Ministry of Finance and Development Planning

Lesotho MTEF Budget User Manual

Guidelines for budgeting within an MTEF

November 2022

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Foreword

This Medium-Term Expenditure Framework (MTEF) Budget Manual is a comprehensive document which captures the content of the Government of Lesotho Budget as well as the procedures and activities connected with the preparation of the National Annual Budget. The processes and guidelines have been simplified and put in a logical sequence for ease of understanding.

The MTEF process was first introduced in Lesotho in 2004/2005 to integrate planning and budgeting. It was initially piloted in six Government Ministries and was eventually rolled out to all Government Ministries, Departments and Agencies (MDAs). It has proved to be a crucial tool for Public Financial Management as it ensures alignment of the National Budget to development priorities as presented in the National Strategic Development Plan (NSDP) as well as the United Nations Sustainable Development Goals (SDGs) and the African Union Agenda 2063.

Budget-related instructions and guidelines were until now only available in the form of executive instructions and guidelines, including Annual Budget Call Circulars. These, however, do not cover many facets of the Budget formulation process. There was, therefore, a felt need for a comprehensive MTEF Manual to bring together the entire Budget-related features and activities. This Manual unravels the detailed processes involved in the entire scope of Budget management. It is also expected to bring about greater transparency on the steps taken during Budget preparation.

Expectation is that this Manual will provide a deeper understanding to the officials of Ministries, Departments and Agencies (MDAs) of their roles and responsibilities with respect to preparation of the Budget. It is expected to serve as a guidebook for uniform administration of the Budgeting procedures and practices in the Government of Lesotho, including the MDAs.

I would like to commend the excellent work done by the Budget Department in preparing this Manual. It has evolved as a result of an MTEF Assessment which was conducted early 2022 and which was confronted with a lot of challenges such as COVID-19 pandemic. Inputs of the Budget Department Officials as well as valuable suggestions and inputs provided by other colleagues within the Ministry of Finance and Development Planning and selected MDAs, have been very crucial in the compilation of this Manual. Also, this work would not have been possible without the financial and technical support extended to the Ministry by UNICEF and Oxford Policy Management. Finally, this being the first MTEF Budget Manual of the Government of Lesotho, further improvements may be needed in the future as we proceed with its implementation. Suggestions for further improvements, and correction of errors, inaccuracies or omissions will be highly appreciated for inclusion in the next edition of the Manual.

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Preface

The MTEF Budget Manual is a compilation of general provisions and procedures relating to MTEF Budgeting, which are to be followed by all offices in the Government of Lesotho involved in National budgeting and contributing to all aspects of the National Budget. This Manual is an attempt to cover the existing void faced hitherto due to the lack of a comprehensive guide on the Budget process of the Government. An attempt has been made to incorporate all the issues related to MTEF Budgeting to make it a comprehensive one-stop guidance material. In addition, very highly summarised MTEF Handbooks been produced to guide Parliament and the Executive in performing their Budget oversight duties and for Principal Secretaries to guide and follow-up on their day-to-day activities relating to the Budget.

The purpose of this MTEF Budget Manual is a guidance and training tool for the managerial and supervisory staff as well a Government Officials involved in Budget formulation and related issues. It provides a comprehensive outline of the processes of budgeting along with various legislative and administrative policies, principles and practices which outline the budgeting system in Lesotho. This Manual has been formulated as a simple and usable document and to the extent possible, comprehensively outlines the procedures and practices and includes detailed checklists and the mechanisms required for its application.

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BUDGET CONTROLLER

Introduction

This manual provides step by step guidelines to assist in the implementation of medium-term expenditure framework (MTEF) budgeting in Lesotho. The target audience are Budget Officers from the Ministry of Finance (MoF) and Ministry Management and Budget Committees. The manual will be complemented by three handbooks: one on the role of Accounting Officers in the bottom-up budgeting processes, and one on the role of the role of the Executive and the third on the role of Members of Parliament in the top-down budgeting process.

There are additional organisations critical to budgeting in Lesotho, including:

- Ministry of Finance: Treasury, Macro-economic Department, Debt and Aid Management,
- Bureau of Statistics,
- Central Bank of Lesotho, and
- Ministry of Development Planning.
- This manual does not include guidelines for these organisations, as they have their own standard operating procedures.

The manual avoids the use of annexes/appendages. This is done so key information is contained in the manual and not as an 'add-on' that might be regarded as secondary. Sections critical to the basic budget procedures are considerably longer than others. In particular, Sections 4 and 5 on risk analysis and prioritisation contain considerably more background (theoretical information) and explanations, as these aspects have not been integral components of budgeting in Lesotho.

1. Lesotho MTEF terminology

Box 1: Key MTEF terminology

Top-Down Budgeting	This is the process of the Cabinet and MoF setting spending priorities and expenditure limits. It can be seen as a 'management directive' that sets a framework for the budget which spending agencies are required to adhere to.
Bottom-Up Budgeting	A principle of an MTEF is to 'let managers manage'. Bottom-up budgeting is based on the devolution of decision-making on the use of their budget to ministry managers – provided they adhere to the budget ceilings and their plans are compatible with national priorities.
Static plan	A static plan is set for a specific time period and the outcomes are not changed during that time period. (e.g. National Strategic Development Plan (NSDP) and sector plans)
Rolling Budget	A rolling budget is a budget which is based on an initial baseline and outer-year projections. Every year the baseline is revised based on the outturns of the previous year. As the baseline is revised, the outer years are also revised.
T-1	The previous fiscal year, which has concluded.
T 0	The current fiscal year.
T 1	The 'next' budget year.
Outer years	T 2 & 3

2. What is an MTEF?

1. An MTEF is a budget that extends beyond a single year's revenue and expenditure allocations to include credible revenue and expenditure projections for three years. A successful MTEF is based on:

- Accurate and realistic medium-term revenue projections and a debt sustainability strategy;
- Multi-year fiscal targeting and the enforcement of fiscal rules that ensure aggregate fiscal discipline, allocative efficiency, and technical efficiency[1];

[1] World Bank (1998) 'Public Expenditure Management Handbook', Washington DC.

- A national strategy driven by a top-down statement of high-level expenditure priorities;
- A three-year rolling budget based on the static five-year NSDP which sets out Lesotho's development agenda.

2. The goal of the MTEF reform programme is that a medium-term budget will replace the annual budget.[2] The successful implementation of an MTEF requires macro-fiscal policies to limit government expenditure so that it does not exceed available resources.

3. Annual budget ceilings are 'hard ceilings'. Hard ceilings can only be relaxed in exceptional circumstances. Outer-year ceilings are indicative, allowing for margins of error in macro-economic modelling and budget shocks but generally not for expenditure, unless there is a large surprise increase in revenue. Based on the medium-term growth projections in Lesotho, it is unlikely that revenue forecast errors exceed outer-year ceilings. Outer-year ceilings limit the demands placed on available revenue and set limits to counter-cyclical fiscal revenue-side demands. When revenue outturns are lower than projections, expenditure ceilings are adjusted downwards

4. Expenditure ceilings are based on the overall policy framework in T 0. Changes to policy which require additional funding can only be allowed within the limit set by the ceilings. The implication of this is that additional funding to one sector can only be met if allocations to another sector are cut and/or efficiency gains are made.

