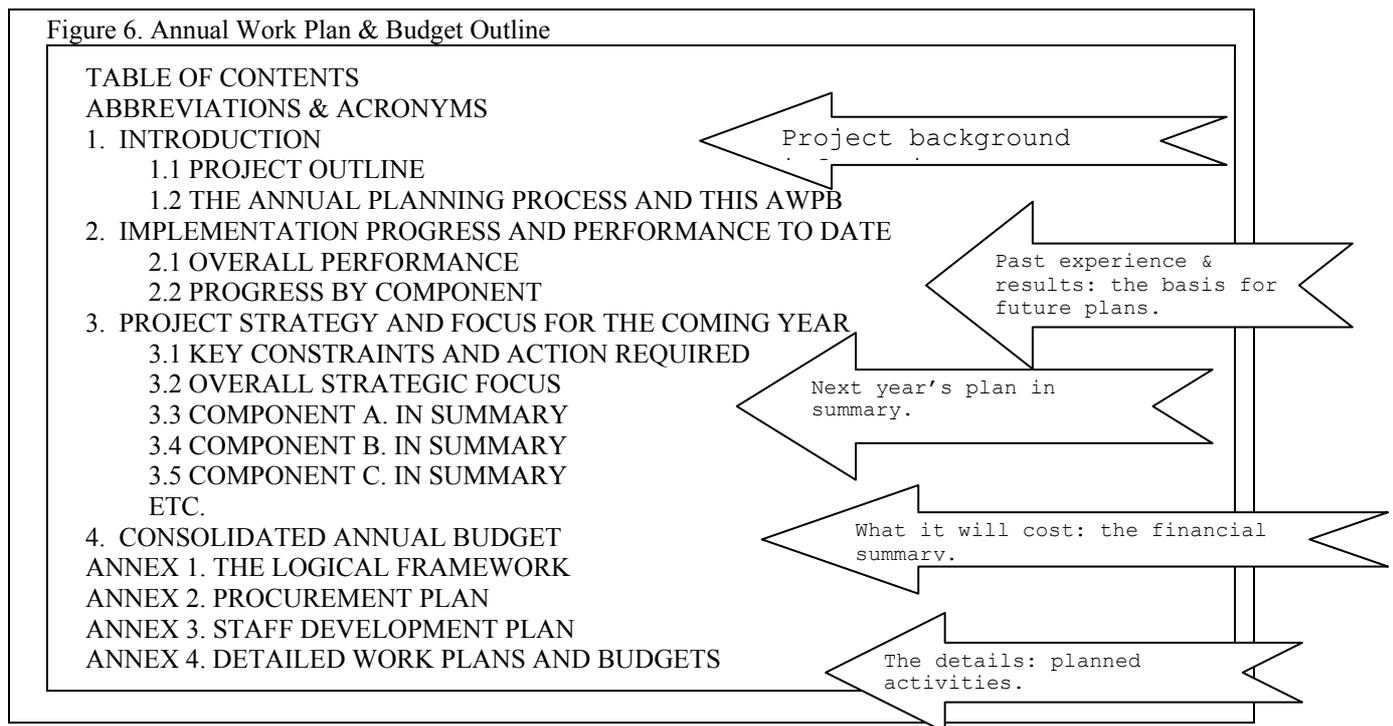
Monthly	Work planning for next month - PMU and Implementing Agencies.
May	Strategic review by project management, modification of project strategy as needed.
	Prepare indicative budget for next year.
June	15 th Project management reviews/approves budget estimates for next year.
	30 th National Steering Committee reviews/approves budget estimates for next year.
July	Implementing Agencies complete detailed activity plans and budgets for next year.
	15 th Local planning workshops to share and synchronize work plans.
	31 st Implementing Agencies submit drafts work plans and budgets to PMU.
	31 st Submit budget estimates for next year to MOF for inclusion in national budget.

August	Local consolidation of plans; data entry of detailed plan and budget information.
	15th Review/approval by any local management units or steering committees of detailed plans and budgets for next year; submit to PMU.
	30th Consolidation of plan and budget information into draft AWPB at national level, including separate disbursement plans for donors and Government.
September	15th Central management and National Steering Committee review/approve draft consolidated AWPB for next year.
October	1st Submit draft AWPB to IFAD and the CI for comments and no objection.
November	1st The CI and IFAD provide comments; automatic approval if none is provided.
December	15th PMU distributes copies of approved AWPB to Government Ministries, IFAD, co-financiers, the CI, and all Implementing Agencies.

III. THE ANNUAL WORK PLAN AND BUDGET

A. AWPB Outline

38. Following a planning process similar to what was discussed in the previous chapter, bits and pieces of planning information will eventually reach the PMU, where they are combined in one overall AWPB for the project. What should be included in such an AWPB, as a minimum? This question is now addressed using the Table of Contents shown in Figure 6: each of the headings will be briefly discussed.



39. This Table of Contents is derived from the sample AWPB in Appendix A, and this chapter functions as a commentary on that sample AWPB. It is recommended to look at Appendix A while reading the description for the various elements below, to see what the different sections look like in practice.

THE COVER

40. The cover of an AWPB can function as a basic fact sheet, mentioning among other things:

- the country;
- the official name and acronym of the project;

- the financiers and cooperating institution;
- the version or status of the AWPB (draft, revised draft, approved);
- the year for which the plan is made; and
- the date the document was produced.

41. Once a good cover has been designed, it can be used both for the AWPB and the Annual Report, and the information can simply be updated. Because AWPBs may be used in future for reference and comparison, it is important to clearly mention for what year (e.g. calendar year 2003 or financial year 2003/04) and what project year (e.g. Project Year 3) the AWPB is.

42. Should an Executive Summary be included in the AWPB? This is certainly an option, but it is not a requirement for two reasons: an AWPB is usually not so lengthy and complicated that it needs an Executive Summary; and it is actually quite difficult to write a good Executive Summary, while a poor one does not serve much purpose.

TABLE OF CONTENTS

43. A table of contents should be created: one or two levels of headings are recommended. Most projects provide a table of contents, but some clearly struggle to do so manually, with the obvious danger of getting page numbers and headings wrong. Try to ensure that computer training includes how to automatically create a table of contents using headings. Once that has been set up properly, it can be used every year.

ABBREVIATIONS & ACRONYMS

44. It is annoying for a reader to encounter unknown abbreviations in a text that are not explained. Include a list of acronyms and abbreviations at the beginning of the document to avoid this problem. Keep the use of abbreviations and acronyms to a minimum; they are a type of jargon that can keep the reader from fully understanding a document. As a general indicator, if a name is short or appears in the text three times or less, write it in full. A way to find the abbreviations that are used in the text is to do a spell check: the spell checker will stop at most abbreviations because they are unknown words. Once a list of abbreviations and acronyms has been prepared, it can be used every year in both the AWPB and the Annual Report, and there is only need to ensure that any new abbreviations are included.

1. INTRODUCTION

45. The introduction should be a section that gives essential background information about the project and about the AWPB itself. The purpose is to provide a quick reference for people in government and other stakeholders who do not deal with the project on a daily basis - but it should be brief (1-2 pages). The section could include two sub-sections: (i) Project Outline; and (ii) the AWPB.

1.1 PROJECT OUTLINE

46. This sub-section should give a quick overview of the project, summarizing the main features. For the CKDAP, the project used in the sample AWPB, this section includes (see Appendix A):

- the financiers (government, loan and grant details);
- key project dates (signing of agreements, effectiveness, project completion and closing dates);
- the project area and target group;
- the goal and purposes of the project;
- the titles of the project components and by whom they are implemented;
- the main coordination and management bodies; and
- a short description of each project component (1-2 paragraphs), stating the purpose of the component, the types of interventions, and who is responsible for implementation.

47. The information in this sub-section would be static (unchanging), which means it only needs to be written once, afterwards it can be used in every AWPB maybe with small modifications. It is therefore not advisable to mix the information in this sub-section with other more dynamic (changing) information, such as a summary of implementation progress to date, or budget summaries for the coming year. It is also not useful to make this a long sub-section that describes details of component strategies and implementation methods, that is the function of an appraisal report and a Project Implementation Manual.

1.2 ANNUAL PLANNING AND THIS AWPB

48. This sub-section should briefly describe the process that has led to this AWPB, such as community-based planning that has taken place, consultations with other stakeholders, planning workshops held to discuss and synchronize the plans of various implementing agencies, etc. Avoid describing this process as it is supposed to happen or as it happens on paper. It is much more useful to describe what really happened, and if there are weaknesses in the process, mention them and what should be done to improve the situation next year. This sub-section could also be used to highlight some key considerations that influenced the AWPB, for example: *plans and budgets were reduced because they were considered too ambitious compared to implementation capacity and the performance of previous years*. Finally, something could be said about the structure of the AWPB itself, especially if it has changed since last time: in the sample in Appendix A, it is mentioned that *the CKDAP changed from having separate planning documents for each district to having one consolidated document*.

2. IMPLEMENTATION PROGRESS AND PERFORMANCE TO DATE

49. This section of about 2-4 pages should present information on the project's current status, progress with implementation to date, problems experienced, lessons learned and changes in the external environment. This information helps to set the stage for next year's plan. Since this section looks at the past, the information can to a large extent be copied from last year's Annual Report, and then updated based on experience of the current year. Make sure to summarize, otherwise the AWPB becomes a repeat of the latest Annual Report with endless pages of progress review. This section would summarize at least the overall performance of the project and progress by component.

2.1 OVERALL PERFORMANCE

50. In most projects, there are typical stages in implementation. First, it is common to find that at least during the first year, most effort goes into procurement, setting up offices, recruiting staff, signing cooperation agreements, etc. Second, during the first few years project activities may take place on a pilot basis, to be increased over time based on experience and performance. Third, the project area may grow over time, starting with a few sites or districts and expanding as capacity is put in place and experience is gained. It is also common that certain components take off well while others struggle; that progress in parts of the project area is slow but much better in others; and that the implementation capacity of implementing institution varies.

