



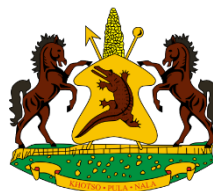
PROGRAMME BASED BUDGETING GUIDE

Lesotho

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GIFT
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FISCAL TRANSPARENCY

About the guide

This guide is one of the key outputs from the technical collaboration between the United Nations International Children's Emergency Fund (UNICEF) and the Global Initiative for Fiscal Transparency (GIFT) to assist the Government of Lesotho in assessing and promoting public financial management that is oriented towards the achievement of the 2030 Sustainable Development Goals (SDGs). Specifically, the partnership aims to support the Ministry of Finance and Development Planning, line ministries, civil society organizations, Parliament, and Women Associations to institutionalize open, transparent preparation and the effective use of sectoral expenditure analyses to inform SDG-focused budget planning, monitoring and reporting.

This guide aims to serve as a knowledge and training resource, clarifying key concepts required to embed programme-based budgeting as a basis for effectively linking budgets to development objectives and goals, towards ascertaining how the allocation of resources support the government's commitment to the achievement of these goals, including the 2030 SDGs.

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I. Introduction

Governments are utilizing increasingly scarce resources towards the achievement of their development goals, including those contained in the 2030 Sustainable Development Agenda. Budgets are key tools in this process, revealing unavoidable trade-offs (limited resource availability means that increases in spending in some areas are at the expense of spending in other areas) facilitating the making of informed choices based on societal preferences, potentially triggering sustainable human development. National budgets are a key element of financial strategic planning, providing a way to connect financial resources with development goals, facilitating the tracking of resource allocations and their associated performance over time. When the national budget is linked to the Sustainable Development Goals (SDGs) with its development and monitoring supported by strong public participation, the impact of public spending becomes traceable and measurable (quantifiable), potentially triggering significant social development improvements.

The Kingdom of Lesotho has set ambitious development goals through its [National Strategic Development Plan](#) (NSDP), which is, to a considerable extent, aligned with the [2030 Agenda and the SDGs](#). The NSDP is also aligned with the [African Union Agenda 2063](#) and the Southern African Development Community's [Regional Indicative Strategic Development Plan 2020-2030](#). It has also participated in the Voluntary National Review on the Implementation of the SDGs that took place in [2019](#) and [2022](#).

Further, the Government has committed to investing in several key social sectors, including in SDG accelerators. The national budget should be effectively linked to development objectives and goals, so that it is clear how the allocation of resources supports the government's commitment to the achievement of these goals.

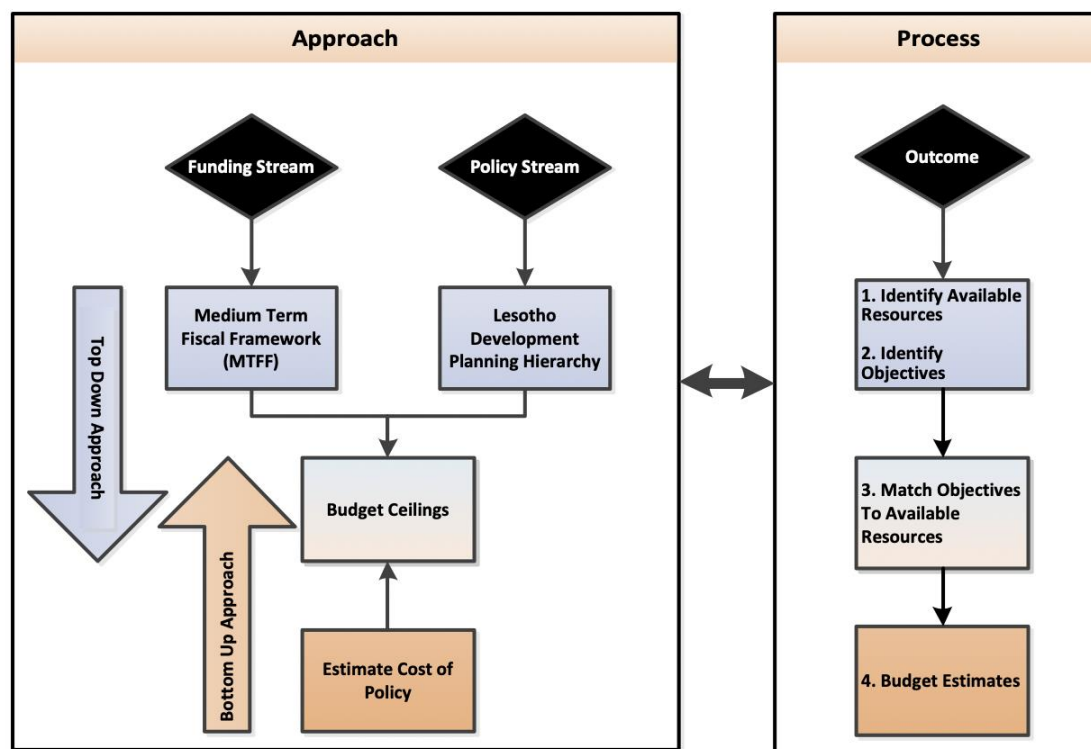
II. Lesotho's budget framework over time

A brief overview of Lesotho's budget framework, as relevant to a programme-based budgeting framework, is presented in this section.

The Government of Lesotho implemented a Medium-Term Expenditure Framework (MTEF) in 2005 under the Public Financial Management (PFM) project. A MTEF is a budget which extends beyond a single year's revenue and expenditure projections to include a medium-term perspective. This framework linked policy priorities (in planning documents like [Vision 2020](#), [Poverty Reduction Strategy](#), and the National Development Strategic Plan) to expenditure allocations in budget documents, within the constraints of a fiscal framework over a three year forward planning period. Based on this, each ministry identified and defined objectives and estimated the costs of achieving existing

and new policy objectives. Figure 1 below shows Lesotho's MTEF approach and process¹.

Figure 1: MTEF approach and process



In 2011, the Government of Lesotho then started implementing programme-based budgeting in compliance with the [Public Financial Management and Accountability Act](#) (PFMA Act). Table 1 below shows how this Act established the normative framework for programme budgeting. To facilitate the adoption of this approach, the government organized workshops to train line ministries in understanding important programme budgeting concepts, such as on Lesotho's PFM cycle, activity-based costing, and performance indicators (including SMART indicators)². In the 2010/11 fiscal year, a total of five Ministries prepared their budgets on a programme basis. Moreover, in the same year the government installed a new Integrated Financial Management Information System (IFMIS).

Table 1: PFMA programme budgeting normative framework

PFMA Part and Section	Extract
1: Interpretation	"performance indicator" means a measure of the achievement of Government objectives.
1: Interpretation	"programme" means a set of activities of a spending unit for the

¹ An assessment of the MTEF approach and process falls outside the scope of this Guide. A separate study was conducted by Oxford Policy Management in 2022 to assess the effectiveness of the MTEF process in Lesotho, it can thus be consulted for further information in this regard.

² This training, done in close collaboration with the European Union, included training for trainers and relevant materials that may be useful to revisit given the current reorganization of the State emanating from the 2022 national elections. All of these materials can be found [here](#).

	achievement of a common Government objective.
1: Interpretation	"spending unit" means a ministry or other statutory body, or a local authority, charged with the responsibility of administering one or more programmes, to which funding is allocated by Parliament."
2: Functions of the Chief Accounting Officer: Section 5(c)	"ensure the public money allocated by Parliament is used efficiently to achieve programme objectives approved by Parliament."
2: Functions of the Chief Accounting Officer: Section 5(g)	"ensure that a sound system of internal control is in place within the spending unit to provide assurance that programme objectives are being met and that the necessary accounting controls are in place."
2: Functions of the Chief Accounting Officer: Section 5(h)	"ensure that government property is recorded and managed efficiently to achieve the programme objectives approved by Parliament"
3: Budget overview: Section 11(b)	"Budget overview information shall include - ...; the objectives and priorities of the budget...."
3: Receipt and expenditure estimates: Section 12(1)	"Receipt and expenditure estimates referred to under section 10 (2)(c) shall include, for each programme of Government - a) the objectives of the programme; ... c) performance indicators for the programme; ..."
5: Spending unit annual report: Section 34(1)	"A spending unit of Government shall prepare quarterly and annual reports which shall include - a) details of the programme results achieved, including the impact of new policies implemented in that year and in previous years, and set out the performance indicators used to assess programme performance;..."
5: Spending unit annual report: Section 34(6)	"The Chief Accounting Officer of each spending unit shall certify in writing that an annual report represents the financial and programme performance of the spending unit in all material respects, and the annual report complies with any directives given by the Minister."

In 2013, the government of Lesotho continued to implement PFM reforms with support from development partners, including the World Bank, European Union, and the African Development Bank, launching a comprehensive five-year (2013 to 2018) PFM Reform Strategic Action Plan (PFMRAP)³. While the reforms depicted above have assisted Lesotho in establishing programme-based budgeting, further work is required towards establishing a fully functional and sustainable integrated planning PFM ecosystem that contributes towards the accelerated achievement of the NSDP and the SDG targets.

In this regard, the UNICEF Lesotho Office and the Global Initiative for Fiscal Transparency (GIFT) are supporting the Government of Lesotho in embedding programme-based budgeting and linking the national budget to the SDGs, of which this Guide is a part. This support is timely, given the reorganization of the state emanating from the 2022 national elections, where the number of government ministries have been

³ For further information, see: pefa.org/news/blurred-lines-lesotho-formulates-pragmatic-pfm-reform-action-plan-using-pefa-assessment.

reduced from 26 to 15, likely requiring changes to existing programmes and the creation of new programmes.

III. Main purpose of the guide



This Guide titled “Strengthening the PFM system to improve transparency, efficiency, and effectiveness in public spending and policy in Lesotho (Joint programme on economic and financial management integration for achievement of SDGs)” aims to provide Lesotho with specific, practical tools to embed its programme-based budgeting framework, such that development goals, including the SDGs can be effectively linked to the budget. This Guide began by briefly looking at Lesotho’s underlying budget framework providing background information. Next, the Guide describes what the Logical Framework Approach (LFA) methodology is and how it can be used to design/review programmes/subprogrammes and indicators. This is followed by a discussion of the relevance of a coordination scheme, and how resources can be allocated to properly defined programmes. Finally, the Guidelines describe how programmes can be linked to the IFMIS.

Theoretical explanations as well as practical examples are provided to assist readers in reviewing and designing budgetary programmes based on common objectives, allowing them to be monitored using associated performance indicators. Readers will be assisted in embedding a programme-budgeting approach that not only focuses on arranging current expenditures into new categories, that is, budget programmes, but also in providing a basis for being able to monitor their progress and results throughout the budget cycle.

IV. The Logical Framework Approach (LFA)

a. Definition

The LFA is a tool developed for the planning and evaluation of goal-oriented project management. It is dynamic, used in all project stages: design, execution, and evaluation. Its construction follows a vertical logic that establishes a sequence of steps, verifying the integrity of the planning process and facilitating monitoring and evaluation. The horizontal logic then explains what is intended, how to measure progress, and how to verify results. Both components help to measure the effectiveness, efficiency, and quality of public spending.