[2] World Bank (2013) 'Beyond the Annual Budget Global Experience with Medium-Term Expenditure Frameworks', Washington DC.

3. Bottom-up Budget Processes

Step 1: MTEF internal review

5. MoF Budget Officers will collaborate with MDA Accounting Officers to conduct an annual Internal MTEF Review in April/May. The Review will focus on the previous year's MTEF Budget and is the first opportunity to discuss issues relating to the preparation of the upcoming MTEF Budget. The Review will include:

- A financial review of Year T-1 which will focus on identifying major deviations between the approved budget and actual expenditure. The focus of the Budget Officer is to support the MDA to identify trends in the MDAs budget execution and budget credibility.

A performance review for Year T-1 which will review the and Annual Reports[3] including details of programme results achieved, the impact of new policies implemented in that year and in previous years, and the performance indicators used to assess programme performance.

- A summary review of the financial and performance reports for Years T-2 &T-3.
- Years T-2 and T-3 have already been reviewed in previous Internal MTEF Reviews. However, the major trends in the financial and performance reports of Year T-2 and T-3 provide context for the review of Year T-1.

6. The Internal MTEF Review is primarily aimed at supporting and guiding MDAs. During this process, the Budget Officer's role is to act as a public finance analyst taking current and previous performance challenges into account.

7. The Review should focus on achieving value for money delivery mechanisms within the existing policy framework, which ensures ministries spend well and on the right activities. This Review should include the recurrent and capital/projects Public Sector Investment Programme (PSIP) budgets.

[3] The Annual Report is a mandatory as per the PFMAA Sub-section 34.1

8. After the MTEF Review Budget Officers can prepare recommendations on the MDA's budget ceilings for Year T 1. The MTEF review also provides a starting point for MDAs to begin the preparation of their Budget Framework Papers (BFPs), as it assesses their performance against their previous plans and budgets.

The nature of the MTEF Internal Review

9. The MTEF Internal Review is not an audit or compliance exercise. It will focus only on major budget execution and budget credibility issues. The review will look at economic line items at an aggregated Departmental/Programme level and major achievements and successes in the execution of the budget and performance targets.

10. Where there are major deviations between the approved budget and actual expenditure, the Budget Officer should help the ministry identify the reasons behind these. Underspending of budget lines is just as important as overspending as it identifies issues of absorption capacity and can have a direct impact on future allocations.

11. The objective of the Review is to identify remedial action which feeds directly into the MDA'S BFP. In addition, the Review provides an opportunity for the Budget Office to prepare recommendations on budget ceilings.

Step 2: BFP preparation

12. The BFP is the core of the MTEF and can, in some ways, be regarded as 'the MTEF', as it is the presentation of the MDA's three-year budget. The format of the BFP is presented below, including instructions on how the ministry should complete it.

Budget Framework Paper (BFP) for the ministry of __________ FY 2023–26

COA code	Source of revenue	Revenue budget T -1	Actual revenue (interim) TY -1	Revenue budget T 0	Proposed revenue budget T 1	Proposed revenue budget T 2	Proposed revenue budget T 3
	Name of cost centre and type of revenue including donor grants with annual income amounts)						

Additional (new) revenue proposals, FY 2023–26-Will only be filled in if new revenue (including donor revenue) is planned

COA code	Source of revenue	Status	Revenue budget T -1	Actual revenue (interim) TY -1	Revenue budget T 0	Proposed revenue budget T 1	Proposed revenue budget T 2	Proposed revenue budget T 3
Increase to existing revenue (per item)								
A. Total increase for existing revenue								
Proposed new revenue sources (per item)								
B. Total of new revenue proposal								

Box 2. Notes on revenue status

Statutory revenue

Status A: Approved by the Cabinet and MoF for implementation.
Status B: Proposed to the Cabinet and MoF; currently under discussion.
Status C: Proposed by the ministry.

Donor grant status

DG 1: Multi-year grant already in place; payments being made.
DG 2: Contractual commitment from donor, but delayed due to the requirement for ministry commitments to be met first.
DG 3: Multi-year grant in place; tranches frozen due
DG 4: Future grant with a high level of probability.

Additional notes, explanations, and motivation for changes in revenue and donor grants.

Part 2: Recurrent expenditure. All MDA's must complete Table A, B and C

Recurrent expenditure Budget A – Baseline

Approved expenditure based on (1) existing policy, (2) macro-economic projections calculated in T 0, and (3) within the Medium-Term Fiscal Framework (MTFF) and BSP guidelines.

COA code	Expenditure Item	Approved Budget T -1	Actual T-1	Budget T 0	Proposed budget T 1	Proposed budget FT 2	Proposed budget T 3

Recurrent expenditure Budget B – Efficiency gains* for T 1

Expenditure based on (1) existing policy, (2) macro-economic projections calculated in T 0, (3) within MTFF and BSP guidelines, and (4) efficiency gains and savings.

COA code	Proposed budget T 1 (baseline)	Amount gained and savings proposed for T 1 per item	New budget T 1 (with gains and savings deducted)	Explanation of how gains and savings will be implemented	Proposed reallocation of gains and savings

Recurrent expenditure Budget C – New Spending Proposals (NSPs)

Expenditure based on (1) macro-economic projections calculated in T 0, (3) within MTFF and BSP guidelines, (3) inclusive of efficiency gains and savings, and (4) new policies/changes to existing policy and operating procedure.

COA code	Proposed budget FY 1 (inclusive of efficiency gains and savings) – baseline	Title of NSP	Status of NSP	Status of NSP Implementation date of NSP	Implementation date of NSP	T 1 cost of NSP	T 3 cost of NSP

Part 3: Performance framework

Vision	
Mission	

Objectives	Target T-1	Results T-1	Targets FT 0	Targets T 1	Targets T 2	Targets T 3

Major Achievements in T 1

- Achievements must relate directly to the major outputs and targets in the ministry performance framework.
- The same outputs should be reported on annually so they can be used to compare performance from previous years.
- They must be actual achievements, not simply activities the ministry should be doing anyway.

Major Challenges in T 1

- Challenges must relate directly to the planned major outputs and targets in the ministry performance framework.
- They should have a direct link to NSPs, specifically on areas to be addressed in the MTEF (i.e. where additional funding is targeted).
- They should be specific and clear.
- They must be based on service delivery challenges.
- A statement on internal capacity constraints is not a challenge; the challenge must explain what specific service shortfalls are caused by the constraint.
- ‘Lack of funds or insufficient funds’ is not a challenge (because it is up to ministries to reallocate resources to free up additional funds for whatever they say they cannot do due to lack of funds).

Strategic priorities

- Priorities should be specific (not read as a mandate or an activity) and stated at neither too high a level nor too low a level.
- Priorities must relate to the challenges.
- Priorities must be stated in terms of the service delivery improvements they will deliver.
- Priorities should identify trade-offs across spending lines towards achieving the ministry’s medium-term strategic objectives.