51. General trends as described above would be mentioned in this sub-section, and the stage that the project has reached in general terms. The overall performance from a financial point of view could be illustrated with expenditure to date: this information can be based on last year's Annual Report and updated with data for the current year. Variations in performance between components, parts of the project area and implementing institutions, and the reasons why these variations exist, is important because it helps planning to become more realistic and in line with existing capacities.

2.2 PROGRESS BY COMPONENT

52. This sub-section would describe what types of activities have been implemented over the past years, what specific outputs have been produced, what interventions have been successful and why, where implementation progress has been good and where it has been problematic. Presenting this

information by component would provide a basis for setting priorities for the next year - which after all is a key function of annual planning. Where does his information come from? The facts and figures should be available from a functional M&E system, and analysis of implementation performance should be available in implementing agency reports and from (annual) review workshops.

3. PROJECT STRATEGY AND FOCUS FOR THE COMING YEAR

53. An AWPB needs to explain in text what is expected to happen during the next year. This section should describe the annual planning process that took place, summarize critical constraints that have been identified and that need to be addressed, and describe the main focus for the year, new strategic directions, and the scope of activities for each project component. It would typically be 4-8 pages in size. This key narrative section should find a balance between simply listing proposed activities without sufficient explanation and justification, and too complicated presentation with excessive detail, in which case the AWPB would almost become another appraisal report.

3.1 KEY CONSTRAINTS AND ACTION REQUIRED

54. Planning and project implementation are expected to get better over the years. This can be achieved because experience is gained and staff capacity is developed. It can also be achieved by clearly identifying bottlenecks and constraints, and making a focused effort to resolve these. The purpose of this sub-section in the AWPB is to list the constraints that will need particular attention during the coming year; to identify what should be done to resolve these constraints; and to indicate who should be involved in problem solving. A simple table as shown below may be a good way to present this in the AWPB. Of course, the “actions required” in this table should be translated into project activities in the detailed activity and budget tables of various implementers.

Figure 7. Constraints that will require attention in the coming year

Constraint	Solution / action required	Responsible person/institution
.....
.....
.....

3.2 STRATEGIC FOCUS

55. Any changes in the logical framework, and the general focus and direction of project implementation, would be described and justified in this sub-section. This could include aspects such as proposed expansion of the project area; changes in the management structure or implementation responsibilities; launching a general capacity building campaign; and an indication whether the focus is on consolidation and replication of interventions of previous years or the opposite, on venturing into new research and pilot activities.

3.3 COMPONENT A

56. This sub-section would describe, in text, the essence of component A for the coming year: the general focus; types of activities to be implemented and specific outputs to be produced; whether there is any particular geographical focus; and whether new implementing institutions or a different division of responsibilities among implementing institutions will be put in place. Where necessary, reference would be made to the planning and budget tables in Annex 4 (see the sample AWPB), where details can be found for each specific activity.

3.4 COMPONENT B

3.5 COMPONENT C

ETC.

4. CONSOLIDATED ANNUAL BUDGET

57. This section with budget summary tables should present a clear overview of the financial picture for the coming year: where and on what will money be spent? As a minimum, budget summary tables should present three budget summaries:

- consolidated budget by component (Figure 8);
- consolidated budget by category (Figure 9); and
- consolidated budget by financier (Figure 10).

Figure 8. The annual budget broken down by component and cost centre

Cost Center Component	1.....	2.....	3.....	4.....	5.....	6.....	Total	Proportion
A.	USD ...	USD ...	USD ...	USD ...	USD ...	USD ...	USD%
B.	USD ...	USD ...	USD ...	USD ...	USD ...	USD ...	USD%
C.	USD ...	USD ...	USD ...	USD ...	USD ...	USD ...	USD%
D.	<i>See Appendix A for a complete table with data.</i>						USD%
E.	USD ...	USD ...	USD ...	USD ...	USD ...	USD ...	USD%
F.	USD ...	USD ...	USD ...	USD ...	USD ...	USD ...	USD%
Total	USD ...	USD ...	USD ...	USD ...	USD ...	USD ...	USD ...	100%
Proportion (%)	...%	...%	...%	...%	...%	...%	100%	

Figure 9. The annual budget broken down by category and cost centre

Cost Center Category	1.....	2.....	3.....	4.....	5.....	6.....	Total	Proportion
I.	USD ...	USD ...	USD ...	USD ...	USD ...	USD ...	USD%
II.	USD ...	USD ...	USD ...	USD ...	USD ...	USD ...	USD%
III.	<i>See Appendix A for a complete table with data.</i>						USD%
IV.	USD ...	USD ...	USD ...	USD ...	USD ...	USD ...	USD%
V.	USD ...	USD ...	USD ...	USD ...	USD ...	USD ...	USD%
VI.	USD ...	USD ...	USD ...	USD ...	USD ...	USD ...	USD%
Total	USD ...	USD ...	USD ...	USD ...	USD ...	USD ...	USD ...	100%
Proportion	...%	...%	...%	...%	...%	...%	100%	

Figure 10. The annual budget broken down by category source of funds

Category	Financier	IFAD	BSF	GOK	Total
I.		USD ...	USD ...	USD ...	USD ...
II.		USD ...	USD ...	USD ...	USD ...
III.	<i>See Appendix A for a complete table with data.</i>				USD ...
IV.		USD ...	USD ...	USD ...	USD ...
V.		USD ...	USD ...	USD ...	USD ...
VI.		USD ...	USD ...	USD ...	USD ...
	Total	USD ...	USD ...	USD ...	USD ...
	Proportion	...%	...%	...%	100%

58. Cost centres can be geographical areas where the project is implemented (e.g. districts), or institutions, or both. Notice that for each component, category and cost centre, the budget amount as the proportion of the total annual budget is included. This makes it easy to compare how money will be divided between different areas, institutions, components and categories. The tables should be accompanied by brief comments, to explain anything that might raise questions in the tables, for example why a certain district will receive much less money or why a certain component takes such a high proportion of the overall budget.

59. Other budget summaries that address local requirements, for example using government budget codes, can be added. Make sure to present the budget summary information clearly and in tables, instead of in the text or scattered across different sections of the document. Consistency is essential, both within a summary table (do the numbers add up?) and between tables (are the totals the same in different tables?). Try to limit the number of budget breakdowns: once your project has a spreadsheet or accounting software up and running, it can be easy and tempting to produce a large number of budget summary tables, but this does not necessarily add value or clarity and should be done with caution.

ANNEX 1. THE LOGICAL FRAMEWORK

60. When the Logical Framework Approach is used during annual planning, it can be useful to include the logical framework matrix in the AWPB. This matrix may be a different version from the one in the project design or from last year, in which case the changes that have been made should be pointed out. In the case of CKDAP in the sample AWPB, a new tool has been introduced based on the logical framework to facilitate annual planning, and this planning tool is therefore included in the sample AWPB in Appendix A. Alternatively, the traditional 4x4 matrix can be included here.

ANNEX 2. PROCUREMENT PLAN

61. Procurement of goods and services is a critical management area that needs special attention, in order to ensure that project funds are spent wisely, and that the goods and services obtained under the project are in line with needs and of good quality. For these reasons, proposed procurement should be summarized in a table that lists all the facilities, equipment, technical assistance and other services that are to be contracted. Minimum information on each item should include a description with quantities, the procurement method, when the goods or services are expected to be delivered, and the estimated cost. Contract management is an important task throughout the year that follows from the procurement plan. A possible format to present the items to be procured is shown in Figure 11.

Figure 11. Sample procurement plan

No	Description of items/services	Quantity	Procurement method	Expected delivery / completion date	Budget estimate
1	Item A. of ... specifications	950	ICB	15/09/2003	KES ...
2	Service B. of ... specifications	5	LS	01/04/2004	USD ...
	Etc.				

ANNEX 3. STAFF DEVELOPMENT PLAN

62. Another area that requires special attention is staff capacity development. The success or failure of a project greatly depends on the knowledge, skills and commitment of staff involved in implementation. Staff capacity development involves defining the staff who should be involved in project implementation in the first place (numbers, qualifications and experience); and in addition, defining who should be trained, in what they should be trained, and how training should be carried out - which can range from on-the-job coaching at a construction site to Master's studies overseas. This Annex should show the key areas where staff development will be focused, by listing the proposed capacity building activities for the year.

Figure 12. Sample staff development plan

Comp	Name of person or description of persons	Description of training/activity	Proposed institution/trainer	Budget estimate
A	Individual A.	To be trained in X & Y	At ... institute	KSH ...
B	Group B. consisting of ...	To be trained in Z.	On the job training by ... trainer	KSH ...
	Etc.			

ANNEX 4. DETAILED OUTPUT/ACTIVITY PLANS AND BUDGETS

63. In addition to the main text, which summarizes what is expected to happen during the next year, the AWPB should contain tables with detailed activity schedules (timing and responsibilities) and budget information (resource requirements). Most projects prepare such tables, although the format can vary considerably. As a minimum, the data in these tables should include (Figure 13):

- a description of the activity;
- an indication where exactly it will take place;
- an indication when it will take place;
- quantitative information: a unit (e.g. training course) and how many (5); and
- budget information for the activity, including unit cost, total cost and cost classification (e.g. category).

Figure 13. Sample output/activity planning and budgeting table

Component: Primary Health Care

Output: improved access to good quality preventive and curative health services.