While the LFA has in recent years become a widespread planning tool, especially for projects implemented in developing countries, it has a rich history, being in use for over

50 years with the United States of America using it since 1969; the World Bank adopting it as a design and assessment tool in 1997, and institutions such as the European Union, Australia and the bond network for international development (UK network for organizations working in international development) actively using the tool since the 2000s. Likewise, Mexico institutionalized the use of this planning tool in 2004 and in 2005 the Economic Commission for Latin America and the Caribbean adopted it as a basic tool used in monitoring programmes.

Despite the variety of alternate tools available, the benefits of using the LFA for evaluating public policies derives from it being exhaustive, goal-oriented and providing for continuous improvement. Additionally, the LFA is useful in structuring the budget into budget programmes that may have indicators at different hierarchies and levels. This allows it to be replicated and used to provide guidance in establishing different types of programmes that are linked to national planning and the SDGs.

b. Rationale for using the LFA

As described above, programme-based budgeting is still to be fully embedded in Lesotho's budget framework. Changes to ministerial portfolios, such as the merger of the Ministries of Finance and Development Planning, and the associated required reconfiguration of existing administrative functions flowing from Lesotho's 2022 national elections also mean that functions need to shift/ be merged/created and that associated programmes/subprogrammes need to be created and/or reconfigured to suit their new purposes.

In this process of fully embedding programme-based budgeting, in the design and review of programmes, sequencing is critical. This is because allocations based on poorly defined programmes/subprogrammes or those that lack a shared objective merely represent an alternate aggregation of line-item allocations. The LFA methodology overcomes this through focusing firstly on the identification and definition of budgetary programmes. The second step then centers on how to measure programme progress through performance indicators. Only after this, can resource allocations be determined or factored in, responding to the institutional context. Alternatively, when programmes do not have a clear goal (purpose); it is unclear what goods and services they provide (components) as well as what processes are required to generate those goods and services (activities). This means that allocations to such programmes are normally arbitrarily calculated, possibly following an inertial institutional trend. In such cases, any accompanying monitoring framework will also not adequately showcase the Government of Lesotho's budget efficiency, efficacy, or impact.

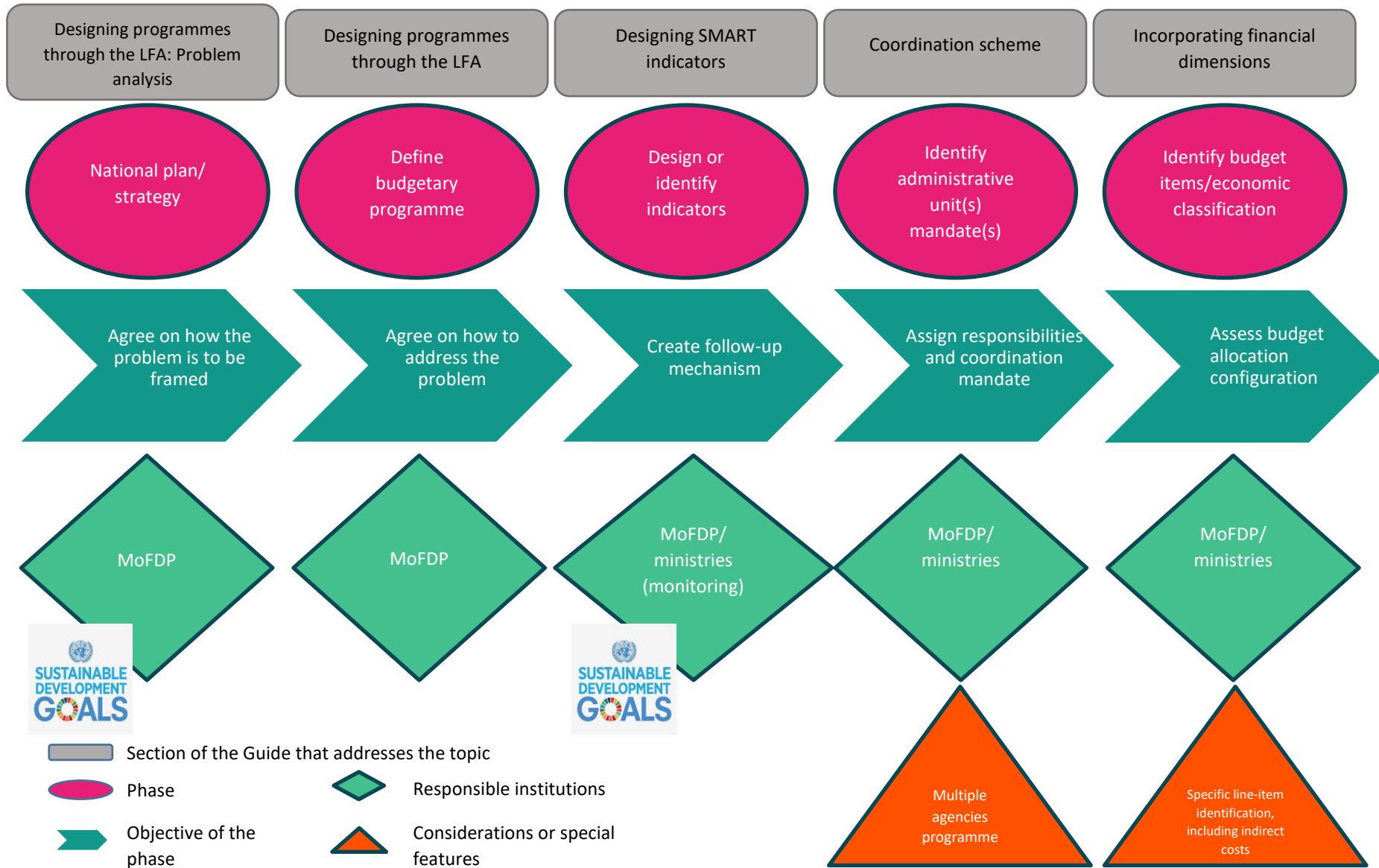
c. The LFA – Incorporating a sequence of strategic steps

To avoid the challenges depicted above, this Guide proposes that a sequence of strategic steps be taken when reviewing and creating new programmes/subprogrammes towards clearly identifying the main areas of responsibility and action. This does not mean that other approaches cannot or should not be used, indeed, there are alternatives that can lead to similar results. Following the sequence proposed here, does however, make it easier to avoid duplicating work on similar processes or assigning allocations to objectives that do not relate to the national priorities or are not well-structured to achieve their goals.

Figure 2 below shows a series of steps that can be used when utilizing the LFA. In the top gray row, the next sections of this Guide that relate to each concept are shown. The pink circles show each phase that needs to be addressed through specific actions shown on the third level (green arrows). This is where the sequencing is presented. It starts with defining the problem, considering national planning, followed by different steps until the budget is allocated. The green diamonds show the main stakeholders related to each stage. Finally, the orange triangles include factors that should be taken into account by column.

Following this logic, the creation of a programme/subprogramme starts with the clear identification of a problem that requires an intervention from the government. This can be identified in the country's strategic plan. Since this involves strategic planning, the ministry leading this should be the Ministry of Finance and Development Planning (MoFDP), with the possible collaboration of other relevant ministries or institutions. This step falls under the problem analysis phase of the LFA. The second step relates to the objective analysis, defining the specific intervention to address the problem, this is essentially where a social problem turns into a programme/subprogramme based on the shared objective of tackling the issues identified through different outputs and activities. Once a programme is defined, the focus turns to how monitoring and control will take place in the budget cycle, that is, towards designing indicators as mechanisms to follow up on performance at different programme levels, including on its intended results. Once the programme is defined and its monitoring in place, the focus turns to mandates and assigning responsibility and coordination mechanisms. A programme may be the responsibility of just one ministry or administrative unit, or several ministries may have mandates that contribute to the programme's goal. After these mandates have been considered, resources can be allocated to programmes. Finally, the section titled "How to incorporate financial dimensions?", deals with the likely challenges emanating from an unclear problem.

Figure 2: Sequencing as a policy decision and what it looks like in practice



d. Relevance of linking planning and budgeting

National objectives/goals are normally sought with a medium to long term perspective. In order to address them through concrete shorter-term actions, it is useful to link the goals contained in national plans to national budgets, that encompass annual planning and well-defined expenditures. This link is normally done through budget classifications and their associated national goals. To do this, there needs to be a link between the nation's vision and the budget, often through sectorial, cross-cutting (transversal), and administrative classification alignment. Furthermore, there must be a link between the country's policy objectives, including the SDGs, and the country's resources. Such a link will allow detailed monitoring of the government's actions for each SDG to take place. To achieve the goals set out in national development plans, governments need to allocate public resources to their achievement, that should be strategically focused and aligned with objectives sought. Figure 3 depicts this relationship.

Figure 3: Link between national planning, programmatic structure based on budget programmes and performance evaluation system⁴



Results-based management

Results-based management (RBM) is a model of organizational culture, management and institutional performance that places greater emphasis on results than on input procedures. This is based on the notion that the result and the associated impact matters more than how things are done. This model has five pillars, as follows:

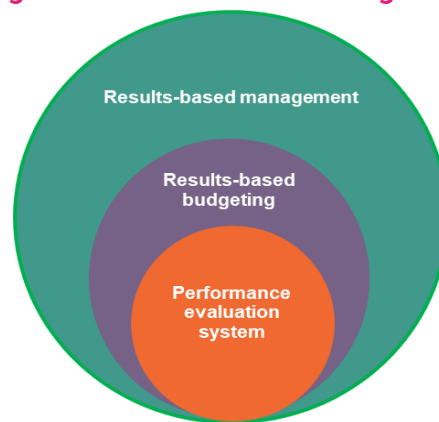
1. Results oriented planning
2. Results based budgeting
3. Improved management
4. Improvement of programmes and projects
5. Monitoring and evaluation

One of these pillars, results-based budgeting (RBB), is a process that systematically integrates results and the impact of the implementation of budget programmes and application of allocated resources, in budget decision-making. This is contrary to the approach of inertial budgeting that places emphasis on the method of implementation and not on the consequent results. Hence, for the RBM to fulfill its function, specific objectives need to be established, enabling a subsequent evaluation of the impact of its

⁴ The represented link is based on the Mexican case.

intervention. Therefore, the RBB is embedded within the RBM approach, with monitoring taking place through a Performance Evaluation System (PES), as shown in Figure 4.

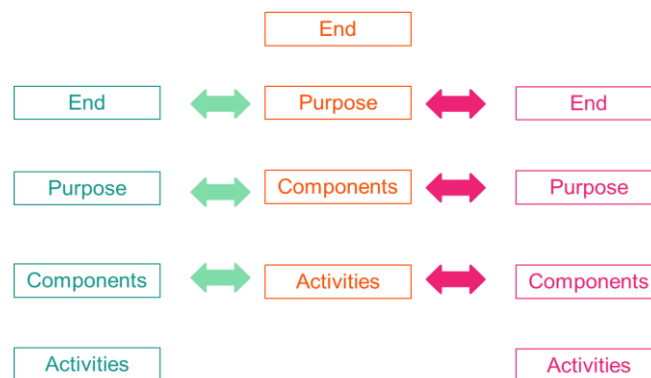
Figure 4: Results-based Management



To systematize government actions through public resources, a budget classification and structure based on budget programmes, also known as a programmatic structure, can be used. This structure facilitates the grouping of budget allocations in a representative and homogeneous way towards reaching the SDGs. A programmatic structure is a consolidated institutional framework that identifies the resources that affect specific objectives and results. The link between financial resources, goals, and outcomes can only exist when paired adequately with results-oriented or performance-based budgeting, implying the design, calculation, and continuous monitoring of performance indicators.