Examples of efficiency gains by ministries

Efficiency gains are strategies to reduce expenditure without reducing service delivery outputs. These could include:

- Partnering with the private sector for service provision (e.g. allow appropriate advertising for textbooks, pamphlets and campaigns).
- Reviewing all administrative procedures and stopping those that do not contribute to improved performance.
- Reviewing per capita numbers at hospitals and schools and ensuring that frontline staff are deployed in an equitable and uniform manner. This may include redeployment/reallocation of frontline staff.
- Discussing all expenditure at the Sector Working Group (SWG), especially grants and training programmes.
- Rationalising government and donor services to ensure there is no duplication.
- Ensuring there is provision for future year activities once donor funding stops.
- Setting and enforcing rules for travel expenditure.
- Reallocating administrative staff to operational areas e.g. retraining education clerical staff to be teacher assistants.

BFP assessment by Budget Officers

The Budget Officers will assess the BFPs using the following checklist. The Budget Officer will provide the completed checklist to the ministry before the BFP hearings.

Box 3: Assessment of the BFP

Key issues	Guiding questions for Budget Officers
A submission must be approved and signed by the Accounting Officers. If it is not, it must be sent back to the ministry and resubmitted	Has it been signed off by the Accounting Officers?
Is the BFP submission complete? If any components are missing, the ministry must be informed that they need to submit them within seven days.	**Does it include:** an expenditure baseline for T 1 and projections for T 2 and T 3? revenue for T 1 and projected revenue for T 2 and T 3? efficiency gains, savings, and new expenditure proposals? explanations of efficiency gains, savings, and new expenditure proposals? all the required performance information? achievements, challenges, and priorities?
Financial information	
Is the revenue comprehensively and correctly stated?	Are MoF forward revenue projections correctly reflected? Are all revenue sources (including external other cash grants) included? Are grants and donor revenue correctly matched on the expenditure side? In other words, is there a clear link between the reasons for the revenue and expenditure lines? Are retained receipts or transfers from donor funds and other government departments accurately reflected?

Is the baseline credible? **Check all baseline assumptions and calculations. This will require a significant time commitment as it includes cross-referencing with other sections in the BFP and other documents.** **If the Budget Officer has any queries they must communicate with the ministry before the BFP hearings are held.**	Are all mandatory expenditure items included in the baseline? Are spill-overs and arrears from previous years budgeted for? Has the cost of economic line items for goods and services (e.g. travel, transfers, and operating costs) been increased by the real CPI rate? Does compensation of employees and allowances reflect all approved posts and approved increases? Does the cost of goods and services reflect any changes in the level of service delivery (this must be cross-referenced with the narrative in the BFP)? Is there adequate funding for approved new policies (this must be cross-referenced with the narrative in the BFP)? Is there any indication of an automated flat rate increase of expenditure items? This can be checked by doing a growth formula calculation, which is explained in Section 3 of this manual.
Do the NSPs align with the priorities?	Is the NSP at an objective level? Is the NSP a strategic intervention? Is the NSP aligned with ministry and government priorities? Are additions to capacity (human resources, equipment, etc.) clearly explained and justified in the BFP narrative? Are the NSP inputs bundled together, showing how they are required to achieve an objective contributing to addressing a service delivery challenge? Does the NSP result in achieving the priorities as stated? Does the costing of the NSP represent an adequate intervention? Can the NSP be regarded as the most urgent priority proposals given the government expenditure pressures and current national priorities? Is the NSP appropriately and justifiably ranked (explained in Section 5 of this manual) by contribution to priorities? Does MoF accept the ranking?

Are the NSPs realistic?	Are the cost estimates of the NSP realistic? Have any components or cost elements been left out? Is forward recurrent costing taken into account? Has the ministry considered risk factors linked to the NSP (explained in Section 4 of this manual)? Does the ministry have sufficient capacity to spend additions to their budget (i.e. have they fully spent their budgets in the past)? Is the NSP appropriately phased based on indicative ceilings? (Follow-up to the question above:) Can the ministry spread the cost of implementation over the three years to keep the NSP within their ceiling? Is the NSP sustainable (i.e. is the proposed additional expenditure affordable over the medium to long term)? Is the NSP costed efficiently (i.e. are there more efficient ways of achieving the same priority)?
Are the savings (efficiency gains) realistic?	What savings did the ministry make to fit within the ceiling? What is the basis of the savings amounts, and are they explained believably in the BFP narrative? Are savings feasible? Are all of the ministry's funding commitments for non-discretionary commitments (e.g. salaries, electricity, rental) adequately covered? Are savings based on well-calculated unit costing? Is it clear that the ministry is aware of the changes to their operations that are required to realise cuts? Are there budget cuts made to mandatory expenditure that essentially cannot be cut?
Key issues	**Guiding questions for Budget Officers**
	Have cuts been made to budgets of non-priority programmes/activities? Are there remaining items that can be cut (i.e. is the ministry inefficient in the use of its financial resources to purchase inputs – for example, can it procure stationery more cheaply)? Are there expenditure items that are overbudgeted for when comparing expenditure by other ministries for the same item?

Is the economic distribution of funding efficient?	Is the proposed expenditure mix across personnel, goods, and services and capital efficient? In other words, will the proposed mix result in staff without operational/programmatic resources, or in new capital items without the staff to use them?
Does the distribution of funding between spending units reflect the ministry's priorities?	What budget share does each unit/department receive (see Section 3)? What is the growth rate of each unit's budget share from Year 0, and in T 2 and 3 (see Section 3)? Does the allocation of budget shares and share growth align with identified priorities? Does a higher/faster share growth rate adequately reflect implementation of priority actions? If not, can non-alignment be explained by the urgency/unavoidability of expenditure on non-priority programmes (e.g. if high-maintenance expenditure is required in a non-priority programme to maintain current delivery)? Do any units/departments have a negative real growth rate (below inflation)? Should this be of concern for the achievement of the ministry's priorities? Is it clear that the negative growth rate is supported by realistic baseline projections/or savings choices? Can the ministry cover more services by finding other efficiency gains and savings?
Evaluation of capital budget (PSIP)	Is all existing PSIP expenditure included – are deviations explained in the BFP narrative? Is there adequate investment in capital items to sustain the service delivery of the ministry? Are PSIP NSPs approved by the Development Committee? Are there savings in capital projects, and are these linked to savings in the recurrent budget? Have delays and stalled expenditure from previous years' projects been accommodated? Is there adequate provision for the ongoing maintenance costs of capital projects? (Follow-up to the question above:) What did the ministry spend in past years on maintenance? What is the state of their facilities/equipment? Do they need to do catch-up maintenance to maintain their facilities/equipment? Do changes to project costs reduce or expand the scope of the project (this should be explained in the BFP narrative)? Is the forward cost of existing PSIP projects factored into the manpower and goods and service projections?

Performance information	
Priorities	Are the priorities linked to the BSP? Do the priorities show a progressive strategy towards achieving the targets of the NSDP and Sustainable Development Goals? Are the priorities based on improvements to service delivery? Do the priorities link directly to the challenges of the current year (T 0) and of the upcoming year (T 1)? Given what you know about the ministry and about the government's overall strategic policy priorities, are the priorities really the most important priorities for the ministry? Do the priorities clearly indicate strategy, or do they simply restate the ministry mandate? Are priorities clearly linked to budget lines (i.e. you would expect to see budget growth in expenditure to address the strategic priorities – if not, the priority may not be specific enough)? Do the strategic priorities address the current challeng-es? Do the strategic priorities take positive achievements into account?
Achievements	Are the achievements based on the performance infor-mation? Are the achievements stated as positive conditions? Are the achievements based on the current year to date (T 0)? Are the achievements different from the achievements in previous year's BFP? Are the achievements measurable and observable (and where possible quantifiable)? Are the achievements linked to service delivery, outputs, and benefits to citizens (i.e. not the basic func-tions of the ministry)?