Dis-trict	Planned activity & location	When				Unit	Quantity	Unit Cost	Total Budget	Cat	Item	Who is Responsible / Comments
		Q1	Q2	Q3	Q4							
Nya	Construct a 100m ³ masonry water tank at Kiriogo Dispensary.		x	x		tank	1	466,030	466,030	1	400	DMOH. To start after rainy season
Nya	Purchase and distribute growth monitoring kits to CHWs in Kiriita Location			x		kit	30	5,600	168,000	2	220	DMOH. Weighing scale, tape measure, records
Nya	Non-residential training for CHWs of Leshau location on management of health issues		x			course	1	175,000	175,000	3	068	PHC Officer. 5 day training for 50 CHWs

Note: budget information includes Category (Cat), applicable to any project, and Cost Item (Item), budget codes specific for Kenya.

Alternative: separate activity and location

Planned activity	Where
Construct a 100m ³ masonry water tank.	Kiriogo Dispensary
Purchase and distribute growth monitoring kits to CHWs.	Shauri Sub-Location, Kiriita Location
Non-residential training for CHWs on management of health issues.	Leshau Location

Alternative: timing by month instead of quarter

When											
j	a	s	o	n	d	j	f	m	a	m	j
				x	x	x	x				
							x		x		
				x	x						

Alternative: two separate columns

Who Responsible	Comments
DMOH	to start after rainy season
DMOH	weighing scale, tape measure, records
PHC Implementing Officer	5 day training for 50 CHWs

64. Some choices to consider regarding the format of these tables:

- activity and location can be combined in one column; however, it is worth considering having separate columns to put more emphasis on where exactly activities take place, which can help with monitoring and physical auditing if that is necessary;
- timing can be indicated by quarter, which is recommended because attempts to do more precise planning have not added much value in most cases; but it is also possible to plan by month; and
- budget information should include the Expenditure Category, which is relevant for any IFAD project; but other codes can be added, for example Item, which are Kenyan Government budget codes specific for the CKDAP.

65. The way that planning data is structured in the tables can vary, activities are often presented by area (e.g. districts) and by component within each area. In the CKDAP, planning data is structured by

component, and by cost centre (district or institution) within each component. This is a choice each project has to make. In either case, it is important that objective-oriented planning using the logical framework is used, which means that activities are planned in order to achieve a certain output; regardless of whether that output is presented under a component or under a cost centre.

66. Some projects integrate planning and budget information in one table, while others use separate tables: both have certain advantages. When using separate tables, activity tables (Figure 14) would focus on what activities takes place where, when, and by whom; and budget tables (Figure 15) would focus on quantities and costs. The advantage of having separate tables is that they make it easy to include more detailed budget information. However, this can become complicated, because it requires a fairly rigorous numbering or coding system that clearly links budget items in budget tables to activities in activity tables, while the information also quickly becomes too detailed for an AWPB.

Figure 14. AWPB with separate activity and budget tables: activities

Dis-trict	Planned activity	Location	When				Who Responsible	Comments
			Q1	Q2	Q3	Q4		
Nya	Purchase and distribute growth monitoring kits to CHWs	Shauri Sub-Location, Kiriita Location			x		DMOH	weighing scale, tape measure, records

Figure 15. AWPB with separate activity and budget tables: budget

Dis-tribut	Planned activity budget items	Unit	Quantity	Unit Cost	Total Budget	Cat	Item	Comments
Nya	Growth monitoring kits for Kiriita Location: weighing scales	each	30	750	22,500	2	220	
Nya	Growth monitoring kits for Kiriita Location: tape measure	each	30	350	10,500	2	220	
Nya	Growth monitoring kits for Kiriita Location: record sets	set	30	750	22,500	2	220	a set is one box file, three record books, one pen and pencil

This is too much detail for an AWPB - but the data must be available for reference purposes.

67. The level of detail that is contained in the AWPB deserves special attention. Finding the correct level of detail in describing activities is a difficult balancing act. Too much detail can be unrealistic, removes flexibility and makes work plans unwieldy. On the other hand, too much aggregation results in an AWPB that does not present planned activities, but only shows summarized budget lines. What is the best way to go about this? The AWPB should contain enough detail so that it can be used by implementing agencies for short-term work scheduling. In principle, one row in planning and budgeting tables should represent a single activity, with information on what, when, where, and a total budget for the activity. Excessive budget detail should be avoided. Several similar small activities can be grouped together in one item. Major activities and large investment should be split in components or stages.

68. Some examples of activities that would be listed as single items are: construction of infrastructure (e.g. a borehole, a school block); a study or survey (e.g. a mini survey on the impact of community-based health services); a training course, workshop, study tour (e.g. annual review workshop in district X); environmental rehabilitation (e.g. reclaiming a gully; terracing an area); etc. Budgeting would be in the form of one amount for such an activity, e.g. a three-day annual review workshop for 35 people at a cost of KSH 217,500, without going into details such as how much of that amount is for travel, accommodation, materials, meeting room, and a facilitator. Of course, these details are worked out when the actual budgeting is done, and the information should be kept by the responsible institution for reference, but for an AWPB it would be too detailed.

69. Some examples of several smaller activities that would be grouped together as single items are: small infrastructure works (e.g. *ten demonstration VIP latrines in Thirigutu Sub-Location*); small training activities (e.g. *five Sub-location training courses in Tebere Location for community councillors on HIV/AIDS & VCT*); trials and demonstrations (e.g. *20 maize and small grain variety trials in Nyeri District*); distribution of inputs or demonstration materials (e.g. *distribution of 50 rabbits in Kiora Sub-location for stock improvement*); or loan disbursement under a credit line (e.g. *15 loans for small traders in Ndivai Sub-location*).

70. Large activities or investments would be split into several items in the AWPB. One example is investment in large infrastructure, such as irrigation schemes, which could be split into elements: *survey and design; headworks; pipeline; major canal; in-field system; supervision* could each be a separate line item. Another example is large procurement, for example medical equipment for a district hospital, which could be split into single items or sub-sets: *laboratory equipment; maternity wing equipment; recovery room equipment; offices equipment*. A third example could be a large and costly training programme, for 40 senior medical officers in the project area, for which the *classroom stage*, the *subsequent field work*, and the *international workshop* could be listed as separate items.

71. In addition to specific activities carried out to produce a project output, there are always more general budget items that are not directly linked to a project output. Typical items are utilities such as telephone and electricity bills, general office stationary expenses, procurement of a vehicle for an institution at national level, training for an M&E Officer, or meetings of a national steering committee. These could be presented in separate tables, again by component and cost centre.

72. Many projects face problems with implementing agencies that do not adhere to formats when they submit their work plans, which results in either a major editing task at central level, or an AWPB with different sections that are not consistent in their presentation and therefore more difficult to consolidate and monitor. Mandatory use of standard paper forms and simple templates that cannot be changed, for example in Excel, are a relatively easy way to address this issue.

B. AWPB Basic Standards

73. In this chapter and in the sample AWPB in Appendix A, many details have been discussed regarding the content and structure of an AWPB, which are intended as suggestions to be considered. Each project should decide how to present the information in the AWPB, and whether to add additional information. A key choice is how to structure the AWPB: information is often presented by component, and this is what has been done in the sample AWPB in Appendix A, where activities are organized by component, and by district under each component. Alternatively, information could be presented by geographical area, or by institution, and broken down by component under each of those. Whatever the choice, it should be used consistently from year to year to facilitate comparison.

74. While there is considerable flexibility, each project should seek to produce an AWPB that includes the following basic points:

- a comprehensive cover page, table of contents and list of abbreviations and acronyms;
- a project outline section that presents essential background information on the project;
- a section that summarizes implementation progress and performance to date;
- a core section that describes the project strategy and focus for the coming year, and that says something about:
 - the process that has led to the AWPB;
 - key constraints to be addressed and proposed actions;
 - overall strategic focus for the whole project during the coming year;
 - more specific description of the project focus, by component, or by geographical area, or by institution;
- a section with consolidated annual budget tables, which present financial data at least by:
 - component and cost centre;
 - category and cost centre;

- category and source of funds;
- a procurement plan, listing all proposed procurement for the year in table format;
- a staff development plan, listing proposed staff capacity building activities in table format; and
- detailed output/activity tables, with planned activities and their costs listed as line items, organized by component, geographical area, or institution.

IV. REPORTING

A. Reporting Principles

75. Progress reports are a formal requirement: the Loan and Financing Agreements dictate these requirements, and half-yearly and annual reports are usually to be submitted to IFAD and the CI. Sufficient information must be made available about what money is spent on, how much is spent on what, and what the results are.

76. The main functions of progress reports include:

- review current progress compared to planned activities, and expenditure compared to budget;
- provide overall status information on the project since it started, in terms of physical progress and total expenditure;
- identify problems during the reporting period and steps to solve these problems;
- analyse strengths and weaknesses, opportunities and threats;
- discuss quantitative and qualitative progress made in achieving overall objectives; and
- provide strategic direction for the next planning cycle.

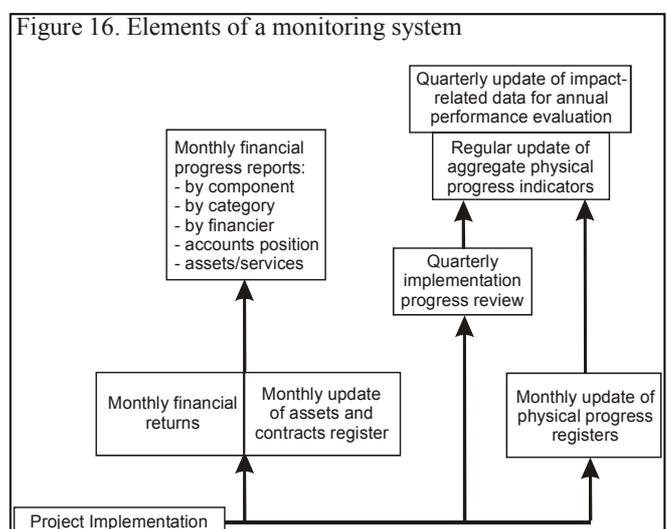
77. The primary importance of preparing progress reports is that it forces implementing agencies and project management to record data, review progress, reflect on outputs, evaluate performance, discover weaknesses that can be improved and successes that can be expanded on. It is this process of reflection and analysis that matters, hopefully leading to better plans and implementation in the future. The actual progress reports are simply the end product.