Performance-based budgeting provides a source of information based on methodologies and instruments that facilitate the measuring of the performance of budget programmes. On the one hand, monitoring allows the verification of performance based on indicators that assess the level of objective/goal achievement. The indicator matrix (matrix of key performance indicators, performance measurement matrix, or performance indicator matrix) structures the performance-based indicators through the LFA. The LFA provides the elements to build the matrix and serves as a basis for designing a budget programme. It structures priorities and the sequence of objectives in an orderly manner within the same programme and can also be useful in placing different interventions in a hierarchical structure, that are aligned towards the achievement of a particular goal (in a “waterfall” type of relation, as shown in Figure 5). The LFA makes it possible to systematically place the national development plan or SDGs objectives on top of the structure.

Figure 5: Waterfall matrix



e. Key LFA scope considerations

The LFA methodology only applies to budget programmes and subprogrammes. Some government expenditure may however fall outside of budget programmes, with there being a distinction between programmable and non-programmable expenditures. Programmable expenditure refers to spending to pay for goods and services that will be used towards meeting specific government objectives/goals, such as spending on education services, health, and public safety. In contrast, non-programmable expenditures include spending on items such as debt service costs.

Equally, international experience shows that not all public resources can be allocated a SDG tag. For example, depending on the level of disaggregation and information interoperability, resources used for debt financing are potentially out of the scope for SDG tagging. The same applies to contingency resources set aside to cater for unforeseeable and unavoidable events. This means that not all SDGs necessarily need to be addressed, and that programmes should not force specific SDG tags where clear attributions cannot be made. In practice, SDGs are quite specific, particularly when considering their targets, hence government contributions should be clear and specific enough to be able to support the attainment of a particular SDG.

Considering that not all public resources can be incorporated into a SDG tagging logic also implies analyzing the applicability of the LFA methodology within the broad public sector beyond the central government. It should be considered if the institutional configuration and reporting schemes allow a broad application of the methodology, at different levels of government and entities such as regional governments, bodies with technical and administrative autonomy such as institutions in charge of elections, human rights or public attorney offices, and state-owned enterprises. It is essential for Lesotho's next steps to consider these possible limitations to a quick implementation of the LFA, since the operational alignment might be challenging to implement on a broad level and may involve a substantial compromise from several institutions.

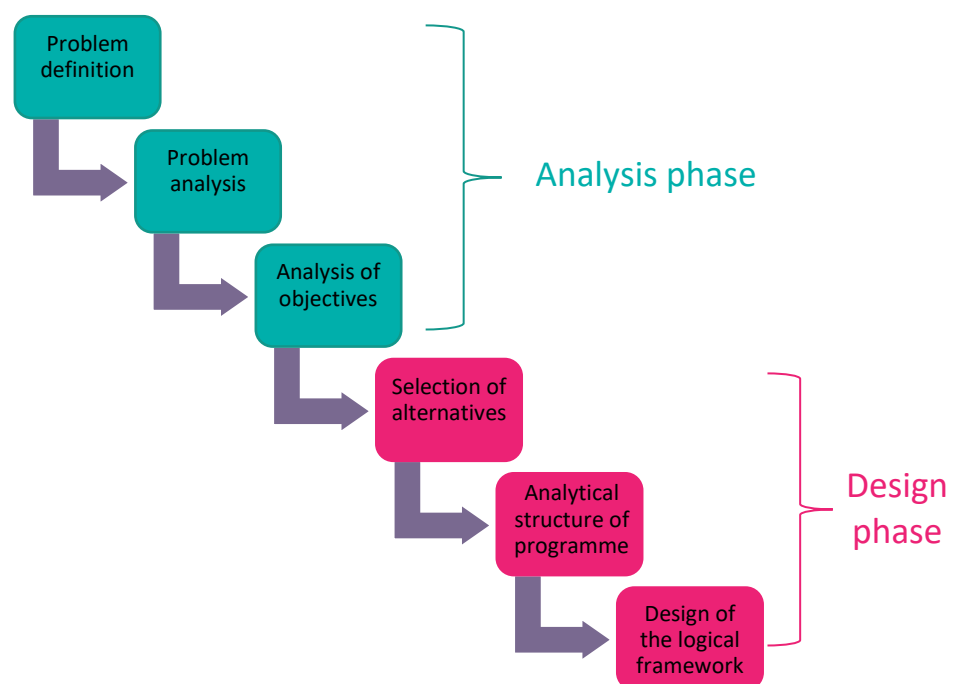
The use of the LRA should also take the current institutional arrangements and governance frameworks into consideration - there are different institutions that interact within the programme-budgeting framework that need to be involved in the process to facilitate its embedment. This process should be led by the Ministry of Finance and Development Planning.

Finally, currently information about Lesotho's IFMIS configuration, functioning as well as the data/reports it yields is not publicly available. Therefore, it is unclear whether existing reporting systems will allow for the automation and monitoring of the LFA methodology. An automated method is essential for any future proposed tagging to be widely used and become common practice. It is necessary to have open, structured data on the administrative, economic, and programmatic classifications, especially as these have been seen as the pillars for budget SDG tagging in countries that have greatly succeeded in doing so. Performance indicator information should also be public information and designed to be open by default.

V. Practically designing programmes using the LFA

In this section, the elements that make up the conceptual LFA are explained in detail, with relevant examples. The LFA has two phases with three stages each, as seen in Figure 6 below. The first is called the analysis phase, while the second is the planning phase; however, in the rest of this document, the second phase will be referred to as the design phase to avoid it being confused with national planning.

Figure 6: LFA: Two phases



a. Analysis phase

The analysis phase stems from the awareness of a problem and the motivation to fix it. This phase includes three steps: problem definition; problem analysis; and the analysis of objectives; laying the foundations for a programme.

Step 1: Problem definition: identification of actors involved

Firstly, this requires identifying all of the main actors that will intervene in the programme. The most convenient way to do this is to start by making a list of all of the key stakeholders. This will facilitate grouping them into different categories at a later point, thinking about the ways they are likely to interact with each other during the intervention. For each stakeholder, their position, and extent of involvement in the intervention must be defined. Those involved can be grouped into four major groups:

1. **Target population group** that the intervention is intended to benefit or anyone who is suffering from the problem to be solved. To identify it, it is necessary to consider everyone who would obtain a direct or indirect benefit, or to understand those that the problem affects.
2. **Those who implement/ execute the programme**, responsible for delivering the products or services during the intervention.
3. **Decision makers** in charge of designing the programme and overseeing it.
4. **Those who finance the intervention**, that is, those that provide the funds to carry out the implementation.

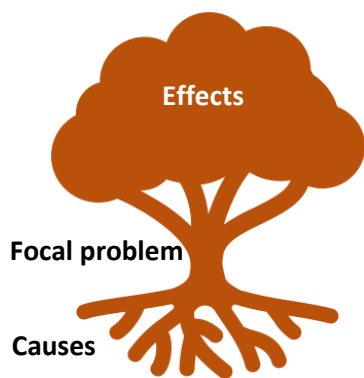
Identifying the affected population or area facilitates the optimization of social and institutional benefits while limiting negative impacts. Identifying the target population also facilitates choosing the optimal channels for the intervention. Knowing people's interests and expectations facilitates promoting and taking advantage of coincident or complementary goals. Additionally, understanding the roles that each person must play during the project provides for the proper management of resources.

Step 2: Problem analysis

This step aims to identify the roots of the problem. One way to structure ideas in this regard is by designing a problem tree, using the structure shown in Figure 7.

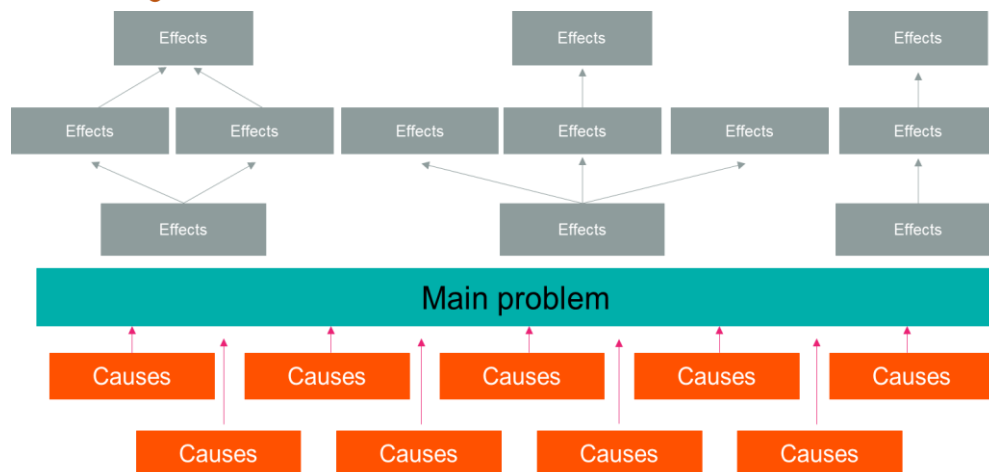
Figure 7: Problem tree

A problem tree is a mapping tool that establishes the problem by identifying the underlying causes and their most important effects. The tree synthesizes the ideas by identifying the problem and its causes. This complements Step 1 where those involved were identified, assisting in establishing a hierarchical relationship that facilitates prioritizing and focusing on objectives. To make it easier to operate, the GIFT Team



developed a template with the structure of the problem tree, presented below in Figure 8.

Figure 8: Structure of a problem tree diagram

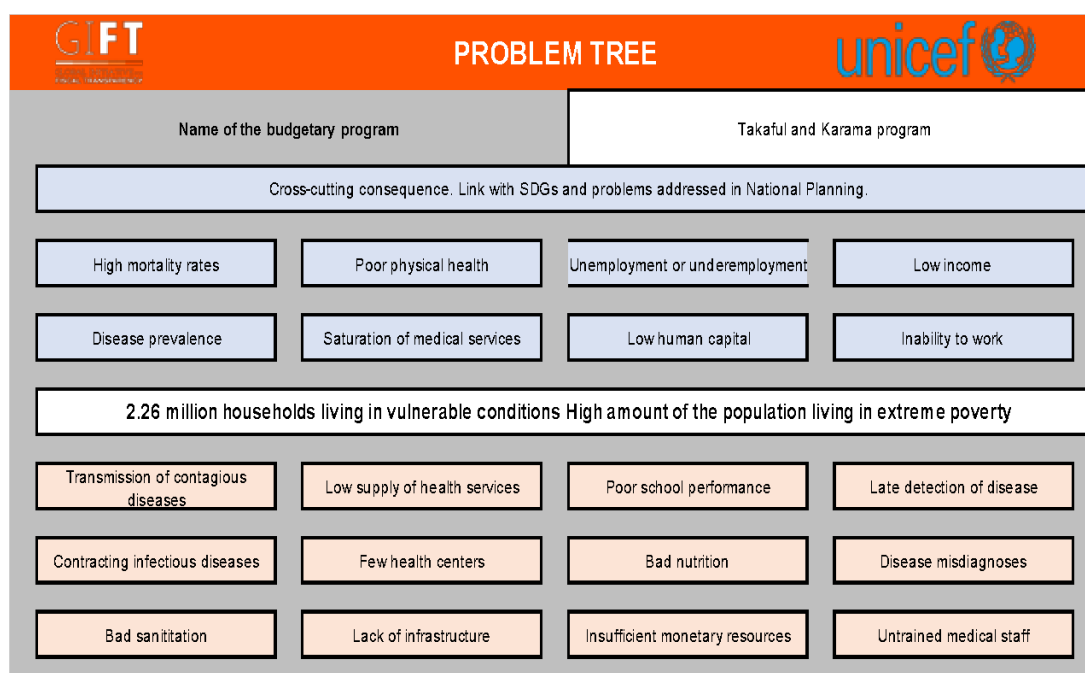


The easiest way to approach this structure is by asking questions that allow one to identify the roots and establish causal links to the consequences. Some examples of these questions, include:

- What is the main problem?
- What are the direct and indirect consequences that this problem generates?
- What factors cause or encourage the prevalence of this problem?