Challenges	Are the challenges based on performance information? Are the challenges stated as negative conditions? Are the challenges based on the current year to date (T 0)? Are the challenges different from the challenges in previous year's BFP? If they are the same, is there an explanation for why the ministry has not addressed them? Are the challenges measurable and observable (and where possible quantifiable)? Are the challenges linked to service delivery, outputs, and benefits to citizens (i.e. not to a lack of resources and internal processes)?
Key issues	**Guiding questions for Budget Officers**
Are programme performance measures aligned and SMART?	Do you agree with the selection of indicators for programmes in which priorities are being funded? Is the ministry choosing the best indicators to (i) measure the effectiveness of their strategy to achieve the priority (the outcome indicator) and (ii) the efficient implementation of the strategy (the output and efficiency indicators)? Will achieving the output and efficiency indicators result in the strategy being delivered? Are enough aspects of the strategy being measured? Is there a link from the NSPs to the indicators chosen? Are the indicators SMART? Can the ministry realistically collect data to measure the indicator? Are all indicators within the service delivery mandate of the ministry? Do all indicators measure important programme aspects?
Are indicator targets realistic and at the appropriate level?	What are the targets in relation to the base year? Is there alignment between indicator targets and expenditure proposals? Can the targets to be reached, given the ministry's past performance? Do the targets overstretch the performance track record of the ministry (overly ambitious targets are an indicator of a ministry trying to justify a higher budget, and low targets are an indicator of a ministry ensuring they can meet their targets and appear to be effective on delivering their outputs or 'overachieving')?

4. Institutional arrangements for implementing the MTEF

MDA Budget and the Finance Committees

13. The MDA Budget and Finance Committee (MBFC) is responsible for all aspects of budgeting and finance for your MDA. This includes preparing plans, preparing budgets, managing revenue and expenditure, and complying with reporting and audit requirements.

14. An effective MBFC will manage their budget strategically, with a focus on meeting current government priorities and ensuring their budget is effective and efficient.

15. MBFCs are based on the principle of 'let managers manage'. MDA managers are free to allocate and manage their budget, provided it:

- Stays within their ceiling;
- Complies with all laws and regulations;
- Promotes national development priorities; and
- Is well managed and effectively implemented and reported on.

Setting up and managing an MBFC

The MBFC is comprised of:

- Accounting Officer;
- MOF Budget Officer;
- Finance unit;
- Economic unit;
- Planning unit; and
- Departmental and programme managers.

The role of the Accounting Officer in the MBFC

16. The Accounting Officer is responsible for leading and managing the MBFC. If, at certain times during the year other demands on the Accounting Officer lead to their being unavailable, the Deputy-Accounting Officer can chair the MBFC.

17. In addition to the leadership provided by the Accounting Officer, the MBFC needs a secretariat which will be the responsibility of the Planning Unit. The secretariat is responsible for:

- Gaining agreement on a meeting schedule for the year;
- Sending out notices calling meetings and coordinating changes in dates if required;
- Ensuring all members can attend meetings;
- Keeping and distributing minutes of meetings and ensuring key decisions are highlighted; and
- Ensuring that relevant staff members communicate with MOF as and when required.

Schedule of meetings

The MBFC will meet :

- To conduct the MTEF Internal Review, including a review of expenditure and service delivery achievements (April/ May);
- To prepare the BFP and annual costed workplans (June/July);
- To revise and finalise the MTEF budget submission (November/December); and
- To review the annual financial reports (March/April).

18. This schedule defines the periods in the budget calendar during which the MBFC will meet. Each phase requires more than a single meeting. The responsibilities of the committee are to ensure that all aspects of the budget cycle are managed from a compliance perspective, as well as to ensure that MDA resources are used effectively and efficiently.

The role of Ministry Budget Committees in managing the MTEF and other budget reform

19. Full implementation of the MTEF will take many years. It will require a phased-in approach as it is a major shift in the way budgeting has been done in Lesotho. In this regard, the committee will play the role of a change management committee.

20. In addition, budget reform does not have an end point where the Government of Lesotho can 'sign off' on having achieved a particular reform programme. A reform process such as the full implementation of the MTEF is a process of constant evaluation, improvement, and adaptation.

21. MoF has implemented Programme Budgeting and, with support from international partners, will introduce Gender Based Budgeting. Other budget reform initiatives will be introduced in the future, and Lesotho may experience budget shocks which will require adaptation by ministries. The committee will be responsible for managing ongoing budget reform, as well as the impact of budget shocks at ministry level.

Sector Working Groups

Role of the Sector Working Group (SWG)

22. The role of an SWG is to build a stakeholder forum to manage all aspects of MTEF budgeting and to provide a forum for dialogue and coordination which will connect top-down and bottom-up budget processes. The SWG will include all ministries in a ministerial cluster.

23. This SWG will be responsible for preparing their sector input into NDSP III and drafting, sector strategies.

24. The SWG will meet a minimum of three times in a year, during the MTEF internal review and before BFP preparation and to conduct a sector performance review.

Draft Terms of Reference for an SWG

25. The SWG Terms of Reference set out the role and responsibilities of an SWG in the MTEF budget preparation, implementation, and reporting process in Lesotho.

26. Ministries and their associated agencies will work in sectors to ensure medium-term alignment between their expenditure programmes and their shared sector objectives and priorities. A sector comprises a ministry and its associated agencies of a functional sector based on ministerial clusters.

Objectives of the SWG

27. The objective of an SWG is to ensure that sector budgets and actual expenditure over the medium term reflect agreed, shared sector objectives, as well as the agreed sector expenditure priorities needed to achieve these objectives.

Specific role and responsibilities of an SWG

28. BFP preparation: The role of the SWG during the strategic phase of compiling BFPs is to agree on how the sector's total available resources will be divided among ministries before they prepare their BFPs. The purpose of this is to look at the strategic trade-offs

29. Prepare their sector input for NDSP

- Identify portfolio available resources;
- Discuss ministry forward service delivery improvement priorities and determine key sector priorities;
- Consider resources that are earmarked (for a specific ministry) and un-earmarked (not yet allocated for the specific purposes of one ministry);
- Consider expenditure rigidities within component ministry budgets over the medium term;
- Determine the size of resources that are unearmarked and can be moved between ministries, given past expenditure amounts by ministry and forward priorities;
- Provide indicative ceilings to each ministry comprising (i) their earmarked resources, (ii) an allocation to cover expenditure rigidities, and (iii) a share of 'free' resources in line with the priority assigned by the sector to the ministries services;
- Prepare a presentation to discuss the decided indicative ministry ceilings with MoF; and

- Review the ministry's BFP submissions to ensure that proposals are in line with sector objectives, discussions, and decisions.

30. Budget planning phase: The role of the SWG in the budget planning phase will be to ensure the alignment of detailed sector ministry budgets with sector priorities. In order to fulfil this role, the SWG will meet to review the ministry MTEFs before their submission to MoF. The SWG will also co-ordinate the preparation for MoF.

