

AFoCO Guidelines in the Generation and Use of Project Savings and Carry-Over Budget

1. Context

- 1.1 On 31 March 2021, a set of guidelines on COVID-19 Coping-up Measures for AFoCO Projects was issued to guide Implementing Agencies (IAs) in the determination of alternative activities (mostly online) to sustain project implementation from which project savings were generated and used accordingly. Said guidelines likewise provide for the identification of carry-over budget and its usage;
- 1.2 The 2022 Annual Technical Workshop for Project Management and Performance Review which was held on 29 April 2022, in Seoul, Republic of Korea recommended, among others to continuously consider online platform in project implementation as deemed practical and efficient;
- 1.3 In the recent AFoCO Training on GIS-based Project Management, participating Project Managers arrived at a consensus that the current effects of COVID-19 are manageable for the resumption of face to face meetings, workshops/conferences and field works. Likewise, contemporary and abrupt trend in foreign currency exchange rate is affecting the overall financial position of AFoCO projects. As such, it was agreed to come up with guidelines for the determination and use of project savings and carry-over budget under the post COVID-19 scenario.

2. Relevant Provisions of the AFoCO Project Manual

- 2.1 Section 1.3 (x), "Direct Costs" are costs that can be directly attributed to the achievement of a specific project output (e.g. labor, raw materials, procurement/rental of equipment, etc.);
- 2.2 Section 1.3 (y), "Indirect Costs are costs that cannot be directly attributed to and/or traceable to the achievement of specific project output (e.g. management/general administration, office rental, utility costs, etc.);
- 2.3 Section 3.2 (3rd paragraph), "The project budget ...Likewise, indirect costs shall not exceed 20% of the total project budget".

3. Definition of Project Savings and Carry-over Budget

- 3.1 Project Savings – should refer any residual budget resulting from the implementation of activity(ies) to complete or produce planned output(s) as per Objectively Verifiable Indicators (OVIs) in Project's Logical Framework;
- 3.2 Carry-over Budget – should correspond to project activity(ies) and its budget requirement that cannot be implemented within the year under review (e.g.2021) and will instead be transferred for implementation by the ensuing year (e.g. 2022).

4. Determination and Utilization of Project Savings and Carry-Over Budget

- 4.1 Project savings and carry-over budget are determined upon completion of reporting and acceptance of the annual physical and financial accomplishments by the respective Project Steering Committee (PSC) and the AFoCO Secretariat;
- 4.2 Utilization of project savings and carry-over budget should be subject to the approval of the PSC and the AFoCO Secretariat on annual basis. Incurred savings from specific Fiscal Year (FY) may be eligible for disbursement by the ensuing FY subject to the following conditions:
 - 4.2.1 To fund additional activity(ies), either at the output and/or objective levels;
 - 4.2.2 To augment/supplement fund allocation of planned activities;
 - 4.2.3 To cover direct costs as defined herein. However, use of project savings for indirect costs shall not cumulatively exceed 20% of the total project budget.
- 4.3 Determination and use of savings and carry-over budget should be prepared using the attached templates along with appropriate justifications;
- 4.4 Annual project savings should not always be subjected to fund utilization as the same may be accumulated to finance follow-up activities resulting from the recommendations of the project mid-term evaluation and/or foreign currency adjustments, among others;
- 4.5 Project savings will be computed/recorded on a per Project basis;
- 4.6 Subsequent updating of the Project Implementation Plan (PIP) matrix should also be done upon approval of the utilization project savings and carry-over budget.