Another option is to brainstorm ideas before either classifying or discarding them. Once the elements that make up the tree have been selected, the next step is to place them within the diagram. The top contains the effects; the main problem appears in the trunk, and the roots represent the causes. All elements are written as negative statements. A common mistake to avoid is addressing a problem that lacks a solution or where there isn't a feasible good or service solution available. For ease in verbalizing and phrasing the problems, it is useful to first identify and write the target population and then the main problem. Below an example is provided of a problem tree for an Egyptian cash transfer, social protection programme called Takaful and Karama.

Figure 9. Example of a problem tree: Takaful and Karama programme



Once the template is filled out, the causal relationships can be established with the problem tree structure, as shown for the example of Takaful and Karama in Figure 10.

Figure 10. Example of problem tree template: Takaful and Karama programme



PROBLEM ANALYSIS



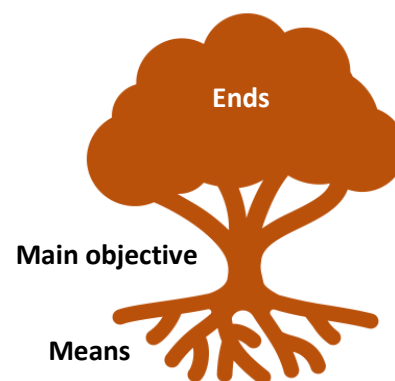
Name of the budgetary program Targeted population Main problem	Takaful and Karama program		
	2.26 million households living in vulnerable conditions		
	High amount of the population living in extreme poverty		
Causes			
Immediate problem 1	Cause 1	Deep problem causing Cause 1	
Transmission of contagious diseases	Contracting infectious diseases	Bad sanitation	
Immediate problem 2	Cause 2	Deep problem causing Cause 2	
Low supply of health services	Few health centers	Lack of infrastructure	
Immediate problem 3	Cause 3	Deep problem causing Cause 3	
Poor school performance	Bad nutrition	Insufficient monetary resources	
Immediate problem 4	Cause 4	Deep problem causing Cause 4	
Late detection of disease	Disease misdiagnoses	Untrained medical staff	
Consequences			
Immediate consequence 1	Effect or indirect consequence 1	General, long term effect	
Disease prevalence	High mortality rates	Cross-cutting consequence. Link with SDGs and problems addressed in National Planning.	
Immediate problem 2	Effect or indirect consequence 2		
Saturation of medical services	Poor physical health		
Immediate problem 3	Effect or indirect consequence 3		
Low human capital	Unemployment or underemployment		
Immediate problem 4	Effect or indirect consequence 4		
Inability to work	Low income		

Step 3: Analysis of objectives

In this stage, it is essential to create a tree of objectives, with the general structure presented in Figure 11. The objectives tree aims to describe the future situation it aspires to achieve once the problems have been solved. The way to design it is to convert the negative statements contained in the problem tree into solutions written as positive statements.

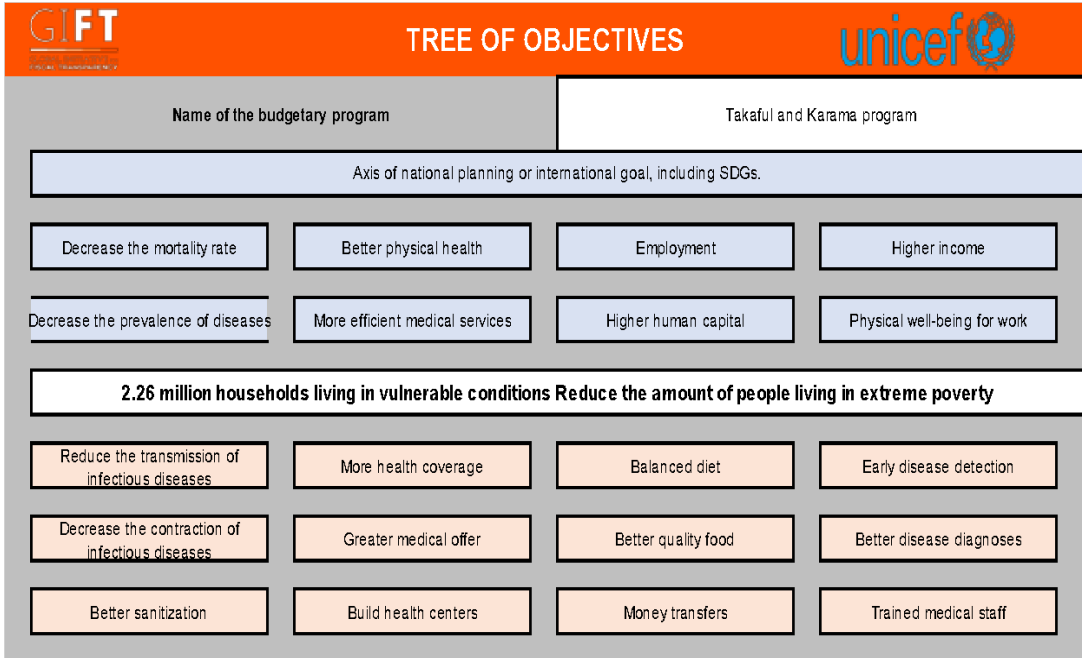
Once the objective tree has been constructed, it is necessary to examine the relationships between means and ends that have been established to ensure the validity and integrity of the scheme. The structure is similar: effects are replaced by ends, the main problem with the main objective, and causes with means.

Figure 11: Objectives tree



Continuing with the example of the Takaful and Karama programme, the objective tree is shown in Figure 12.

Figure 12. Example of an objectives tree: Takaful and Karama programme



The template developed for the tree of objectives is similar to the one used for the problem tree, with the inclusion of a name for the budget programme, and its contribution to social welfare, as Figure 13 shows. This should be linked to international goals, including the SDGs.

Figure 13. Example of complete problem tree: Takaful and Karama programme





ANALYSIS OF OBJECTIVES

Name of the budgetary program	Takafuland Karama program		
Targeted population	2.26 million households living in vulnerable conditions		
Main objective	Reduce the amount of people living in extreme poverty		
Means			
Means to solve immediate problem 1	Means to solve the indirect cause 1	Means to solve the root cause 1	
Reduce the transmission of infectious diseases	Decrease the contraction of infectious diseases	Better sanitation	
Means to solve immediate problem 2	Means to solve the indirect cause 2	Means to solve the root cause 2	
More health coverage	Greater medical offer	Build health centers	
Means to solve immediate problem 3	Means to solve the indirect cause 3	Means to solve the root cause 3	
Balanced diet	Better quality food	Money transfers	
Means to solve immediate problem 4	Means to solve the indirect cause 4	Means to solve the root cause 4	
Early disease detection	Better disease diagnoses	Trained medical staff	
Ends			
Consequences of solving the main problem 1	Contribution to the solution of the secondary situation 1	Contribution to the achievement of an axis of public policy or social welfare	
Decrease the prevalence of diseases	Decrease the mortality rate	Axis of national planning or international goal, including SDGs.	
Consequences of solving the main problem 2	Contribution to the solution of the secondary situation 2		
More efficient medical services	Better physical health		
Consequences of solving the main problem 3	Contribution to the solution of the secondary situation 3		
Higher human capital	Employment		
Consequences of solving the main problem 4	Contribution to the solution of the secondary situation 4		
Physical well-being for work	Higher income		

b. Design phase

The analysis phase focused on generating ideas on how to solve the problem through structured thinking, causal relationships, and the design of evaluation tools. This phase focuses on the selection of alternatives, the programme's analytical structure, as well as the matrix's design to propose a course of action, monitoring and evaluation for the programme.

Selection of alternatives

This consists of proposing probable actions that can, in operational terms, achieve the means. During the analysis of alternatives or strategies, it is useful to determine the objectives inside the intervention and those outside the intervention. Among all of the alternatives, the most suitable should be selected. Suitability implies that the strategy is economically, technically, legally, and environmentally feasible.

The template suggests assigning the Ministry that best suits the programme goal the task of supervising and planning its implementation. It also reiterates the importance of emphasizing the "end" level of the programme and its purpose to later list each alternative by its component and activity.

Analytical structure of the programme

The programme is now schematized through the establishment of hierarchical relationships. Here the name of the levels of the matrix appears for the first time: end; purpose; component; and activity. The previous selection of strategies will facilitate the

next step. Continuing with the simplified Takaful and Karama programme, the analytical structure would be as shown in Table 2 below.

Table 2. Example of an analytical structure of the programme

Level of the matrix	Example of strategies
End	Break the cycle of poverty in Egypt
Purpose	Improve the health of children
Component	Balanced diet
Activity	• Food ration cards • Nutrition awareness sessions

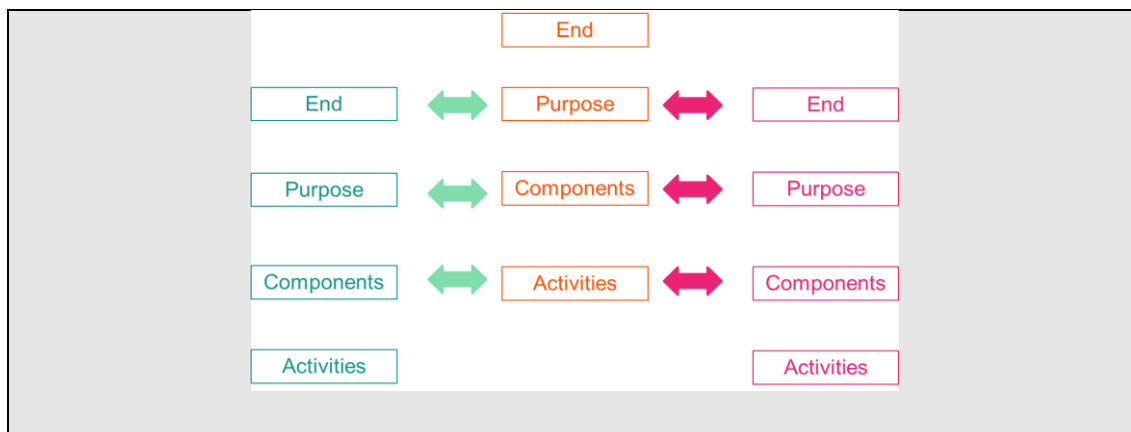
In Lesotho's context, it is important to take into consideration the existence of subprogrammes, the integration of which is shown in Box 1 below.