78. The AWPB is the basis for implementation during the year. Logically, one of the pillars for reporting is progress monitoring based on the AWPB: actual activities compared to planned activities, actual expenditure compared to budget. This needs to be done in a structured manner, and there are several challenges related to this activity:

- ensuring that it is actually done regularly by different implementing agencies at different levels;
- ensuring that formats used are consistent, so that comparison and consolidation of data is easier; and
- convincing implementers that the activity is an important management tool and part of the learning system of the project, instead of an obligation to satisfy the demands of superiors.

79. The function of project management is to give direction (consistent formats), create capacity (training in report writing), follow up on late submission of reports (create demand), use reports to identify areas where intervention is needed and provide feedback (justify the effort). Solutions and feedback as a result of reports is the best way to convince people that monitoring and reporting is worth the effort.

80. A functional monitoring system will have to provide the data that is needed to prepare progress reports. The details of a monitoring



system are beyond the scope of this document, but any such system would have to include:

- standard formats for submission of financial returns on at least a monthly basis;
- a spreadsheet, database or accounting software to enter data and produce financial summary information (tables, graphs);
- standard forms, based on the AWPB, to record implementation progress and expenditure for each planned activity on a quarterly basis, and standard computer-based formats or templates to enter such data in a consistent manner, to facilitate consolidation;
- standard forms to record project results, in terms of activities completed and specific outputs produced, which will be the basis for physical progress summary information, and standard computer-based formats or templates to enter that data in a consistent manner; and
- standard forms and computer-based formats or templates to enter data on project resources, in particular registers of assets and contracts.

81. The first formal external project evaluation is usually a Mid-Term Review, which may or may not include a quantitative assessment; often, the first quantitative impact assessment is towards the end of the implementation period. It is risky to wait that long to evaluate whether a project is heading in the right direction, and there is need to regularly and systematically collect impact-related information earlier on. Based on the findings, conclusions should be drawn during Annual Performance Evaluation about the extent to which the project is moving in the right direction, and whether there is need to modify any project strategies.

82. First, annual performance evaluation should look at implementation results of the past year: the actual activities that took place compared to what was planned; the actual outputs that were produced compared to targets; and the actual expenditure compared to the budget. Conclusions will be drawn about implementation progress, capacity, and efficiency in terms of the use of project resources. Second, annual performance evaluation should assess the results or outcomes of components. Important aspects to be considered can include:

- the condition and use of resources and facilities established under the project (e.g. water points, markets, irrigation facilities, roads, schools);
- capacity, attitudes and performance of actors (e.g. village health committees, producer associations, local resource management committees, savings groups, traders);
- the adoption of methods (e.g. sustainable resource management, improved sanitation, new fertilizer/manure application methods, savings culture); and
- the opinion of the target group about improvements in the local situation and quality of services they receive (e.g. market access, price information, training and demonstrations, community-based health services).

B. IFAD's Results Management System

83. While the primary users of the information on implementation progress are project management and other local stakeholders, there is also a need for M&E systems and reports to satisfy minimum requirements by IFAD. Following the call by the Governing Council in February 2003 for the Fund to “establish a comprehensive system for measuring and reporting on the results and impact of IFAD-supported country programmes”, the Executive Board of IFAD in December 2003 approved the “Framework for Results and Impact Management” now referred to as the Results and Impact Management System (RIMS)⁵. In accordance with this decision, IFAD is required to report to the Executive Board April sessions on the results and impact of the portfolio based on a number of standardized indicators in an aggregated manner.

84. This does not mean that all projects will be required to report on all RIMS indicators. However, each project will be expected to report on RIMS indicators of direct relevance to the project, and on a

⁵ The document is available at IFAD's website: <http://www.ifad.org/gbdocs/cb/80/e/EB-2003-80-R-6-REV-1.pdf>

number of mandatory indicators: two ‘anchor’ impact indicators⁶ (number of households with improvement in a household assets ownership index, and reduction in the prevalence of child malnutrition); the number of households that have improved food security; and the number of persons receiving project services.

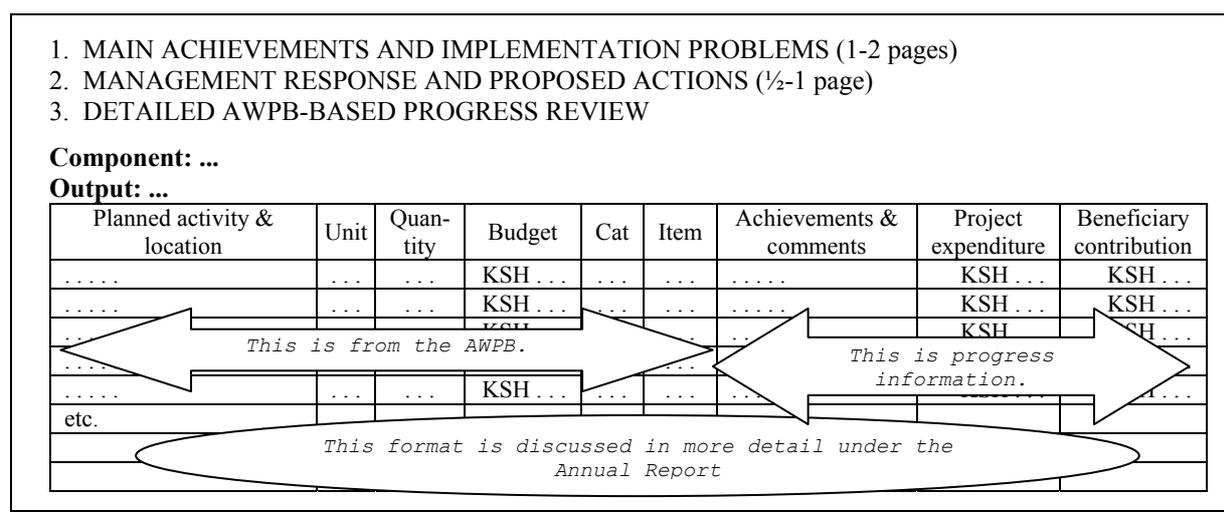
85. What are the main practical implications of this new system for projects? The relevant RIMS indicators to be included in a project’s M&E system need to be identified and agreed upon with IFAD. Again, this does not mean that monitoring and reporting systems will only focus on RIMS indicators, these would be additional to what already exists. Data and information on the agreed RIMS indicators that are relevant to the project will be reported preferably within the context of regular progress reports. For ease of reference and aggregation at IFAD, the data on RIMS indicators should be clearly distinguishable from other indicators used by the project, and should be presented in a standard tabulated format in progress reports. The table that summarizes physical progress in the annual report in this guideline follows the format that is proposed at this stage. The data reported under RIMS will then be consolidated at IFAD level. Since the system is still under development, more details will be forthcoming separately.

C. Types of Progress Reports

86. Progress reports are the most tangible result of monitoring. Usually, a distinction is made between quarterly, half-yearly and annual reports. Monthly reports are not strongly recommended, although specific implementing agencies may use monthly reports as part of their internal management systems. For an IFAD project, however, a month is generally too short to record significant change and prepare a consolidated report.

87. The function of quarterly and half-yearly reports is similar. It is recommended to see quarterly progress reports as internal reports of the project. These reports should concentrate on detailed review of actual achievements compared to planned activities and actual expenditure compared to budgets, and they would primarily consist of a collection of progress review forms that have been submitted by various implementing agencies (Figure 17). The PMU would add a brief analysis of implementation progress (1-2 pages), to highlight main achievements, to identify problems such as delays or over-expenditure, and the factors that cause such deviation. The result should be immediate intervention and problem-solving by management.

Figure 17. Outline for quarterly and half-yearly reports



⁶ For ongoing projects that carried out baseline surveys prior to approval of RIMS framework, Mid-Term Review will identify the RIMS impact indicators for which baseline data already exists. A suggested standard methodology for benchmark and impact surveys is being developed and is expected to be available by September 2005.

88. Half-yearly reports would normally be submitted to the CI and IFAD, but they would still have a similar function. Because of their short-term nature and internal management function, presentation and eloquent writing are not first priorities for these reports: a comprehensive, tabulated review of planned activities and their cost is sufficient. Again, a few pages with analytical observations should be added, listing key achievements, major deviations, implementation issues, resource constraints, and solutions.

89. The nature of annual reports is different. At least once per year stocktaking is necessary, in terms of where the project comes from and where it is going. In addition to a simple review of implementation progress, this requires analysis by project management. A full picture of project resources, achievements of the past year and since the beginning of the project, as well as annual and cumulative expenditure needs to be presented. Analysis is required of successful approaches and outputs, failures and constraints, performance of implementing partners, and whether progress is being made towards achieving objectives. Such analysis should lead to conclusions about the effectiveness of project strategies, the need for modification of the logical framework, and planning for the following year. Because of the importance of annual reports, their content and structure is discussed in detail in the next chapter, and a sample Annual Report is presented in Appendix B.

90. There are various specific financial reporting requirements, which can vary by project. These are described in the loan or financing agreement, and it is important to check those requirements and plan for them, so that the necessary data is available when needed. To illustrate, the following are requirements taken from the loan agreement of a certain project:

- financial statements of the operations, resources and expenditures related to the project, should be delivered to IFAD and the CI within three months of the end of each fiscal year;
- a certified copy of a long form audit report in accordance with international accounting standards will be delivered to IFAD and the CI within six months after the end of any fiscal year;
- statements of expenditure, based on which withdrawals from the loan account may be made, will be retained by the project and kept for inspection by representatives of IFAD and the CI; and
- activities *financed by the donor who is co-financing the project will be separately covered in financial reports.*

91. In addition to the above, a variety of special reports may be prepared under the project:

- reports on the findings of needs assessment, diagnostic studies, other studies and surveys;
- analytical reports by implementing agencies;
- completion reports for construction of infrastructure, including certification of completion;
- Environmental Impact Assessment reports;
- reports by contracted service providers (consultants, NGOs, etc.);
- evaluation reports (baseline survey report, case studies, impact assessment reports); and
- staff appraisal reports, related to the performance of project staff and implementing agencies.