31.Budget execution: During budget execution, the SWG may meet to review budget implementation progress in line with sector objectives and priorities. This might occur even in sectors that did not follow a sector-based initial budget process.

SWG Secretariat

As with any multi-party structure, an SWG needs a secretariat to

- Schedule and communicate meeting dates;
- Distribute notices and information;
- Ensure record-keeping;
- Ensure required issues are addressed at meetings;
- Ensure the SWG complies with its Terms of Reference (which is non-statutory); and
- Ensure that the various organisations in the SWG, especially the ministries, comply with Inter-agency allocative effectiveness

32. In the medium term, the SWG will aim to prioritise sector spending, ensuring funds are directed to priority services. This will require a rationalisation across ministries and eradication of the duplication of service delivery. Ideally, it will lead to ministries agreeing to reallocate funds from ministries with a lower priority development mandate to those with higher priorities for meeting the needs of the community. This will be extremely challenging as it requires a deep-seated culture change in budget practice. The current practice is based on ministries attempting to get maximum resources for their own organisation, having a sense that they never receive sufficient funding, and having no concern for the funding of any other organisations.

5. Expenditure analysis for MTEF

Key analyses for MTEF

33. The mechanics of the processes of the MTEF system will only deliver on improving the quality of expenditure if MoF and ministries undertake an analysis of their expenditure programmes.

34. The next two subsections give overviews of two types of analysis that are crucial for making good budgets: budget analysis and economic analysis.

Budget analysis

35. Budget analysis helps the government understand how expenditure meets policy objectives. A number of questions can be addressed using budget analysis.

i. Questions about what is prioritised: How does the budget for this purpose compare to resources spent in other areas? Are the 'real priorities' that are expressed through what is prioritised in terms of spending in line with government/ministry stated policy priorities?

ii. Questions about whether the budget is adequate: How much is being allocated to an issue or a type of input? Is this sufficient to ensure that objectives are reached? Is it sufficient to cover relatively fixed costs, such as salaries and rent? Do/did allocations keep up with inflation?

iii. Questions about progress towards improved allocations over time: What progress is being made to finance/resolve an expenditure issue? What progress has been made in financing a priority?

iv. Questions about effectiveness, efficiency, and economy: How cost-effectively are outcomes being achieved? How efficiently are outputs being delivered?

v. Questions about equity: Are resources being allocated/spent fairly across different population groups, genders, areas, etc.?

Different budget analysis techniques

36. The budget can be analysed in terms of growth or distribution of the budget, or a combination of the two. Several entry points can be used: for example, a ministry can analyse its existing budget and past expenditure against its policy objectives and commitments, or it can analyse how the budget affects its different target groups for services. This subsection provides guidance on different budget analysis techniques, linking them to the key questions posed as part of the budget analysis (listed above).

Comparing planned and realised expenditure

37.This basic budget analysis technique is well known and widely used. It provides information on how well the budget system is working. Ideally, all allocated resources should be used as planned. If there is a surplus at the end of the spending year, it represents resources that could have been used better elsewhere in the budget. If the budget runs out before the end of the spending year and additional resources need to be requested, it usually implies that there is an underlying budget management problem. It also implies one or a combination of the following:

- that the ministry was unaware of their real cost and did not budget properly, or did not make timely adjustments to fit their activities to their available resources;
- that the finance ministry overestimated the degree of adjustments that were possible within one year and did not provide enough resources to allow the ministry to function, or did not take into account unavoidable mandates of the ministry (unfunded mandates);
- that some unforeseen and unavoidable expenses occurred and the ministry used its available resources for this purpose; or
- that the allocated resources for an objective were wilfully diverted elsewhere in the budget, leaving the line underfunded.

38. All of these, except for the occurrence of something unavoidable and unforeseen, point to problems in the budgeting system. If resources were wilfully diverted somewhere else, it also means that the underfunded objective was not a priority for the ministry.

Calculating budget shares: A check on priorities through budget analysis

39. A budget allocates resources to different categories of expenditure (sectors, programmes, administrative units, economic input types) and different beneficiaries (between regions, between different genders, between different income groups). A first basic budget analysis technique is to assess the relative shares of different categories of expenditure, which allows a comparison of how much government prioritises different items in the budget. One can calculate several percentages in the budget, for example the share of one portfolio compared to another; the share of different ministries in a portfolio; the share of a programme in ministry expenditure; or the share of personnel spending in total ministry or portfolio spending.

The formula used to calculate share in the total budget is as follows:

Amount allocated ÷ total budget amount × 100

Checking for priority and progress over time: Identifying trends in budget allocations

40. The share allocated to specific categories of expenditure and beneficiaries can be tracked over different fiscal years. Using this technique therefore shows whether the percentage share taken up by the budget is increasing or decreasing, in effect identifying 'winners' and 'losers' in budget allocation. In other words, it helps to establish whether there has been a shift in priorities or whether there has been progress in shifting budgets to priorities.

41. Changing shares, however, is not the only way to check progress against policy commitments. Another calculation is to check the relative growth rates of different items. Sometimes a small percentage share increase can represent significant growth in a budget – this is when growth is from a relatively low base compared to the overall spending in a budget. If this happens, it is important to ask questions about the absorption capacity of the ministry that experiences high growth rates. The formula used to calculate the growth rate is as follows:

(Expenditure in the final year – Expenditure in the base year) ÷ Expenditure in the base year

Checking for priority: Converting allocations from nominal to real amounts

42. Checking to see whether allocations change over time to keep track with inflation is a key way of checking whether budgets are adequate.

43. Budget figures are usually reported in nominal terms. This means they do not take inflation into account. Inflation refers to an increase in the prices of goods and services that is representative of the economy as a whole. Because of inflation, the real or purchasing power value of a given amount of money declines. The terms 'nominal' and 'real' expenditure are used to distinguish between mere money value and purchasing power value of budget allocations.

44. When doing budget analysis, it is not very useful to compare nominal amounts from one year to the next, as this will not reflect how the purchasing power value of the amounts has changed over time. For example, if a budget allocation increases at a rate that is less than inflation, it is not a real increase. To compare allocations over time more accurately, nominal amounts have to be converted into real amounts. The effects of inflation are removed by dividing a nominal amount by a deflator. In basic terms, a deflator is a ratio of how much general prices have increased over time. Once the nominal value has been deflated (or adjusted for inflation), it is called a real value. Once you have worked out the real value of an allocation, you can then compare it to other real allocations over various fiscal years. The formula used to calculate real value is as follows:

Real value = nominal value ÷ deflator

How to calculate the deflator

45. In the table below, the inflator is calculated as follows.

	2013	2014	2015	2016	2017
Inflation rate	88%	7%	6%	7%	7%
Deflator	1.00	1.07	1.13	1.21	

46. For example, to calculate the deflator:

For 2014:

$$\text{Deflator} = 1 \times (1+7 \div 100) = 1 \times (1.07) = 1.07$$

For 2015:

$$\text{Deflator} = 1.07 \times (1 + 6 \div 100) = 1.07 \times (1.06) = 1.13$$

For 2016:

$$\text{Deflator} = 1.13 \times (1 + 7 \div 100) = 1.13 \times (1.07) = 1.21$$

47. The deflator is applied by dividing the nominal allocation for a year by the deflator to get real expenditure. The base year is divided by 1.