Box 1. Integration of programmes and subprogrammes structure

As stated in the Organization for Economic Co-operation and Development's [Good Practices for Performance Budgeting](#) (2019), a well-defined programme is a collection of activities that work together to achieve a specific policy goal or outcome. A good programme architecture should align with public policy objectives and connect those objectives to the financial resources dedicated to achieving them. Policy areas or missions can be defined above the programme level, grouping several "programmes" that may belong to different ministries. *Subprogrammes can be used to decompose "programmes" using the same logic and features as programmes.*

For practical purposes, as Lesotho already has a structure which includes programmes and subprogrammes, the LFA incorporation could follow the structure of the waterfall matrixes shown below, where the subprogramme indicators are consistent and aligned with the programme structure, whilst adding disaggregation and recognizing the high-level policy objective. In the matrix below, the programme would be the central, orange column; while the sub-programmes would be the side, pink and green, columns.

Waterfall matrix



Design of the Logical Framework Matrix

The Logical Framework Matrix requires using a four-level matrix whose staggered structure is related to its cross-cutting function. The matrix follows a causal logic (explained in detail in Table 3) that is a useful approximation of complex situations and highlights the logical links between its items. This characteristic allows verification of the integrity of the planning process.

Table 3. Logical framework matrix

Narrative summary	Indicators	Means of verification	Assumption
END	Use of strategic indicators to measure the indirect impact	Sources of information	Sustainability assumptions
PURPOSE	Use of strategic indicators to measure the direct impact		Purpose assumptions
COMPONENTS	Use of strategic and management indicators to evaluate products or services		Component assumptions
ACTIVITIES	Use of management indicators to evaluate products or services		Activity assumptions

c. Levels of the logical framework matrix: Vertical logic

The vertical logic can be verified under the assumption that if something occurs, then something else will result. The applicable levels are: End; Purpose; Components, and Activities, with the causal logic going from bottom to top, as described below.

End

The end represents a development objective that is generally at a strategic level helping establish the context in which the intervention fits. It describes the medium or long-term impact the intervention will contribute to. Noteworthy, it does not imply that the programme itself is enough to solve the problem, but rather that it can contribute significantly to a visible change. The result is linked to high-impact strategic objectives that will be achieved through various programmes. Generally, the end is aligned to the attainment of the objectives of the national, state or municipal development plans and or/ international objectives such as SDGs.

Purpose

The purpose describes the direct effect or expected result by the end of the execution period. The logical framework matrix requires that each programme has only one goal so that there is clarity and coherence. In addition, the purpose should be a consequence of the production of the components.

Components

The components are the inputs required to achieve the objectives of the programme. These could be incorporated in the form of subprogrammes. They are goods or services produced or delivered by the programme/subprogramme to fulfill its purpose. They must be within the assigned budget.

Activities

Activities should be presented within the matrix as a list grouped by component and in chronological order. The activities must be synthesized as detailed actions and inform the time and resources used. They are the main activities to mobilize inputs to generate the programme or subprogrammes' goods and/or services.

d. Elements of the logical framework matrix: Horizontal logic

Horizontal logic elements include those described below.

Narrative summary

A narrative summary needs to be written as positive statements of the expected objectives for each level of the logical framework matrix. The key question is, "What is intended?".

Indicators

Indicators are units of measurement that allow the evaluation of a programme/subprogrammes' performance. Its construction relies on collecting qualitative and quantitative information; however, the result of processing information is a quantitative expression. The key question is, "How is progress measured?".

Means of verification

The means of verification indicates the precise sources of information to be used to measure each of the indicators. The key question is, “How can we verify progress?”. Some examples of sources of information are:

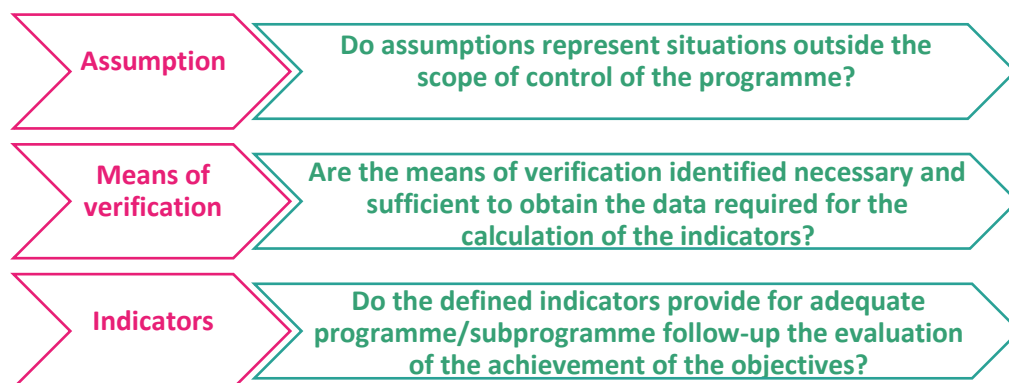
- Existing statistics or previously well-developed programme indicators;
- Public information from institutional reports; and
- Results of studies undertaken by experts.

Assumptions

Assumptions are factors external to the programme’s implementation and operations. However, they are important for the achievement of the programme’s objectives. The way to build the assumption is to ask if the situation represents a risk for the project, if it is important, and if it has a medium probability of occurrence. Moreover, like indicators, assumptions need to be measurable and constantly monitored.

Common mistakes to avoid include only pointing out the risk, repeating the same assumption at several levels, or placing it at the wrong level, and including irrelevant facts. One way to avoid these errors is to apply a vertical and horizontal logic as seen in Figure 14. Knowing the activities and their assumptions contributes to the components being developed gradually for each level. They should also be written as a positive statement; meaning that they must be expressed as an objective to be achieved or maintained.

Figure 14: Horizontal logic review



A simplified logical matrix applied to the Haya Karima programme, seen in Figure 15, is a practical example of using these concepts. The programme is developed by the Ministry of Planning and Economic Development and the Ministry of Social Solidarity. Its purpose is to honor Egyptian citizens, preserving their dignity and rights to have a decent life.

Figure 15: Simplified example of the logical framework matrix⁵

 LOGICAL FRAMEWORK MATRIX 				
NAME OF THE PROGRAM:		Haya Karima		
MINISTRY:				
LEVEL	NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
End	Honor Egyptian citizens and keep their dignity and their rights to have a decent life.	Human development index	Data from international organizations and local institutions	Important events or conditions outside the control of the project must prevail to achieve the end
Purpose	Eliminate multidimensional poverty to provide a decent and sustainable life	Poverty rate	Data from Ministry of Human Development	Important events or conditions outside the control of the project must prevail to achieve the purpose
Component 1	Decent housing	Percentage of people with a household with basic services	Information from the health centers, educational centers and from the beneficiaries.	Important events or conditions outside the control of the project must prevail to achieve the components.
Component 2	Medical services	Index of prevalence of infectious diseases		
Component 3	Educational services	Dropout rate		
Component 4	Economic empowerment	Unemployment rate		
Activity 1	Upgrading houses	Quality of buildings	Evaluation of construction material, the medical equipment and the duration and place of employment.	Important events or conditions outside the control of the project must prevail to achieve the activities
Activity 2	Building hospitals	Quantity of health centers		
Activity 3	Increase efficiency of schools	Number of trained teachers		
Activity 4	Job opportunities	Number of jobs created		

VI. Designing SMART indicators

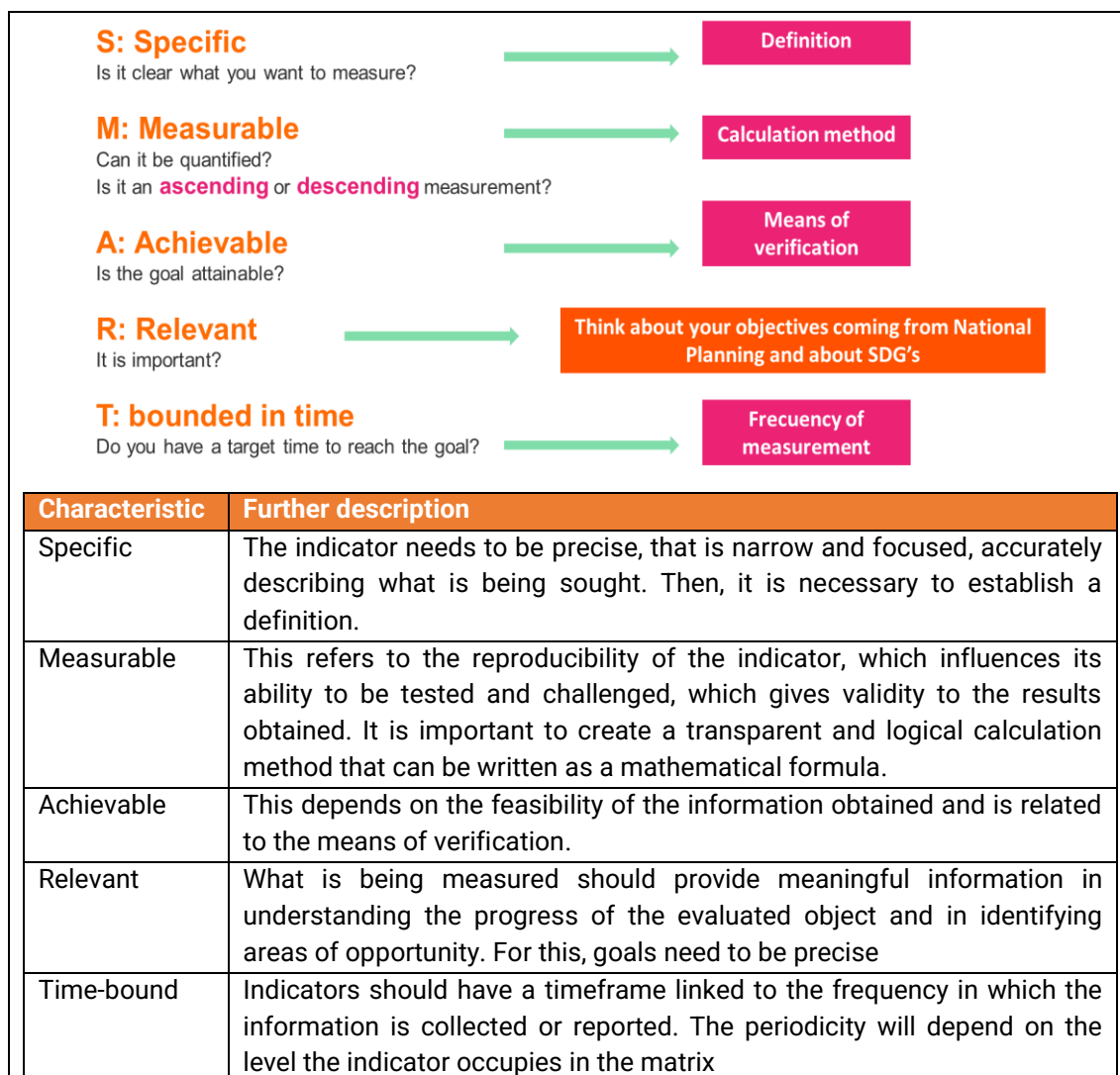
This section continues with the progress of applying the LFA, by identifying good practices on how to design indicators to accurately measure progress towards attaining the results sought by the established programmes/sub-programmes. As explained in the previous section, indicators are fundamental elements of the matrix. This section will explain which criteria they should meet, different types of indicators as well as where they would be located at each level of the matrix according to their function. With reference to the sequencing scheme presented in Figure 2, the design of indicators occurs in the third phase of the process.

a. SMART criteria

Indicators are essential operating elements. Since the information obtained for the monitoring and evaluation of the programme/subprogramme depends on them, they must meet specific criteria. The SMART acronym is a useful way of remembering the key characteristics that good indicators fulfill, as seen in Figure 16.