92. All reports must be properly stored for future reference: there is as much scope for improving filing systems in most projects as there is scope for improving reporting. This is another important M&E responsibility. It is advisable to include the various dates by which reports are to be submitted in a monitoring & reporting calendar, similar to the planning calendar presented in chapter 2.

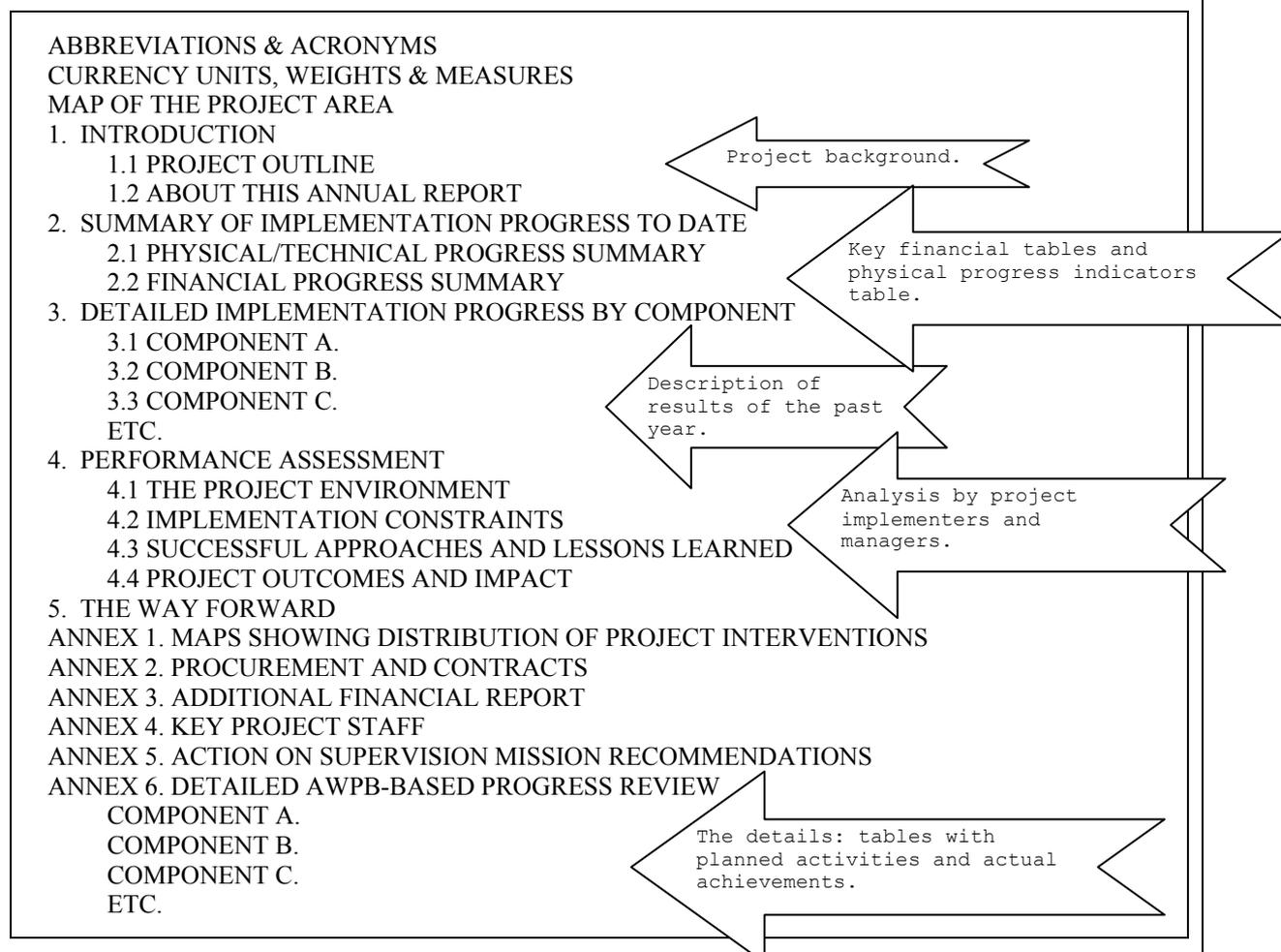
V. THE ANNUAL REPORT

A. Annual Report Outline

93. Hopefully based on a functional M&E system, different types of data will be collected throughout the year and will be combined, together with progress reports that are submitted by various implementing agencies, into the Annual Report. What should be included in such an Annual Report, as

a minimum, and how can the information be structured? This question is now addressed using the Table of Contents shown in Figure 18. This Table of Contents has been derived from the sample Annual Report presented in Appendix B, and each of the headings will be briefly discussed. Please refer to the sample Annual Report to see what the different sections look like in practice, while reading the description for the various elements below.

Figure 18. Outline for annual reports



ABBREVIATIONS & ACRONYMS

94. The same comments as those made under the AWPB apply here. A good list of abbreviations and acronyms only needs to be prepared once, and can then be used in all the AWPBs and Annual Reports. There will only be need for annual updates, if any new abbreviations are included. It is good practice to also list the currency units (KSH, SDR, USD), weights (pound, ton, bag... of how many kg?) and other measures (acre, hectare), and in particular any measures that would not be widely known (*ndebe*, bale... of how many kg?). Exchange rates are especially important because they fluctuate over time, and affect variables such as budget-expenditure comparisons and balances of project funds. For example, at year-end rates, a modest devaluation of 7% will mean that a 70% expenditure-to-budget ratio in Kenya Shilling terms is equal to a 65% expenditure-to-budget ratio in USD terms.

MAP OF THE PROJECT AREA

95. A general map of the project area is useful as a reminder for those who are not involved in the project on a daily basis. There are ways to make the map extra useful though. In particular, indicating how the project area has expanded over time would be valuable. This can be done by using different colours or shading for those parts of the project where activities have been going on since the

beginning; where activities started in PY2; where activities started in PY3; etc. The CKDAP has done this on its map in Appendix B.

1. INTRODUCTION

96. An Executive Summary may be included but is not a requirement, because an Annual Report should not be so lengthy and complicated that it needs an Executive Summary. Moreover, section 2 largely functions as an Executive Summary. The introduction should include some background information about the project and about the Annual Report, mainly as a reminder for people in government or outsiders who do not deal with the project on a daily basis. The section would include at least two sub-sections: Project Outline; and About this Annual Report.

1.1 PROJECT OUTLINE

97. This sub-section would be the same as the one in the AWPB, except maybe for minor changes that are necessitated by what has happened during the past year - but those would be minimal, and the information in this section will not change much from year to year.

1.2 ABOUT THIS ANNUAL REPORT

98. This sub-section could describe on what information this Annual Report is based, which could include mentioning specific progress reports that have been received from implementing agencies, consultants' reports, studies, important elements of the M&E system such as registers of assets and contracts, etc. It could also be useful to indicate how the report has been prepared. The basic facts and figures are often verified and consolidated by an M&E Officer, who may write much of the Annual Report. However, other people may be involved especially in writing analytical sections, and the findings may have been arrived at during one or more review workshops, or through specific impact studies. Similar to the AWPB, this sub-section could also be used to say something about the structure of the Annual Report itself, especially if it has changed since last time.

2. SUMMARY OF IMPLEMENTATION PROGRESS TO DATE

99. To some extent, this section functions as an Executive Summary, because it presents the financial and physical progress of the project on a few pages, mostly in tabulated form. The section should capture implementation progress not only for the particular year covered by the report but cumulative progress. It would also be important and useful to include combined/integrated analysis of financial and physical aspects: i.e. the budget and expenditure against physical targets and achievements (e.g. 80% of the budget has been spent on achieving 20% of physical progress targets).

2.1 PHYSICAL/TECHNICAL PROGRESS SUMMARY

100. The information in this sub-section will be based on detailed monitoring data that is collected from the field and which may be submitted by various implementing agencies. This data will have to be interpreted and summarized by an M&E Officer or PMU in order to produce a physical progress summary.

101. The aim of this section is to provide a quick insight into project results, principally at the level of key activities completed and specific outputs produced. Normally, only activities and outputs that have been completed would be listed, not those that are ongoing but incomplete. The table may initially be set up using results that are defined in the project design (appraisal report). For some of these results total project targets will be included, while for others quantities are omitted. Other activities and outputs can be added over time as they become relevant. Ideally, targets for activities and specific outputs will be clearly defined in an AWPB, but in practice even there quantities are sometimes missing.

102. Figure 19 shows a simple format to present physical progress summary information: items are listed, actual results for the year are compared to the AWPB, cumulative total results to date are

compared with the total project target in the project design, and there is a column for comments. This format is in line with the new RIMS of IFAD. Other columns could of course be added, but it has been found that more detailed information is either hard to find in practice or doesn't add much value, and the simple format is considered quite sufficient.

Figure 19. Summary of physical progress Specific for IFAD's new RIMS.

Project results	Unit	RIMS level	AWPB target	Achieved this year	%	Total project target	Cumulative Achievements	%	Comments
key activity / specific result 1	men	1	5	7	140	na	19	na	
key activity / specific result 2	women	1	15	5	33	125	19	15	Low effectiveness; no longer a priority
key activity / specific result 3	group		na	14	na	62	59	95	High adoption rate, will be given more emphasis in future
key activity / specific result 4	unit	2	na	2	na	na	6	na	
key activity / specific result 5	group		2	2	100	12	6	50	average 15 participants
Etc.									