Using unit costs: Investigating the quality of spending, adequacy, and equity

48. Working out how unit costs change over time is a highly useful exercise when assessing budgets. It can shed light on the following.

49. Economy, efficiency, and cost-effectiveness: Unit costs are key calculations to determine economy and efficiency. This is best done through comparative analysis, for example by either comparing unit costs between similar units of government or similar programmes/services, or against unit costs for the same service or unit of government over time. For example, if Ministry 1 is purchasing 15 computers for R150,000 but Ministry 2 is purchasing 10 computers for R90,000 and their operational requirements for computers are the same, Ministry 1 is achieving higher economy. Alternatively, the growth in real unit costs can be calculated for inputs over time. This application of unit costs is usually well used in traditional budget systems, where ministries of finance are concerned with financing the inputs of administrative units (an administrative line item budget).

50. In an MTEF system, where the focus expands to assess the policy effectiveness of government, the use of unit costs to look at effectiveness are crucial. For example, in the education system, the efficiency of teacher remuneration can be determined between primary and secondary education, between different regions or schools, or within a programme, region, or school over time. An example calculation would look as follows:

51. Expenditure on teacher salaries in the unit ÷ (no. of teachers × classes taught per teacher) = the unit cost per class taught for teacher salaries

52. If this is calculated for each school, for example, the efficiency of teaching resource utilisation can be assessed based on evidence. Cost-effectiveness in budget analysis terms takes the assessment one step further: it is the cost per unit of outcome. In education, for example, the cost per graduate can be calculated for different schools. This is discussed further in the section on economic analysis.

53. Adequacy of budgets: Unit costs can be used to assess the adequacy of budgets. For example, in the table on real growth in the education ministry budgets by programme and economic item, any assessment of adequacy is in a vacuum. While the primary education budget declines less in real terms than the secondary education budget, it is not really possible to make a judgement about the adequacy of the budget without taking into account the demand for education services, given education policy parameters.

54. Fairness of expenditure (equity): Unit costs for beneficiaries or regions could also be used to assess the fairness of expenditure, or expenditure equity. This can be straightforward (i.e. average pay per teacher in Region 1 compared to average pay per teacher in Region 2) or more complex, looking for example at factors that drive different costs per units, such as educator learner ratios in education.

Economic analysis

55. It is not possible to cover economic analysis in depth in this guideline, but the basic concepts are introduced. The intent is to stimulate thinking for future years of MTEF preparation when more in-depth analysis of specific programmes will be required from ministries and portfolios.

56. Economics is often described as the science of scarcity, the condition in which wants and needs inevitably exceed resources. It is the study of how individuals and societies make decisions about ways to use scarce resources to fulfil wants and needs.

57. For individuals, this means choosing between different items within their household budgets. For businesses, it is about choosing between hiring people or expanding their equipment investment, as both would be unaffordable. For governments, it is about choosing how much to spend on education compared to all other sectors, given limited resources.

58. Public economics is about the choices governments make to deliver public goods and services given that resources are always limited. Economic analysis is therefore crucial to make budgets work better for the growth and development of a country.

59. Economic analysis of public expenditure is a sub-branch of public economics overall. Public economics focuses on answering two types of question:

1. How do government policies affect the economy? In budget terms, the question is: How do government expenditure (and revenue and debt) affect the economy?

2. How should government policies be designed to maximise welfare? In budget terms, the question is: How can government expenditure be allocated and revenue be raised to maximise welfare?

Types of economic analysis

Cost analysis

60. Cost analysis will tell you whether you can afford an expenditure choice. It is the first step of a full economic analysis. It estimates the total programme costs and determines who incurs those costs. A full cost analysis could include both financial and economic costs (where financial costs are the costs that will be incurred by the budget) and economic costs, which include the opportunity cost (in other words, the benefits precluded by taking a course of action).

61. In the MTEF, particularly during the early phases, the focus is nevertheless on financial costs. An extended type of cost analysis is programme cost analysis, which not only looks at the costs incurred by the intervention budget itself, but also at the costs incurred (for example) by participants or intended beneficiaries in the intervention.

Cost–benefit analysis

62. A cost–benefit analysis will tell you whether you should undertake an intervention and what the relative net benefit of different interventions are. It compares the costs and benefits of public sector activities to evaluate whether a project should be implemented, or compares the costs and benefits of two or more policy options. It requires:

- that all costs and benefits should be expressed in the same terms, namely a monetary value to provide a common unit of value by which to compare costs and benefits;
- that all benefits for all users of a service should be considered and quantified;
- that all costs should be considered, including the cost of negative consequences of an intervention; and
- measuring the costs and benefits over a specific period of time, discounting them to a present value.

63. If the benefit of the intervention outweighs the cost, it is in principle a feasible intervention to undertake. If the cost–benefit ratio of one option is higher than the other, it would be the better option to pursue. For example, a cost–benefit analysis in education might ask whether investment in primary education would be more favourable than investment in secondary education.

Least-cost or cost-effectiveness analysis

64. Least-cost or cost-effectiveness analysis tells us how to achieve an outcome in the cheapest way, or allows us to assess whether the delivery choices of government is cost-effective. It looks at different ways of delivering the same outcomes and compares their costs. Once a portfolio/ministry has successfully identified, quantified, and valued the social cost and benefits associated with different alternatives, the least-cost alternative for delivering on the project or the most cost-effective way for achieving project objectives can be determined. When undertaking least-cost analysis, it is important to ensure that the alternative ways will result in the same output at the same quality. If there are differences, the analyst should adjust the assessment of benefits between the options to ensure that a cost–benefit analysis is comparable.

65. A least-cost project is identified by comparing the capital and operating costs of the different ways of delivering on project objectives and either assessing which alternative presents the lowest present value of costs, or calculating an equalising discount rate for the difference in costs. A third option to assess the cheapest alternative is to estimate the average incremental economic cost for each additional output for each alternative. This will allow the identification of the lowest per unit cost.

66. Least-cost analysis is important for identifying efficiency gains within existing ministry budgets.

Benefit-incidence analysis

67. Benefit-incidence analysis will tell us whether government expenditure choices are equitable, or correct, if compared with government policy priorities on who should benefit from expenditure programmes. These analyses are carried out to examine existing spending programmes, comparing the distribution of benefits from public spending to the distribution of income to determine whether the overall impact is progressive. These studies combine household data on consumption of public goods with information on public expenditures. A unit subsidy per person is calculated, and household usage of the service is then aggregated across key social groups to estimate the pattern and distribution of service provision. These analyses are particularly useful to determine the fairness of expenditure.

68. In summary, economic analysis allows policy and budget allocation decisions to be made based on evidence.

Analysis of risk and feasibility (see following section)

69. Budget analysis and economic analysis provide evidence-based answers to, or guidance on, important public expenditure questions, such as whether to make a proposed expenditure choice and what expenditure choice to make. However, it does not tell us whether government will be able to make that choice or undertake that intervention.

70. A final set of analyses that need to be taken into account is the analysis of risk to the budget, and analysis of the feasibility of the selected options.