⁵ The matrix presented here is an over simplification, merely used for educational purposes. The practical implementation of a system based on Logical Framework Matrixes as a structure is significantly more complex.

Figure 16: SMART criteria for indicator building



b. Types of indicators

Although indicators are tools during the matrix construction, their location on the matrix level depends on the objective they are evaluating. Identifying the indicator type to position them in the indicated place is, as such, necessary.

Indicators according to the unit of measurement

The established variables are related to their mathematical construction in these types of indicators. There are two possibilities: absolute or relative indicators.

Absolute indicators express numerical quantities.

Relative indicators are derived from a calculated relationship between variables.

Indicators according to the attribute they measure

These indicators are either strategic or management indicators as described below:

Strategic indicators

Strategic indicators are directly related to the programme's overall objectives and can be classified into two categories: result or impact. The first is associated with achieving the goals and purposes of institutional action. The second measures the effects that achieving the objectives and purpose have on programme beneficiaries. These indicators are generally developed with a long-term vision in tackling complex problems. Some examples are the: incidence of infectious diseases; average food price analysis vs income of average households; and percentage of the population living in poverty.

Management indicators

The objective of management indicators is to measure the relationship between supplies and processes to evaluate the intervention chain. The distinction is between process result management and operative management indicators. The first type of indicator refers to concrete results concerning the process goal. The second type evaluates the process and focuses on using the resources. Some examples include the: number of health centers in the area; number of trained personnel per beneficiary; and the quality of food delivered to households living in poverty.

In the matrix, strategic indicators apply at the purpose and end levels; strategic and management indicators can apply at the component level, while only management indicators can apply at the activity level. Nevertheless, both types of indicators can provide quality information that supports decision-making throughout the life cycle of the programme and budget cycle.

c. Indicator performance dimensions

Indicators can measure four different dimensions of the objective of the programme/subprogramme: Efficacy, efficiency, economy, and quality.

Table 4: Indicator performance dimensions

Dimension	Measure of	Examples
Efficacy	Degree of compliance with the objectives.	• Net increase of beneficiaries • Reduction of food poverty achieved with the programme
Efficiency	The relationship between the products and services generated	• The programme cost per beneficiary • Increase in quantity received relative to

	compared to the inputs or resources used.	the price paid, using the previous year as a baseline (efficient procurement)
Economy	The programmes capacity to generate and mobilize financial resources adequately.	• Percentage of budget spent • Percentage of third-party financial contributions to projects
Quality	The attributes/properties/ characteristics that goods and services must have in order to meet the programme's objective.	• Percentage of delivery of products and services in targeted times • Any standard detailed by the Codex Alimentarius Commission that assesses the quality of food

International experience shows that practitioners tend to include mainly efficacy measures that are only based on the comparison between achieved and programmed objectives. Those objectives only measure the efficacy on planning, not results. Hence, they should be avoided especially at the highest levels of the Matrix such that results can actually be measured. For example, measuring the percentage of schools built in relation to those planned, won't reveal whether that number of schools built is actually adequate in achieving the programme's goal.

d. Level of the indicator in the logical framework matrix

Before designing the indicators for each level of the matrix, it is necessary to identify the relevant factors to measure. Likewise, it is essential to consider if the observations provide the necessary data to construct the indicators that allow the analysis.

End indicators

The function of end indicators is to identify the change or impact generated by the project. These indicators can include targets beyond the scope of the programme/subprogramme. SDG indicators can be directly used at this level.

For example, the goal of the programme "Decent work and economic growth" implemented in Mexico is to promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all. A specific target of the programme was to, by 2020, substantially reduce the proportion of youth not in employment, education or training.

The end indicator for this target would look like the one in Figure 17.

Figure 17: Example of an end level indicator

Objective (Narrative Summary)	Indicator Definition	Calculation method	Means of Verification	Frequency	Assumptions
Contribute to the absorption of young people between 18 and 29 years of age in economic activities through job training not studying in educational facilities	8.6.1 (%) Proportion of youth (aged 15–24 years) not in education, employment or training	(# of people aged 15-24 years NOT in education, employment or training / # of people aged 15-24 years) * 100 The ILO Department of Statistics processes national household survey microdata sets in line with internationally-agreed indicator concepts and definitions set forth by the International Conference of Labour Statisticians. For data that could not be obtained through this processing or directly from government websites, the ILO sends out an annual ILOSTAT questionnaire to all relevant agencies within each country (national statistical office, labour ministry, etc.) requesting the latest annual data and any revisions on numerous labour market topics and indicators, including many SDG indicators.	International Labour Organization (ILO)- Specific Country series (link)	Yearly Numerator: Yearly Denominator: Every 5 years	Global and labor market conditions remain within the confidence interval.

Purpose indicators

The function of purpose indicators is to identify the direct effect of the programme/subprogramme. Continuing with the example, the intervention is aimed at young people and its objective is for them to join the labour market. Given that the end of the intervention is the inclusion of young people in the labour market, one way to measure the impact of the programme is to compare the number of young people who acquire their first work experience through the programme relative to the total target population. An example of a purpose indicator is described in Figure 18.

Figure 18: Example of a purpose level indicator

Objective (Narrative Summary)	Indicator Definition	Calculation method	Means of Verification	Frequency	Assumptions
Young people between the ages of 18 and 29 who do not study or work and who live primarily in municipalities with high and very high levels of marginalization, with high rates of violence or who belong to historically discriminated groups have opportunities to develop productive activities.	Percentage of graduated apprentices who acquired their first experience in a productive activity through their participation in the Program, with respect to the total number of graduated apprentices who answered the exit questionnaire.	(Number of apprentice graduates who completed their training and declared in the exit questionnaire that they had acquired their first experience in a productive activity through their participation in the Program in year t / total number of apprentice graduates who answered the exit questionnaire in year t) * 100	Numerator: Statistical series that presents the population that has an economic activity (employed) in the country for each of the federal entities, broken down by sex, age groups and which is the sector of activity where they are employed available in this link. Denominator: Statistical office of the Ministry of Labor, full data base available here.	Yearly	Market conditions that allow enterprises or labor centers to include apprentices in their operations and provide meaningful training stay within the prospected bandwidth.

Component indicators

The function of composite indicators is to evaluate the quality, quantity, and availability of the programme/subprogramme's goods and services. These indicators contribute to assessing the accountability of the programme/subprogramme. In the example, this level could be measured through the percentage of training provided to young people who are part of the programme. An example of a component indicator is reflected in Figure 19.

Figure 19: Example of a component level indicator

Objective (Narrative Summary)	Indicator Definition	Calculation method	Means of Verification	Frequency	Assumptions
Job training services for young beneficiaries of the program, granted	Percentage of training services provided in participating work centers	(Number of training services provided at participating work centers in period t / Total number of training services requested in period t) * 100	Ministry of Labor statistics System_Subsystem for the registry of participating work centers. Training module. Public database available here (link). Access to the system limited to Ministry of Labor authorized personnel.	Quarterly	Internal conditions of registered enterprises or labor centers that provide training services allow them to continue fulfilling their commitments with the Program, or when this is not the case, they inform promptly through the registry.

Activities indicators

The function of activity indicators is to evaluate the management and effort to build and deliver the goods and services of the programme/subprogramme. For the example, the main inputs are the work centers that provide training to young people. One way to monitor this level is to assess the quality of the participating workplaces. An activity indicator would look like the one on Figure 20.

Figure 20: Example of an activity level indicator

Objective (Narrative Summary)	Indicator Definition	Calculation method	Means of Verification	Frequency	Assumptions
Verification of enterprises or work centers.	Percentage of work centers accredited, with respect to the total registered work centers	(Number of work centers that accredited the verification process in period t / total number of work centers registered in period t) * 100	Ministry of Labor statistics System_Subsystem for the registry of participating work centers. Public database available here (link). Access to the system limited to Ministry of Labor authorized personnel.	Monthly	Weather conditions and the absence of catastrophic events allows that verified centers keep their status until their next verification and allow verifiers to conduct their assessments.

The main advantage of performance indicators in the LFA through Logical Framework Matrixes, is that the information allows the evaluation of intermediate goals and not only the result of the programme/subprogramme. Continuous evaluation encourages informed decision-making and allows policymakers to apply timely targeted corrective measures, if necessary. Another advantage is that they enable accountability and promote transparency.

With that, the first step is then to select the SDG indicator for the end goal. Then the indicators for the rest of the levels will be those previously announced by the government, such as those contained in national planning documents, as well as the relevant information about the causes and effects of the problem.

VII. Coordination scheme

Once programmes are defined and indicators designed to measure their progress and results, it is necessary to define the coordination mechanisms that will make the Performance Evaluation System operate. To avoid duplication, any overlap of mandates needs to be clarified so as to assign unique responsibilities to key institutions.

Moreover, considering that, according to Diamond⁶, the third stage of operating a programme-based budgeting system implies that all budget participants “re-orient themselves away from a centralized budget management model based on detailed controls of line items, to one based on program relevant programs, managed more directly by line ministries and with fewer line-item controls,” such that clear communication channels are established amongst all ministries that are conducting expenditures. Under such a scheme, line ministries are held accountable for programme inputs used and outputs generated. Budget management then becomes more decentralized, allowing for more flexibility. This stage refers to the fourth stage of the diagram presented in Figure 2, where administrative units need to be identified/confirmed together with their mandate towards assigning responsibilities and a coordination mandate.

Some of the key elements that need to be considered when embedding a coordination scheme include the stakeholders involved, the actions that they are responsible for and must apply or conduct, the steps involved or phases of the budget cycle, as well as the financial systems required to coordinate the different areas involved in programme-based budgeting. Different arrangements are possible under different political systems and institutions.

For instance, there are variations in legislative and executive branch criteria and processes for the approval of spending appropriations in different countries. Usually, allocations to programmes are proposed by the ministry of finance and approved by parliament, while amendments to allocations to subprogrammes or within low level economic classifications throughout the fiscal year are usually decided internally by the ministries involved. Ministries may also be allowed to reallocate a limited percentage of funds across programmes. Hence institutional mandates and context need to be carefully considered.

As an example, the Mexican coordination scheme is shown in Box 2 below, providing an illustration of some of the main elements that should be considered in designing a coordination scheme. In Lesotho, while previously the Ministries of Finance and Development Planning were separate institutions, they have been merged into the

⁶ Diamond, Jack, [Good Practice Note on Sequencing PFM Reforms](#), IMF-PEFA: January 2013.