Total Project:
planned
& achieved

103. A word of caution is necessary. The format of this table may reinforce the idea that all the quantitative targets for the various key activities and specific outputs (in the appraisal report) must be achieved. This is not the case, and this is where the “comments” column is important. The purpose of this table is on the one hand to show physical progress for the project as a whole towards delivering a total set of anticipated activities/outputs, but on the other hand to show where the project has decided to deviate from original targets, as indicated by comments such as “*Low effectiveness; no longer a priority*” or “*High adoption rate, will be given more emphasis in future*”. It is, for example, quite normal that during the later years of a project, activities/outputs that were never included in the project design show up in this table, because they were found necessary or effective, with the comment: “*New activity not in the project design*”. This also indicates the importance of periodic strategic reviews and learning for planning.

2.1 FINANCIAL PROGRESS SUMMARY

104. The data for this sub-section will most likely come from a Project Accountant or Financial Controller, who uses an accounting system to enter, analyze and report on all financial transactions. This system can range from a simple spreadsheet or database to advanced accounting software. Based on the detailed information in the accounting system, summary tables should be prepared for project management, implementing agencies, government and donors, on the overall financial performance and status of the project. This would include, as a minimum:

- expenditure by cost center and component;
- expenditure by cost center and category;
- disbursement by financier (external sources of funds);
- government and beneficiary contributions (local contributions); and
- the status of project accounts.

105. Each of the main project components has an approximate budget in the project design. Each component pursues its objective, and jointly the components will contribute to achieving the overall project goal. In this regard, the balance between the components, in terms of implementing activities, achieving outputs and using up the associated budget, is important. When expenditure under a certain component falls far behind the planned expenditure, this should be cause for concern, the reasons should be investigated and action taken. Financial progress by component (Figure 20) will provide the

information that is necessary to detect such an imbalance in expenditure. The information will also be useful to assess whether budgeting is realistic and to track expenditure over time. As an option, expenditure by component compared to the project budget can also be presented using graphs.

Figure 20. Financial progress by component

Component	2003/04 AWPB	2003/04 Actual Expenditure	2003/04 Actual Expenditure (USD)	2003/04 Exp/Bud (%)	Total Project Budget	Total Cumulative Expenditure	Cumulative Exp/Bud (%)
A.	USD ...	USD ...	USD ...	...%	USD ...	USD%
B.	USD ...	USD ...	USD ...	...%	USD ...	USD%
C.	USD ...	USD ...	USD ...	...%	USD ...	USD%
D.	USD ...	USD ...	USD ...	...%	USD ...	USD%
E.	USD ...	USD ...	USD ...	...%	USD ...	USD%
F.	USD ...	USD ...	USD ...	...%	USD ...	USD%
Total	USD ...	USD ...	USD ...	...%	USD ...	USD%

These tables could be prepared in USD or local currency.

See Annex 2 for a complete table with data.

106. Similar to components, the total budget of the project can be broken down according to types or categories of expenditure (Figure 21). These categories are not supposed to be overspent. The reason is the same as described under components: there is a certain balance in the project design, between different items and activities on which money will be spent. If this balance is lost, for example because far more money than expected is spent on vehicles and allowances and very little is spent on studies and training, certain aspects of the project will fail to work as expected. When expenditure under a certain category approaches the limit while other categories have a much lower level of expenditure, the reasons should be investigated. Financial progress by category will provide the information that is necessary to detect such situations, which may lead to reallocation. The allocation of the project budget by component and category is usually amended during a Mid-Term Review.

Figure 21. Financial progress by category

Category	2003/04 AWPB	2003/04 Actual Expenditure	2003/04 Actual Expenditure (USD)	2003/04 Exp/Bud (%)	Total Project Budget	Total Cumulative Expenditure	Cumulative Exp/Bud (%)
I.	USD ...	USD ...	USD ...	...%	USD ...	USD%
II.	USD ...	USD ...	USD ...	...%	USD ...	USD%
III.	USD ...	USD ...	USD ...	...%	USD ...	USD%
IV.	USD ...	USD ...	USD ...	...%	USD ...	USD%
V.	USD ...	USD ...	USD ...	...%	USD ...	USD%
Total	USD ...	USD ...	USD ...	...%	USD ...	USD%

See Annex 2 for a complete table with data.

107. Financial progress by component and by category can be presented in more detail than shown in the above tables, for example by breaking down the expenditure data by cost centre, or by presenting budget and expenditure data for all the previous years. This is optional; but data for the past year and cumulative since the beginning of project implementation is a minimum requirement.

108. Most projects have several sources of funds: an IFAD loan, co-financing by other donors usually in the form of grants, the government contribution, and beneficiary contribution. Assumptions are made in the appraisal report about the contributions of different financiers, and these assumptions are formalized in loan and grant agreements.

109. It is important to track the cumulative disbursement for each financier, in relation to the total amount committed, in order to know how much money the project has left. One complication is that the commitments of the different financiers may be defined using different currencies: the IFAD commitment is usually in Special Drawing Rights (SDR), while other commitments may be in Belgian Francs (BEF), U.S. Dollars (USD), etc. It will be important to record exchange rates on the date of any disbursement, direct payment, or government contribution. If this is not done properly, a project may

assume that it still has substantial funds remaining, while in fact most of these remaining funds have been lost due to exchange rate fluctuations.

Figure 22. Disbursement and balance by source of funds (external financiers)

Category	IFAD (SDR)	Disbursed		Balance (USD)	BSF (BEF)	Disbursed		Balance (USD)	Total External Resources	
		SDR	%			(BEF)	%		Disbursed %	Balance (USD)
I.....	SDR						%	USD ...	...%	USD ...
II.....								USD ...	...%	USD ...
III.....								USD ...	...%	USD ...
IV.....	SDR ...	SDR ...	...%	USD ...	BEF ...	BEF ...	...%	USD ...	...%	USD ...
V.....	SDR ...	SDR ...	...%	USD ...	BEF ...	BEF ...	...%	USD ...	...%	USD ...
VI.....	SDR ...	SDR ...	...%	USD ...	BEF ...	BEF ...	...%	USD ...	...%	USD ...
Initial Deposit	0	SDR ...	100%	USD -...	0	BEF ...	100%	USD ...	100%	USD -...
Total	SDR ...	SDR ...	...%	USD ...	BEF ...	BEF ...	...%	USD ...	...%	USD ...

Disbursement data can be obtained from IFAD's "Status of Funds by Category" sheets.

See Annex 2 for a complete table with data.

110. The information on cumulative disbursement should be recorded by financier and by category. For each financier, this should be done in the currency used in the Loan or Financing Agreement, using appropriate exchange rates. This will ensure that the information available to the project is as accurate as possible, in terms of the total disbursements made and the remaining budget. Please look at the figures and explanation for the CKDAP in the Sample Annual Report for further clarification.

111. Government and beneficiary contributions (Figure 23) can be reported in local currency or in USD. In the latter case it should again be kept in mind that the exchange rates used for conversion will vary from year to year. Community contribution, mostly in the form of labour and material contributions, will have to be captured at field level and converted into monetary value, using a system of standard record forms and rates.

Figure 23. Government and beneficiary contribution (local sources of funds)

Expected Total Government Contribution			Actual government contribution this year	Actual government contribution to date	Expected total beneficiary contribution	Actual beneficiary contribution this year	Actual beneficiary contribution to date
Taxes	Budget	Total					
USD ...	USD ...	USD ...	USD ...	USD ...	...	USD ...	

More detail could be added.

112. The project will receive its disbursement in one or more Special Accounts. Funds will usually be transferred from the Special Accounts to a central project account as needed, where the government contribution will also be received. From the central project account, expenditure may be incurred and disbursements will be made to operational accounts of implementing agencies. Money will be released from these operational accounts to buy assets, pay bills and carry out project activities. Accountability, including original receipts, will have to be submitted afterwards.

113. Project management should be fully aware of the status and performance of all project-related bank accounts, and relevant information should be included in the annual reports. The minimum required information would be the total amount of funds held in project operational accounts, this is funds disbursed and not accounted for⁷, but preferably this information would be included separately for each implementing agency (Figure 24).

⁷ Funds disbursed and not accounted for include the balance in the bank account of an implementing agency, imprests / advances held by implementers, and accountability received but held in the implementing agency and not yet submitted to the project accountants or PMU where it is recorded as expenditure incurred.

Figure 24. Status of project accounts

		KSH	USD	USD	
Balance in IFAD Loan Special Account		x	USD ...	x	
Balance in BSF Grant Special Account		x	USD ...	x	
Balance in IFAD Loan Project Account		KSH ...	USD ...	x	
Balance in BSF Grant Project Account		KSH ...	USD ...	x	
Total		x	-----	USD ...	
Balance at national level: implementing agency accounts and outstanding imprests	Institution A.	KSH ...	USD ...	x	
	Institution B.	KSH ...	USD ...	x	
	Institution C.	KSH ...	USD ...	x	
	Institution D.	<i>See Annex 2 for a complete table with data.</i>			x
	Institution E.				x
	Institution F.				x
District account balances and outstanding imprests	District A.	KSH ...	USD ...	x	
	District B.	KSH ...	USD ...	x	
	District C.	KSH ...	USD ...	x	
	District D.	KSH ...	USD ...	x	
	District E.	KSH ...	USD ...	x	
Expenditure accounted for but not replenished (Statements of Expenditure & Withdrawal Applications in process)		KSH ...	USD ...	x	
Total		-----	-----	USD ...	
Grand total (equal to initial deposit in Special Accounts) =				USD ...	