[4] The average incremental economic cost is the present value of incremental investment and operation costs, with and without the project alternative, divided by the present value of incremental output, with and without the project alternative.

71. In terms of risk, public decision-makers need to consider the severity of the risks identified, as well as the likelihood of risks being realised. An analysis of risk will include an assessment of financial and service delivery, as well as of policy and political risk. It is important that the unintended consequences are anticipated and included in the calculus for a course of action.

72. For feasibility, several dimensions can be looked at, including whether an intended course of action is technically feasible: is the capacity to implement it available to the agency, or can it obtain the capacity? What cooperation from other state institutions or private institutions is required, and what progress has been made in agreeing this cooperation? Can the spending institution absorb the allocations proposed? It is also important to consider the political feasibility of the course of action: do relevant stakeholders view the policy as acceptable?

6. Risk analysis and management

73. Conducting a risk analysis exercise requires many years of experience and in-depth, specialised knowledge and skill. Rating risks will always be subjective, with different role players holding differing opinions. It must be taken into account that the process and discussions are as important as the compilation of a risk matrix.

A risk is any scenario or occurrence that will create or suggest a hazard.[5] When/if the hazard occurs (i.e. the perceived risk happens), this is referred to as an incident.

Risk management is based on the following underlying key principles:

a) Everyone involved in government services is accountable for risk management practices linked to their roles and responsibilities;

b) Everyone involved in government services should have the required level of skills, training, knowledge, and access to information and resources to carry out his or her risk management duties;

c) Risk management activities should be fully integrated into planning, monitoring, and reporting processes and into the daily management of programmes and activities; and

[5] Authors' own definition.

d) Open communication across all staff levels using a simple, common risk language is essential to ensure that everyone understands, accepts the importance of, and uses risk management tools and techniques.

To implement these principles of risk management, ministries are required to:

a) Explicitly state their objectives;

b) Identify key risks that affect each objective;

c) Assess the potential likelihood and impact of occurrence for each identified risk;

d) Develop and document a course of action to reduce or mitigate identified risks to an acceptable level; and

e) Continuously monitor internal and external environments for risks and the ongoing effectiveness of action plans, adjusting the plans where necessary.

74. Risks need to be prioritised according to the degree of threat for a country or organisation. Risk prioritisation is especially important if an organisation faces diverse forms of risk.

75. In order to appreciate the context of potential risks, the ministry needs to understand its current environment and context based on its strengths, weaknesses, threats, and opportunities. This includes a current and realistic assessment of the fiscal/financial position, competition, public perception and image, and cultural, legal, and political aspects.

76. Risk management is required when formulating the NSDP, including setting outcomes and objectives. It is required when laws, policies, and strategies are adopted. Risk management is part of all capital and recurrent projects, especially when setting the scope and parameters and balancing costs, benefits, and opportunities.

77. Risk management will fail if it does not take the 'human element' into

78. Risk management will fail if it does not take the 'human element' into account. The 'human element' includes an understanding of the complex agendas all people have. Politicians, leaders, managers, and all levels of public servants haver vastly different behaviour drivers based on their own perception of their need to survive. Based on this, many public servants (like all employees) find ways to bypass, weaken, or destroy controls and systems.

Forms of risks

There are two main categories of risk:

- strategic risks; and
- operational risks.

Strategic risks

Strategic risks include the following.

a) **Political:** Risks associated with a failure to deliver either local or central government policy or meet the local or people's administration's manifesto commitments.

b) **Economic:** Risks affecting the ability of a council, central government, or department to meet its financial commitments. These include internal budgetary pressures; the failure to purchase adequate insurance cover; external micro level economic changes such as inflation control, interest rates, and exchange rates; or the consequences of proposed investment decisions.

c) **Social:** Risks relating to the effects of changes in demographic, residential, or socioeconomic trends on the council (local government) or central government's ability to deliver its objectives.

d) **Technological:** Risks associated with the capacity of the local or central government to deal with the pace/scale of technological change, or its ability to use technology to meet changing demands. This may also include the impact of internal technological failures on the government's ability to deliver.

e) **Legislative:** Risks associated with current or potential changes in national or provincial and local law. Non-compliance is also prominent in legislative risk.

f) Environmental: Risks relating to the environmental consequences of progressing the government's strategic objectives in terms of energy efficiency, pollution, recycling, and landfill requirements.

g) Customers/citizens: Risks associated with failure to meet the current and changing needs and expectations of customers and citizens.

Operational risks

Operational risks include the following.

a) Professional: Risks associated with the particular nature of each profession, for example housing service concerns regarding the welfare of citizens.

b) Financial: Risks associated with financial planning and control, for example underspending and overspending.

c) Legal: Risks related to breaches of legislation or non-compliance with a particular legislative framework or policy.

d) Contractual: Risks associated with the failure of contractors to deliver services or products to the agreed cost and specification.

e) Environmental: Risks relating to pollution, noise, or the energy efficiency of ongoing service operations.

f) Technological: Risks relating to reliance on operational equipment.

Risk management framework

79. A comprehensive risk analysis is a timely exercise. It will require data to validate opinions and this will lead to additional research and fact-checking. However, even with a comprehensive dataset, risk are subjective and differences in opinions and in cultural and political persuasions need to be taken into account.

80. A risk analysis is conducted at the start of a planning period, not after an incident occurs. However, the immediate recovery, mitigation strategy, and expenditure may only become known after an incident occurs, and the risk analysis table should be updated then.

81. It is suggested that an expert-level risk analyst should be engaged to conduct the initial risk analysis and build capacity for future risk analysis and risk management.

Procedures for conducting a risk analysis

- Step 1: List all perceived risks (brainstorm).
- Step 2: Evaluate each perceived risk: is this a real risk for the agency conducting the risk analysis?
- Step 3: Remove risks that do not fit the criteria in Steps 1 and 2.
- Step 4: Use the risk analysis framework (below) to score and rank risks.

82. Risk analysis framework

A	B	C	D	E	F	G	H
		Impact score (1–5)	Probability score (1–5)	Financial impact of immediate recovery in column G: score (1–5)	Total score	Immediate recovery	Mitigation strategy
Notes	A risk may fall under a number of risk categories.	The impact score is based on the type of risks in Column B. It may help to first formulate the mitigation strategy to realise the impact	Probability is based on the professional experience and knowledge of managers	Once the actual cost of the recovery is calculated, the financial impact score is based on the likelihood of funds being available, either through virement or the likelihood of an additional funding request being successful	=(C+D+E)/3	These are immediate actions required to 'fix the problem'. Once the actions are formulated, they must be costed. Inevitably, this will require unbudgeted expenditure	The actions, procedures, and equipment to minimise the impact, probability, and cost of the risk

A	B	C	D	E	F	G	H
Example 1: Ministry of Gender, Youth, Sports and Recreation							
Risk All names and contact details for the youth scholarship programme are lost due to an IT system 'crash'	Type of risk Operational, technological, professional, contractual	Impact score (1–5)	Probability score (1–5)	Financial impact of immediate recovery in column G: score (1–5)	Total score	Immediate recovery	Mitigation strategy
		3	1	2	(3+1+2)/3=3		
Explanation/reason for how scores were estimated		The launch of the scholarship programme will be delayed until a future year and registered students will 'lose a year' of study	The ministry has a regular, back-up procedure in place. Data will only be lost if the technical staff do not follow procedures	The data can be 'manually' recovered through paper records. Ministry staff will recapture data, so there are no additional staffing costs. The project delays will mean expenditure is carried forward to the next year			