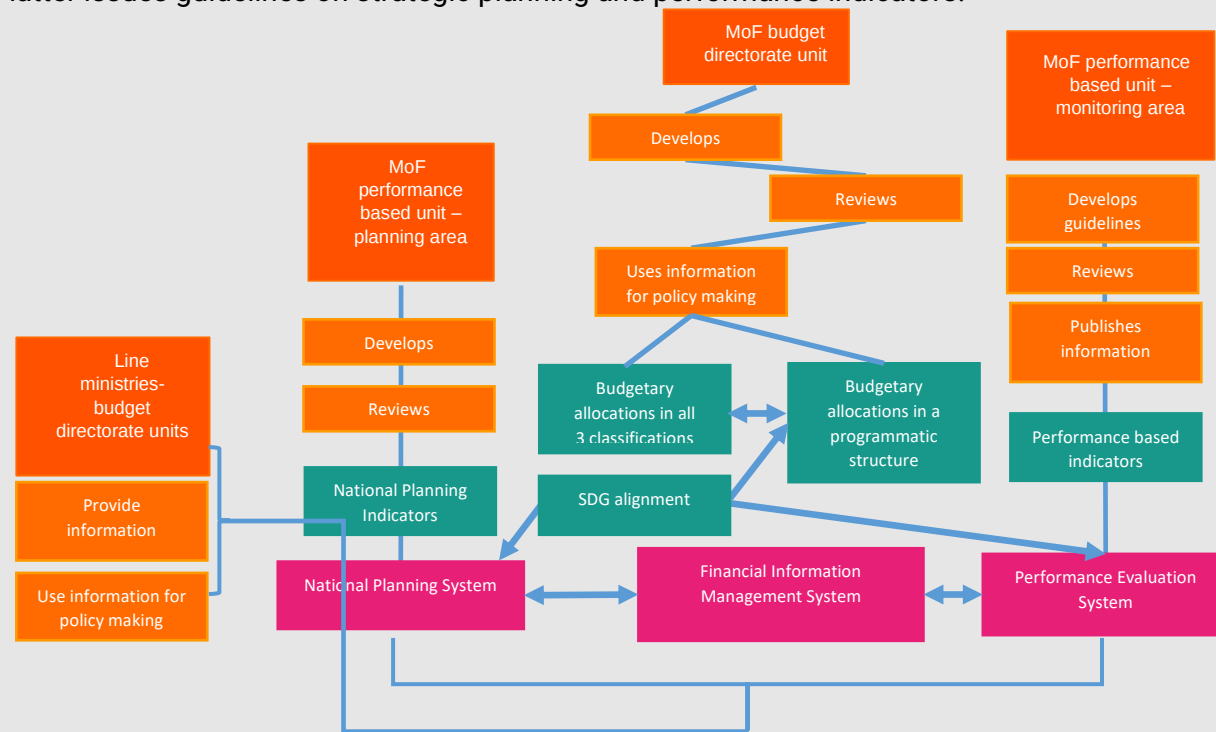
Ministry of Finance and Development Planning following the 2022 national elections. This Ministry is responsible for approving programmes put forward by Chief Accounting Officers.

As in the case of Mexico, different units within the Ministry of Finance and Development Planning are responsible for issuing planning guidance documents and national planning indicators, such as the NSDP; budget related documents such as the Budget Strategy Paper, budget call circulars and budget ceilings; and monitoring and evaluation guidance and directives. Planning units and finance units within line ministries are then meant to use this guidance material to draft their policies, associated budgets, performance indicators, and to undertake monitoring and evaluation. Financial systems used by the different ministries include the IFMIS, the Central Budget Management System (CBMS), and the Human Resource Management System.

Lesotho can use the basic framework illustrated by the Mexican case towards designing its integrated coordination scheme. The reorganization of the state flowing from the 2022 national elections provides a timely opportunity to do this. In designing/confirming the coordination scheme, it is important that a holistic approach is taken, considering the different stakeholders and their new mandates, and the associated information systems used.

Box 2. Mexican coordination scheme

A simplified version of Mexico's coordination framework is shown below. As seen, there is participation from line ministries, two different units in the Ministry of Finance, from different areas in the Performance Based Unit, including the planning and monitoring areas. Information is gathered through three different systems, the FMIS, the National Planning System, and the Performance Evaluation System, including that used for monitoring through indicators. While some of the mandates seem to duplicate, such as developing guidelines (present for the Budget Directorate Unit and the Performance-Based Unit), their mandates are differentiated as the former issues guidelines for the allocation process through the FMIS; while the latter issues guidelines on strategic planning and performance indicators.



VIII. Incorporating financial dimensions

The base rationale for structuring the budget through policies and budget programmes is to facilitate the efficient allocation of resources towards the achievement of results. This section of the Guide thus focuses on the allocation of resources to newly established/revised programmes.

In trying to achieve results, governments may feel tempted to allocate resources as soon as possible to priorities defined in a national strategic planning framework. They may address political intuitions or inertial “needs” based on previous agreements rather than on an actual diagnosis of societal problems. However, doing this before defining clear objectives and how to address them is likely to lead to various challenges, such as those described in Table 5 below.

Table 5: Common challenges when allocating resources before defining budget programmes

Challenge	Explanation
Wasting resources on initiatives that are not achieving the expected results.	One of the key features of programme-based budgeting is monitoring results through performance indicators and evaluations. Governments are likely to waste resources on initiatives with little or no impact, when programmes are not well-defined based on a common goal, since their components and activities have not been expressly built to address a common target.
Causing counter effects by financing activities that are contrary to a specific goal pursued by another activity.	In the extreme instead of having no impact, some projects may actually counter the positive effects of another project, when distant project goals are not clearly defined. Negative consequences can also recur given the lack of result measurement.
Multiple counterproductive efforts to organize the budget.	Suppose allocations are included before organizing the government efforts through budget programmes. In that case, there is a chance that ministries multiply their efforts first to try to fill in a structure of a “programme” that does not have shared goals, potentially creating further confusion. Secondly, analytical work will have to be repeated, once a methodologically-sound budget classification is in place.
Financing activities that drive away from the national priorities.	Another possibility that could arise from the lack of a clear identification of the purpose of various actions, is that some initiatives could address problems or situations that are irrelevant to nationally-stated priorities. Resources will then be lost to projects that, even if achieving results, are irrelevant to addressing national priorities.
It is harder to break inertial practices if they are embedded into an initial phase of the	If line-item budgeting is forced into a programmatic structure that is not based on shared objectives, then it likely harder to change the budget execution unit’s vision of the budget since it is likely that officials will simply advocate for their old activities to be

programme-based budgeting structure.	considered programmes, activities that most likely do not share a common goal.
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As shown in the previous sections of this Guide, to avoid these challenges, the LFA provides a methodological tool to structure a government's financial efforts towards the achievement of desired results based on the identification of goals, outputs or components, and processes or activities required to produce such components (goods and services) via budget programmes. Sequencing is essential when developing new programmes/subprogrammes or in embedding effective programme-based budgeting. This section of the Guide thus looks at the fifth step in the diagram presented in Figure 2.

Once a programme has clearly defined its objective, outputs, and activities, it is easier to calculate the cost associated with those activities and outcomes. Instead of focusing on the general allocation required for the programme, allocations can target specific activities and estimate costs to produce particular goods and services. To facilitate this process, it is useful to take stock of some brief considerations or general rules for budgeting. Some general rules, described in Table 6 below, to consider for budgeting, include recommendations already covered, such as defining programmes based on a common intended outcome (Rule 1). Others relate to specific issues, such as, how to split organizational units between programmes (Rules 3 and 4) or how to address administrative costs (Rules 5 and 6). Rules 3 and 4 entail a key decision when deciding how to build the budgetary programmes and assign them resources.

Table 6. General rules for allocating resources in programme-based budgeting⁷

Rules	
1.	Programmes and subprogrammes should to the maximum possible extent be results-based, grouping together outputs with a common intended outcome . This principle should be departed from only in specific cases with clear justification.
2.	In countries where funds are appropriated in the budget law by programme, programmes should be defined only for those broad product lines that are of sufficient importance in government-wide policy priorities for the government and/or parliament to wish to determine centrally the total resourcing that will be made available to them, rather than leaving this to be determined by the budget allocation decisions of relevant ministries/agencies.
3.	Programmes should not be defined in a way that requires specific resources (inputs) – for example, specific employees or cars – to be split between several programmes, unless it is feasible and practical to record the usage of these shared resources by each of the programmes concerned with sufficient accuracy to produce reliable measures of expenditure by programme in the accounting system.
4.	Programme budgets must clearly map the allocation of resources to organizational units , and vice versa. In general, organizational units should be taken only for one programme. Support

⁷ Source: Robinson, Marc. 2013. Program Classification for Performance-Based Budgeting: How to Structure Budgets to Enable the Use of Evidence. IEG Evaluation Capacity Development Series. Washington, DC: World Bank. License: Creative Commons Attribution CC BY 3.0 13.

	services or one-stop-shops must not be split between programmes if: neither government nor ministry management wish to plan and control the way in which the organizational unit directs its resources between the programmes concerned, and/or it is not feasible to accurately allocate/record the organizational unit's resource utilization by programme in the accounting system.
5.	Ministries should establish support programmes or subprogrammes that include support services and other corporate overheads where: It is desirable to maintain flexibility in the deployment of these support services between the support of the ministry's various results-based programmes during the year, and/or when it is not feasible – i.e. not regarded as possible at reasonable cost – to accurately allocate the support services costs between results-based programmes in the accounting system.
6.	Ministries with a single results-based programme do not need support programmes . There should, in general, be a single support programme grouping together all of the standard support services found in all ministries. Support programmes do not help central budget decision makers in making decisions about priorities in respect to the types of services to be offered to the public, therefore, there is no advantage in fragmenting the support programme.
7.	In countries that wish to keep the programme budgeting system as simple as possible, it may be pragmatically acceptable to define programme structures (and, where appropriate, modify organizational structures) so as to ensure that every "elemental" organizational unit is associated with one and only one subprogramme and programme.
8.	If the structure of government is based on a limited number of ministries with clearly delimited responsibilities, programmes should not cross ministry boundaries.

A final consideration for the allocation of resources is that countries, in general, operate under limited resources contexts. Considering this, the prioritization of policies and interventions is paramount. A question arising in this regard relates to defining what to prioritize. Two key elements in responding to this, include: strategic planning and national priorities, including international considerations such as the SDGs; and the performance information available. Both elements facilitate the comparison of the costs and benefits of different alternatives and selecting programmes that relate to national planning goals and/or have better results in achieving their goals. Box 3 presents an example of the kind of decisions that should be taken in allocating resources to a programme that was designed through the LFA.

Box 3. Example of how to determine allocations under a programme-budgeting framework

The following is a hypothetical⁸ illustration of allocating resources to programmes in line with the LFA. Imagine a programme called "Provision of health services". Despite having different mandates and responsibilities, it is assumed that the programme's Logical Framework Matrix has 3 components:

⁸ The figures included are for illustration purposes, so this proposal does not entail a specific recommendation regarding allocating resources to particular policy areas.

1. Outpatient clinics administered effectively;
2. Hospital networks expanded; and
3. Quality laboratory services provided.

Considering the programme as a whole will make it very challenging to determine the resource allocation required for it to achieve its results. Separating the necessary activities to achieve the component, however makes it easier to estimate the requirement.

Assuming that a Matrix has been developed, the first step would be to identify, from bottom to top, what each component and activity entails. For example, to effectively administer outpatient clinics, the hospital needs to provide surgery, reception, and emergency services, among others. Each of these services requires particular activities and expenditures to materialize. For instance, the: wages of the personnel conducting the surgeries; the wages of administrative personnel; medical equipment; medicine and other inventories; training of staff in the medical theatre; hospital infrastructure, among others needs to be considered. For the disaggregation, it is useful to consider line-item categories, particularly following one classification, preferably the economic classification. Hence, in this example, the following hypothetical Maloti allocations could be required:

- Wages of medical personnel: 2,341,417.18.
- Wages of administrative/non-medical personnel: 2,000,000.00
- Purchase of medical supplies: 1,327,936.14
- Purchase of non-medical supplies: 749,156.86

As seen in the example, line items, when identified through a shared focus (the budget programme), can be very useful in concluding the analysis by variable and in aggregating the different concepts into a single allocation for a budget programme. The procedure should be repeated to cover all of the economic classifications by each activity or component towards calculating a final number for the allocation.