3. DETAILED IMPLEMENTATION PROGRESS BY COMPONENT

114. The physical progress summary would leave out much detail, such as activities and outputs that are ongoing but not complete. The summary table may indicate that rehabilitation of three schools has been completed last year, and seven since the start of the project; and that 17 maize and small grain variety trials have been completed during the past year, and 29 since the start of the project. But what did the rehabilitation of these schools entail (these may be significant investments!), and are there other schools where work has started but has not been completed? In which districts did the variety trials take place, and what are the findings? These details would be elaborated on in this section, in principle under the project outputs for each component.

3.1 COMPONENT A

115. Information would be presented under one or more project outputs that are defined in the logical framework matrix. In the sample Annual Report for the CKDAP in Appendix B, Component A has two such outputs for two different sub-components:

- Output: improved access to good quality preventive and curative health services (Primary Health Care); and
- Output: more safe water sources and community capacity to manage these (Domestic Water Supply).

116. Under these outputs, there should be a narrative description of implementation progress in some detail, and also using tables to provide more specific facts and figures, for example on infrastructure works on health facilities, and training of health caretakers. Such tables are unique for each project and would probably be designed by the person responsible for M&E.

117. It is recommended to structure the information under each project output as follows:

- first recap briefly what was planned for the year (this can largely be copied from the AWPB) and then mention what was actually done during the past year, explain what remains to be done, give specific reasons for any delay, postponement, cancellation, etc.; and
- secondly, present cumulative results since the beginning of the project.

118. The first point is included in Annual Reports of most projects in one way or another. The second point, cumulative progress, has been left out in many Annual Reports, but needs to be included. The Annual Report is the main analytical and strategic document that is produced by any project, and it must deal with total progress and results of the project in addition to describing what happened during the past year. If this is done consistently, the document will be able to better fulfil two of its core functions: to assist in management decision making; and to provide information for other key events during the life of the project, such as the Mid-Term Review and the Project Completion Report.

3.2 COMPONENT B

119. **Output:** . . .

- plan for the year: . . ., and what was actually done during the past year: . . .
- cumulative results since the beginning of the project: . . .

3.3 COMPONENT C

120. **Output:** . . .

- plan for the year: . . ., and what was actually done during the past year: . . .
- cumulative results since the beginning of the project: . . .

ETC.

4. PERFORMANCE ASSESSMENT

121. This section has been absent in most Annual Reports. It is an analytical section, where external factors that influence the project, positive and negative experiences and performance under the project, and the progress towards achieving project objectives are discussed. The findings in this section will form the basis for considering strategic changes that may be required to improve performance, and will provide an input for the next AWPB, in terms of constraints to be resolved and successful interventions that should be given more prominence.

4.1 THE PROJECT ENVIRONMENT

122. Various external factors, some of which may have been covered in the assumptions column of the logical framework matrix, can influence project implementation and results, and these factors may change over time. The environment in which the project has operated during the past year, in particular changes that have occurred and how these have affected implementation, should be described here.

123. What types of external factors are we talking about?

- One common example is unexpected or erratic weather patterns, which have influenced the outcome of research trials, or have delayed infrastructure works.
- Another common example is unexpected financial and economic developments, such as high inflation or unrealistic official exchange rates that have an effect on the available project resources, but also new market opportunities that can be taken advantage of.
- There may be political factors, for example a national election, due to which project vehicles have been unavailable and project activities have been paralysed during part of the year.

- Another example is technological change, that has made certain interventions in the project design irrelevant: mobile phone network coverage, for example, that has done away with the need for expensive radio equipment.
- Other projects and institutions in the project area can be an external factor, positively or negatively, for example, conflicting messages may reach a target group regarding community contribution, due to lack of coordination or different views.
- There can be changes in government at the policy and institutional level, in the form of new policies and laws that affect the project, and in the form of a changing institutional set-up that may have an effect on the project.
- Finally, the implementation may have been affected by unsupportive action or “unnecessary” interference by CI or IFAD.

4.2 IMPLEMENTATION CONSTRAINTS

124. Implementation constraints that are within the area of influence of the project and that could be resolved under the direction of project management, would be presented here. There is no limit to the types of issues and constraints that can be listed, just to give some examples:

- poor quality of infrastructure works (by project staff, contractors or the community);
- poor quality of services (by project staff, community-based service providers, NGOs, technical assistance);
- financial issues, such as late disbursement of funds, cash flow problems, delayed accountability, over-expenditure, outdated allowance regulations;
- problems related to other project resources, including lack of facilities or equipment, breakdown of vehicles, malfunctioning accounting software;
- inefficient or inappropriate use of project resources, such as excessive telephone usage, inappropriate use of vehicles, inflated cost of works or services;
- insufficient staff capacity, in terms of an inadequate number of people for certain tasks, or key positions that have not been filled, or lack of knowledge and skills; and
- other factors that hold back implementation of a project activity or sub-component.

125. Two suggestions should be considered for the presentation of implementation constraints. The first is: be specific. There is little point in mentioning that *allowances are too low*, they always are. It makes more sense to indicate that *government mileage rates for use of private transport are below actual fuel cost and only 35% of the nationally accepted rates used by the Automobile Association*. The second is: include a solution. When districts are without project funds for seven out of twelve months because of bureaucratic delays at national level, where exactly do these delays occur and how can they be addressed? When a certain project activity cannot be implemented, what is the best alternative use of the funds or what can be done to unblock the activity? A simple table as shown in Figure 25 can be used to present implementation constraints.

Figure 25. Implementation constraints

Implementation Constraint	Proposed Solution
.....
.....
.....

4.3 SUCCESSFUL APPROACHES AND LESSONS LEARNED

126. This is where the positive results of the project are highlighted, which are often overlooked because the constraints require so much attention. However, a shift from activities and approaches that do not work to those that do work is actually a way to resolve certain types of constraints. Some examples of items that could feature here:

- successful innovations under the project: technologies (e.g. highly energy-efficient stoves, water harvesting techniques, silage making) or methods (e.g. to record community contribution, or better involve women in management committees) that show promising results and should be replicated;
- project interventions (new crop variety, pest control measure, fishing technique, lending product) that are "taking off", in the sense that people show interest or even better, that it is rapidly adopted and spreading among the target group; and
- more efficient ways of doing things and using project resources (e.g. reducing participants in meetings to essential members, transferring monitoring tasks to local committees, small performance allowances that increase productivity).

4.4 PROJECT OUTCOMES AND IMPACT

127. Useful information related to project purposes and the overall goal cannot be expected until a reasonable period after project interventions and delivery of outputs has passed. While there may not be anything to report in the first year and not much in the second, there is need to systematically collect data related to the project purposes and overall goal almost from the beginning of the project. In the first Annual Report, this may take the form of mentioning some of the key findings of baseline survey work that has been carried out. Standardized impact indicators under IFAD's new RIMS would have to be included and reported on in this sub-section.

128. From the second year onwards, the project needs to start analysing whether outputs that are being produced are actually leading to changes and benefits among the target group. As a minimum, examples should be presented of outcomes based on project outputs. At the early stages any major conclusions would be unwarranted, but this type of information does provide "pointers" for effects that project interventions appear to have, and this in turn can inform project strategy during annual planning. New technologies have been introduced, but are they being adopted and are they resulting in the increased yields, better quality or time savings that were expected? Access to rural credit and capacity to utilize loans properly has been improved, but is this leading to business growth and improved profit margins? Access to clean water sources and knowledge on sanitation and personal hygiene have increased, but has this reduced the incidence of water-related diseases and improved productivity? Have income levels and well-being improved among the target group?

129. The use of case studies, focus group discussions and mini-surveys would yield the type of information that is needed here. Case studies can be a good tool for qualitative analysis, and the possibility of systematically using case studies to collect impact-related data should be considered. Providing such case studies in boxes in annual reports, possibly accompanied by "before" and "after" photographs, may be an effective way of conveying messages. By the fourth year at the latest, a more formal quantitative impact assessment using baseline study results should be conducted, ideally in preparation for a Mid-Term Review so that the findings can be used in refocusing the project. While the results of such a wider study would be contained in a separate report, the findings could be summarized in this section of the Annual Report.

5. THE WAY FORWARD

130. This is the conclusion of the Annual Report. Based on the financial and physical progress, the analysis of project performance, and progress towards achieving project outcomes and impact that has been discussed in previous sections, where is the project heading to? What new directions, changes in the project strategy (methodology of components, community participation approaches, gender and poverty targeting) and logical framework (ineffective activities or outputs) need to be considered?

131. Should certain activities that have proven to be ineffective be abolished or scaled down? How should certain approaches that have not worked as expected be modified? How will inefficient use of project resources or construction of unnecessarily expensive structures be stopped? Should certain pilot initiatives, that were not foreseen in the project design but have had a significant impact, be

incorporated and expanded? How should capacity constraints that have been identified be addressed? The conclusions in this section will form the basis for a key section in the next AWPB: project strategy and focus for the coming year.

ANNEX 1. MAPS SHOWING DISTRIBUTION OF PROJECT INTERVENTIONS

132. Including detailed maps is optional, but they can certainly enhance a report. Maps can be used to show at least three fundamental characteristics of a project:

- coverage and outreach: what areas, districts, catchments are covered;
- interventions: for example, where have water points been constructed, roads rehabilitated, groups established, trials conducted, loans disbursed, surveys carried out; and
- impact (socio-economic indicators): for example what was the number of households per water point, the knowledge about HIV/AIDS and prevention measures, or the average level of savings in each district at the beginning of the project and at present?

133. The most common and useful maps in Annual Reports are those that show the spatial distribution of project interventions and specific outputs in parts of the project area. Using one map for the entire project area would normally make it difficult to show enough detail, so several maps may be needed. For the CKDAP, Annex 1 of Appendix B shows the map for one of the five districts of the CKDAP, Kirinyaga. It is not a very good map: the base map is hand drawn and doesn't include features such as roads or towns; the administrative boundaries are not very clear; the symbols could be improved; but at least it is a start.