While this example might be, in general, clear, another relevant consideration is what to do when a specific programme's impact on a component or activity is unclear. Here, it may be necessary to create another budget programme to address the activities that are not linked to the current analysis or a support service programme may need to be created for shared activities.

IX. Linking programme-based budgeting with financial management information systems

The coordination scheme presented in the previous section assists in identifying key elements towards the effective operationalization of programme-based budgeting. One of those elements

is the FMIS/IFMIS⁹ and the different systems where information on allocations, monitoring, and SDGs is stored, and can be sourced from. As previously mentioned, one of the main reasons for implementing an accounting system relates to having reliable data sources. In addition, the Ministry of Finance and Development Planning as well as line ministries, among others, should be able to track expenditure by programme/subprogramme in real-time or, at least, in frequent intervals. To do this, the FMIS should be suitably coded to enable tracking of, and reporting on, budget execution on a programme/subprogramme basis.¹⁰

The advantage of having FMIS systems is that they can assist stakeholders in exercising better control over expenditure and budget execution throughout the year. FMIS solutions can significantly improve the efficiency of PFM operations and offer great potential for increasing fiscal transparency, public participation, and accountability. Including a programme-based budgeting logic or structure within an existing FMIS built to address line-item budgeting, however requires significant changes to the system's back and front end. This does not, however, mean that when transitioning from a line-item FMIS to a programme-based budgeting FMIS there is no value in existing systems, but rather that some of the logic in which the FMIS was coded can be used and adapted for the new FMIS. For instance, the line-item budgeting code can be expanded to introduce the system's economic classification. Nevertheless, other major changes need to be considered to provide an adequate transition, including how to incorporate performance indicators into the FMIS, and how to link to international goals such as the SDGs. There are two main options on how to include both key elements in a FMIS: embedding performance indicators into the current FMIS or developing different systems or modules, as described below.

Embedding performance indicators and SDGs into an existing FMIS

The basis for a FMIS is budget classifications and data related to the different stages of the budget process: budget proposal, approval, monitoring, and oversight. Due to the accounting nature of its structure, it's sometimes difficult to add information regarding other types of data, such as performance indicators or links to the SDGs. Hence, one possible solution is to include the Performance Evaluation Logic into the budget structure and monitor the performance on national and international targets.

A major challenge of this approach is that the FMIS can present information at more disaggregated levels than that required for performance monitoring. For example, when trying to embed performance indicators into economic classification levels, one will likely find that a link is only possible at the programme/subprogramme level, possibly for selected components, depending on the level of disaggregation. However, as different logics are followed, it is impossible to match the economic classification budget items with specific indicators. This, in turn, will lead to a general column in the database that repeats the different indicators for all rows

⁹ An integrated FMIS (or IFMIS) refers to when a FMIS and other PFM information systems (for example, e-procurement, payroll, debt management) are linked with a central data warehouse to record and report on all daily financial transactions, offering reliable consolidated platforms.

¹⁰ Diamond, Jack, *Good Practice Note on Sequencing PFM Reforms*, IMF-PEFA: January 2013. Available at https://blog-pfm.imf.org/files/sequencing-v8-good_practice_note_on_sequencing_pfm_reforms_jack_diamond_january_2013_1.pdf

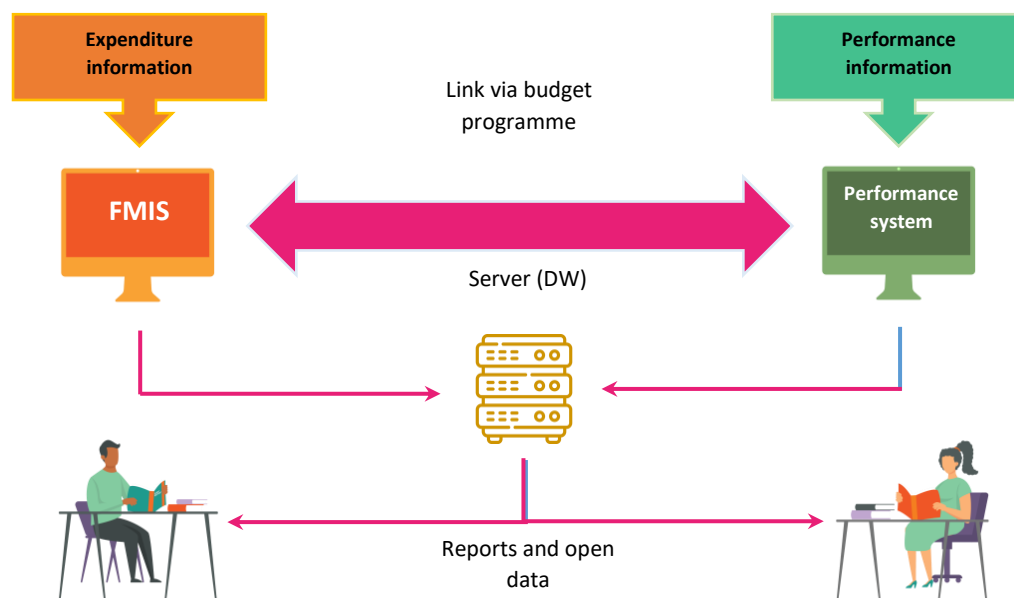
related to a specific programme/subprogramme without being able to identify the different levels in which those indicators were conceived.

Developing different systems or modules

Another option is to develop different systems or modules for performance indicators and SDGs and link them to the FMIS. Due to the different nature of the information stored in the FMIS and required performance evaluation information, this Guide recommends that performance information is generated and stored in a separate system or at least in a module of the FMIS. However, to avoid generating isolated efforts, the different systems or modules should be linked through a common variable: the budget programme. The budget programme is the common core element present in the classifications used in the FMIS, the monitoring of performance indicators, and, through the upper level of the Logical Framework Matrix, to the SDGs. Hence, it can serve as the key variable in linking the different systems or modules and their reports. In the case of different systems, it is possible to have a web service between systems or a shared interphase where data can travel without restrictions through interactions between databases.

Some countries have two different systems or modules, one for FMIS and the other to organize the collection and monitoring of performance information. For this to work, the FMIS system should merge its analysis based on the different classifications (economic, administrative, functional, geographic, and gender-based et cetera.) with each budget programme as an overarching category that will help organize the rest of the allocations. On the other hand, the new performance information system should be organized based on the budget programme as the main organizing category, with two main features: an indicators module and an evaluations module. The links shown in the diagram below will likely be suitable to Lesotho's context.

Figure 21. Simplified diagram of possible links between systems



To structure the indicators module, the Logical Framework Matrixes should be included as the main data structure for each budget programme, including the 4 rows and columns of the Matrix and detailed characterization of the indicators per level. The system can be used for monitoring as well as for designing the Logical Framework Matrixes for all of the applicable budget programmes. In addition, a tag should be included to identify the indicators linked to the SDGs. In technically doing this, business rules should ideally be included to ensure that each component or output has at least one associated activity and that all of the main elements of a SMART indicator are included in the system at all levels of the matrix, and for all indicators.

To have adequate performance information monitoring, the system must be arranged in a way that allows representatives of line ministries to directly interact with it, in order to record their progress on the annual goals defined for each indicator. Hence, the arrangement of the indicators section needs to consider the different calculation methods applicable to each budget programme and the frequency of measurement. Depending on these parameters, line ministries should be able to report on their progress for the defined period of each indicator.

As well as the indicators module, the evaluations module should also have as a basis, the budget programme and, at least, data regarding the type of evaluation, description of the programme, main findings, and follow-up on the recommendations derived from an evaluation. Both systems must be interconnected based on a key variable: the budget programme. For the interconnection, an easy-to-implement solution is through interactions between one system and the other's database through a web service to keep both systems updated on budget execution information and the results achieved by each programme.

Finally, once both systems are interoperable, the Ministry of Finance and Development Planning could generate periodical reports with the budget programme as the key feature for written reports, and the publication of excerpts of the databases in open data formats.

To illustrate the interconnection between the FMIS and the performance information system, it is useful to understand the final reports that both systems will generate. While the databases can have different provisions and settings, to include a complete picture of the Logical Framework Approach and its monitoring and evaluation mechanisms, it should include, at the very least, the minimum categories listed in Table 7, below.

Table 7. Main variables to include in the FMIS and Performance Information System

Approved budget (FMIS)	
Category	Description of main variables
General information	Includes budget cycle.
Budget programme	Includes the category or modal of the programme, the name of the programme, an ID, and its general description.

Administrative classification	Identification of the sector and expenditure unit.
Economic classification	Identification of homogeneous sets of goods and services required by entities and ministries.
Functional classification	Classifies government expenditure data from the <i>System of National Accounts</i> by the purpose for which the funds are used.
Geographical classification	Includes the governorate towards which the expenditures are directed.
Information on investment projects	The investment portfolio's inscription and the investment project's main characteristics.
Budget	Depending on the type of report, the information could refer to the proposed budget, the approved, the executed, or the spent budget.
Approved budget (FMIS)	
Performance Indicators Progress (performance information system)	
Category	Description of main variables
General information	Includes budget cycle.
Budget programme	Includes the category or modal of the programme, the name of the programme, an ID, and its general description.
Administrative classification	Identification of the sector and expenditure unit
Alignment with strategic planning	It can include aligning with a national development plan, such as the NSDP, or other strategic planning documents.
Matrix levels	Description of the level of the Logical Framework Matrix for each row and the narrative summary of the Matrix.
Description of the indicator	Includes the indicator's name, its description, whether it is a SDG or national development indicator, the definition of the indicator, calculation method, type of indicator, frequency, dimension, measurement unit, direction, or slope expected for the indicator, and means of verification.
Goal	Goals are established for the indicator at the beginning of the fiscal year, and based on its frequency, by month.
Progress	Progress of the indicator reported and justification by line ministries in case they did not reach or considerably surpass their established goal for the period.

As mentioned in the previous section on coordination schemes, it is critical to consider the interoperability of existing systems in Lesotho. This will reduce manual error and avoid work duplication. According to the information shared by the government in the drafting of this Guide, there are at least three main technological tools that are relevant when embedding programme-based budgeting in Lesotho: the National Planning System (NPS), the CBMS, and the IFMIS, that are currently incompatible. Furthermore, officials do not have access to the information stored in the systems they don't work on directly. While making access public to a transactional system is

not recommended, this issue can be solved through interoperability, with the first step being to draft and make user guidelines and manuals available for each of the systems, as well as, creating and publishing data dictionaries for all of the information contained in them. People would then have access to knowledge about what is in the systems and how they work, rather than to their specific contents.

Significant reforms within the three systems are required to allow them to deliver open data formatted reports in real time, allowing for the publication of consolidated reports that show the information in key budget documents. Currently only closed PDF format documents are available, with aggregated data. It is also worth noting that the monitoring and evaluation phase of the budget cycle is currently not fully reflected in either system, that is, while the CBMS includes an indicator section, it is not fully populated and does not include the full information required to have SMART indicators. Adding data fields that allow for the input of this information, as well as additional monitoring and evaluation related fields facilitating follow-up, would be required to reap the full benefits of performance-based budgeting implementation.