134. Maps can be drawn by hand; photocopied with added hand-written information; scanned and edited with graphics software; produced by simple mapping software; or produced using sophisticated Geographic Information Systems (GIS). Using colours on maps can improve the clarity a lot, but remember that these documents are often photocopied, in which case that clarity may be lost. The challenge is to keep maps as simple as possible while producing mapped information that adds value to the Annual Report.

ANNEX 2 PROCUREMENT AND CONTRACTS

135. Projects make substantial investments in assets and contracted services. Project assets, such as vehicles, motorcycles, computers, or laboratory equipment are needed for implementation of the various components and must be used effectively. Contracted services will be used when the available staff capacity does not meet the project requirements, when specialized skills are needed or when the use of external services is more cost effective. Good management of contracts and external service providers is required to ensure that they produce the expected outputs.

136. Effective management of project assets requires a clear overview of the assets and their status. Essential information should be recorded for all assets in a register of assets, including depreciation and net book value (NBV). Also, the performance of service providers and technical assistance is an important concern of project management. Actual performance and output should be monitored and compared to the expectations as per contracts and terms of reference. To facilitate this process, the details of any contracted position or service contract should be recorded. For this purpose, a register of contracts should be kept similar to the register of assets. It is recommended that an extract of the register of assets and register of contracts is included in annual progress reports, showing all goods and services that have been procured during the past year (Figures 26 and 27).

Figure 26. Procurement of the past year

No	Description of the contract	Name of service provider (supplier, contractor, etc.)	Procurement method	Total contract sum	Contract date	Expected completion date	Status of delivery/works	Total payment made
1	KSH ...	...	...	.....	KSH ...
2	KSH ...	...	...	.....	KSH ...
3	KSH ...	...	...	.....	KSH ...

Figure 27: Fixed Asset Register – Format Example

No.	Date of Purchase	Particulars/Description	Supplier	Amount (KSH)	Tax (KSH)	Total Cost (KSH)	Acc Dep (KSH)	NBV (KSH)	Location	Comment

[The columns for data entry may vary depending on types of assets (e.g. equipment or vehicles).]

ANNEX 3. ADDITIONAL FINANCIAL REPORTS

137. The financial summary tables that have been presented in the main text of the Annual Report are standard and applicable to any project. They represent a minimum requirement regarding financial information. In addition, there may be other more specific records that the project uses for its financial management and wishes to present in the Annual Report. It is recommended to dedicate one Annex to the presentation of such additional and more specific financial information.

138. In the case of the CKDAP, four types of tables are included in Annex 3 of the sample Annual Report. First, the project found that a major bottleneck is slow disbursement of project funds through the government system at national level down to implementing agencies at district level. It was therefore decided to record the different stages involved and track the time required for each step. The results are presented in two tables.

139. Secondly, it was found that the funds disbursed do not normally match the budget amounts, and another table was therefore prepared to compare the budget amounts in the AWPB, the amounts disbursed through the government system, and actual expenditure levels. Both these types of tables are quite revealing regarding the financial bottlenecks in the government system, that greatly affect the implementation of this project.

140. Thirdly, the table that is used in the main text to show the accounts position of the project is repeated in this Annex, only with more detail for implementing institutions at national and district level. Finally, Withdrawal Applications of the past year are listed in a table, in order to analyze the time it takes for Withdrawal Applications to be processed and replenished. Other types of tables could be added, based on specific needs and in response to specific financial issues in a project.

ANNEX 4. KEY PROJECT STAFF

141. It is not always clear who exactly is involved in project implementation, because staff turn-over can be high and the project organization as well as structure of government institutions may change. It is not possible or necessary to list all the people involved in a project, which can be hundreds. However, key staff, especially those with management responsibility, should be listed in an Annex. It would also be useful to indicate which positions are contracted or seconded. This list could include:

- members of a Project Coordinating Committee or Steering Committee;
- members of the PMU;

- overall managers or coordinators in parts of the project area, for example at regional, provincial or district level;
- who is responsible for M&E and for financial administration in parts of the project area; and
- senior staff of technical implementing agencies at field level who have management responsibility for implementation of parts of the project.

142. Instead of a listing as is done for the CKDAP in Appendix B, it is possible to present the same information in an organogram for the project. This may present an even clearer picture of the staffing structure, but only if it is done well, while it can be quite a bit of extra work and less easy to update if there are changes.

ANNEX 5. ACTION ON SUPERVISION MISSION RECOMMENDATIONS

143. Supervision missions can make an important contribution to improved project performance, through recommendations regarding financial and general management systems, comments regarding compliance with formal requirements such as audits, and also by reviewing the progress and results of technical components. Recommendations are not always perfect nor necessarily consistent from year to year, but on the whole these missions and their recommendations represent an important moment of quality control and dialogue on project results. It is therefore unfortunate that, afterwards, supervision reports are not always distributed to and read by implementing agencies, and are sometimes not used at all to follow up on the recommendations.

144. In order to stimulate a more active use of the supervision reports, the recommendations table of supervision reports should be included in the Annual Report (Figure 28) with a response by project management to the recommendations, mainly in terms of a description of action taken, although in some instances probably expressing disagreement with a recommendation. Which supervision report to use depends on the timing of supervision missions: if the latest mission came just a few months before the time of writing the Annual Report, little action would have been taken on the recommendations and it would make sense to use the previous supervision report.

Figure 28. Feedback on supervision mission recommendations

Recommendation	Action By	Comments / Action Taken
.....
.....

ANNEX 6. DETAILED AWPB-BASED PROGRESS REVIEW

145. Finally, it must be possible to verify implementation progress over the past year at the detailed level of individual planned activities (Figure 29). This Annex would therefore present the findings of the most fundamental monitoring activity:

- what is actual implementation progress of planned activities?
- what is the actual cost compared to what was budgeted?

146. Two important aspects of detailed progress review need to be pointed out. Throughout the year, this work would normally be done by different implementing agencies, just as initial annual planning may be carried out by different implementing agencies, and data would reach the PMU on a quarterly basis. Because the data then has to be consolidated, it is important that implementing agencies follow a standard format when they submit their progress review information, to avoid a major editing task at central level. This can be facilitated by distributing tables with planning information already filled in, which can be copied and pasted from the AWPB, and with empty columns where progress information can be added. If this is done using simple templates that cannot be changed, for example in Excel, both data entry and consolidation of the data from different institutions will be much easier.

Figure 29. Detailed review of implementation progress by activity

This can be quite complicated from an administrative point of view and is optional.

Primary Health Care

Nyandarua District - Output: improved access to good quality preventive and curative health services

Planned activity & location	Unit	Quantity	Budget	Cat	Item	Achievements & comments	Project expenditure	Beneficiary contribution
Construction of maternity block at Ndaragwa Dispensary.	block	1	3,060,000	1	400	Materials procured & on site. 30% complete. To be completed during 2004/05.	1,007,520	264,500
<i>This has been copied from the AWPB</i>						<i>This is progress information</i>		
Purchase bicycles for CHWs and health staff in Kahutha Location.	bike	30	150,000	2	220	Not done, no funding in AIEs and Exchequers.	0	0
.....
Training of PHC implementing officer on Tools for Health Managers	per son	1	356,000	3	068	Done, Mr. Nderitu has been trained.	356,000	0
.....

147. Secondly, progress information in Figure 28 includes actual cost (project expenditure) and beneficiary contribution for each activity. In practice, both of these can be quite difficult to obtain. When expenditure has been incurred by the project, the related documents such as receipts are normally not linked to an activity in the AWPB, but are submitted to accountants as expenditure incurred under a certain component. Most projects are weak in systematically recording beneficiary contributions and standard rates to convert in-kind contributions to monetary value are often lacking. An attempt will have to be made to capture community contribution, which is often mainly related to selected activities such as infrastructure development. Projects that feel it is necessary to capture expenditure data activity by activity may of course do so, but from the point of view of an Annual Report this is not a requirement.

B. Annual Report Basic Standards

148. In this chapter and in the sample Annual Report in Appendix B, many details have been discussed regarding the content and structure of progress reports, especially the Annual Report. As mentioned already for the AWPB, these details are suggestions to be considered as a starting point. Each project should decide how to present the information in the Annual Report; should to some extent design its own tables especially when reporting on the details of implementation progress and when presenting project-specific financial data; and whether to add additional information and what. Again, a key choice is how to structure the Annual Report: information can be organized by component, as is the case in the sample Annual Report in Appendix B, but could also be organized by geographical area or by institution.

149. While there is considerable flexibility, each project should seek to produce an Annual Report that includes the following basic points:

- a comprehensive cover page, table of contents and list of abbreviations and acronyms;
- a general map of the project area, preferably showing how the project expanded over time;
- a project outline section that presents essential background information on the project;
- a section that summarizes implementation progress for the past year and since the start of the project, including:
 - at least five key tables with financial summary data: expenditure by cost centre and component; expenditure by cost centre and category; disbursement by financier (external sources of funds); government and beneficiary contributions (local contributions); and the status of project accounts;

- a table that is compliant with the new RIMS of IFAD and that summarizes physical progress, using both project-specific indicators and RIMS indicators;
- a section that describes implementation progress for the past year and cumulatively in some more detail, by component, by geographical area or by institution;
- an analytical section, where implementers and project management analyse project performance and factors that influence project performance, including information on project outcomes and impact;
- a section that draws conclusions and charts the way forward for the project, based on performance and experience gained;
- a tabulated overview of procurement and contracts of the past year and asset register;
- additional financial tables to meet project-, government- and country-specific requirements;
- a listing of key staff involved in the project, especially contracted positions and those with management responsibility;
- a tabulated overview of supervision mission recommendations and action taken; and
- detailed output/activity tables, where the progress made with implementing planned activities is reviewed activity by activity.