Risk	Type of Risk	Impact score (1–5)	Probability score (1–5)	Financial impact of immediate recovery in column G: score (1–5)	Total score	Total score Immediate recovery	Mitigation strategy
Example 2: Ministry of Gender, Youth, Sports and Recreation							
Religious leaders launch a campaign in the press stating that the Government of Lesotho law on gay rights is contrary to religious dogma	Strategic: citizen satisfaction, social, political				Total score	Immediate recovery	Mitigation strategy
		4	5	2	(3+1+2)/3=3		

		The impact can lead to citizen protests, which may include violence. An entire programme of the ministry failing donor.	In FY-1 and FY 0, there were a number of high-profile rallies, and there have been an ongoing	The immediate recovery cost will require virement within the project budget to increase the scale of media and community information dissemination		Hold a number of TV discussions led by respected/ prominent religious leaders who support gay rights	Conduct community-based research and consult with religious leaders. Ensure wording of the law and timing of its implementation reflect citizens'
A	**B**	**C**	**D**	**E**	**F**	**G**	**H**
		Donor dissatisfaction (it is a donor-funded programme)	rticles in the press				sentiments as per research

Internal controls

83. Conducting a risk analysis is meaningless unless it is a core component of regular internal management control, which consistently:

- Monitors adherence to laws, regulations, and management directives;
- Promotes orderly, economical, efficient, and effective operations and achieves planned outcomes;
- Safeguards resources against fraud, waste, abuse, and mismanagement;
- Provides quality products and services consistent with the organisation's mission;
- Develops and maintains reliable financial and management information and fairly discloses that data through timely reporting; and
- Protects the systems environment; the safeguarding of assets; the reliability and integrity of financial and operational information; and compliance with laws, regulations, and controls.

7. Prioritisation

84.Conducting a prioritisation exercise requires many years of experience and in-depth, specialised knowledge and skill. Rating priorities will always be subjective, with different role players holding differing opinions. It must be taken into account that the process and discussions are as important as the compilation of a prioritisation matrix.

85. Prioritisation is required at all levels of government delivery, including macro-economic decision, national development, sector strategies, medium-term budgets and plans and routine ministry and project management. Although the complexity and consequence of decisions will differ vastly, the same prioritisation process can be used.

86. Before a prioritisation exercise can be carried out, MDAs (including Cabinet, central agencies (such as the Central Bank of Lesotho), teams, projects, programmes, and departments) need to have a comprehensive understanding of the decision-making hierarchy and procedures.

Procedures for weighting of, and ranking of outputs

A ranking methodology consisting of seven steps as described below.

- Step 1: Develop a rating scale matrix, based on criteria selected by MoF and MDA management.
- Step 2: Rate each output using the rating scale matrix.
- Step 4: Include the highest-ranking outputs in your MTEF Budget
- Step 5: Exclude outputs with the lowest scores.

Developing the criteria for rating activities is a two-fold process:

- MoF selects criteria which relate to national priorities on a strategic level and are the same across all MDAs.
- Each ministry selects further criteria specific to the MDA on an output level related to improving their effectiveness and efficiency and mitigating challenges of their service delivery.

Examples MoF Criteria

- Coherent with national policy priorities in the NSDP and BSP
- Address the needs of the poorest poor
- Impact on the largest possible target group
- Sustainable and replicable
- Create employment
- Improve the lives of marginalised groups, women and children

Examples of MDA Criteria

- Reduce recipient waiting time
- Increase uptake by target group
- Result in efficiency gains

87. The MoF standardised national criteria are rated out of 100 based on NSDP and BSP outcomes. If the MDA does not contribute to these outcomes it will be rated as zero.

88. The MDA will list all their major outputs from their BFP and rate them out of 100

89. The MoF criteria and the MDA output score are added together, then divided by 2, resulting in a total score out of 100 for each output.

Box 4. Example of a prioritisation matrix

		Mandatory implementation in T 1	Priority	Direct benefits marginalised target groups	Sustainable results for sector outcomes	Impacts on high % of large target group	
		MOF weighting					
MDA output criteria		**MDA weighting**	**Combined MoF and MDA weighting**				**Output Ranking**
Output 1 (existing)	Results in efficiency gains	35	15	12,5	12,5	10	85
Output 2 (existing)	Output 2 (existing) Reduces staff compliment	12,5	10	10	25	24	81.5
Output 3 (existing)	Reduce recipient waiting time	7.5	10	25	12.5	10	65
Output 5 (NSP)	Increase uptake by target group	35	17.5	12.5	12.5	10	87.5

90. In the example above Output 5 receives the highest ranking as it has the highest score relating to immediate implementation by the MDA to fulfil its mandate and increase the target group's uptake. It is higher ranking than Output 1, which although it has the same score for immediate implementation of the MDA mandate, its combined scores relating to the other MDA output criteria and MoF BSP criteria are lower.

91. The rating matrix may now be used to prioritise which activities will be funded in the coming year and at what level. Once managers have calculated the activity scores, they need to decide:

- Which activities can be deferred or excluded;
- Which activities cannot be deferred; and
- Which activities can be downscaled.

92. If the total funding required is still over the budget ceiling, activities that cannot be downscaled should be included in the BFP as NSPs with a motivation for extra funding, showing the relationship between service delivery outputs and costs.

Allocating resources

93. Once the activities have been ranked and senior management have decided which activities will be funded, the actual allocation of resources occurs. In other words, in this step, the actual funding decisions are taken within the budget ceiling that was allocated to the ministry, leading to the possibility that their budget will need to be re-worked. The highest-ranked activities should get priority funding. This will ensure optimum utilisation of scarce resources and enable the ministry to stay within ceiling.

94. After the final funding decisions have been made, the approved activities are handed back to each departmental manager for the preparation of a detailed budget. The approved activities not only identify the approved budget and manpower levels, but also the outputs and outcomes that are expected from each manager. Each manager then prepares a detailed budget for the coming year, as well as for the two outer years within the indicative ceilings.

8. Community Participation in the Budget Process

95. Lesotho is strengthening local governments and decentralising decision-making and financial powers and duties. The decentralisation of government aims to bring government **'closer to the people'**. This should result in improved levels of service and responsive, demand driven government outputs which are customised to a particular community's needs. UNICEF Lesotho has produced a Public Participation Handbook which aims to support government decentralisation and generate meaningful community participation. A successful and sustainable community participation process can be achieved through:

- The phasing-in of a sustainable community participation strategy;
- A Lesotho-specific contextual definition of 'community';
- Clear guidelines on which budget decisions are discussed at the community level; and
- A clear understanding of how 'community' input influences the allocation of resources.

Phasing-in of a sustainable community participation strategy

96. Community forums have been a part of the governance of Lesotho for some time. However, there is little evidence of whether these influence development planning and the allocation of funds. In many countries, community forums are used as a political platform and the community's input is based on promises (mostly unrealistic, unfunded mandates) by politicians, which are seldom delivered.

97. Community participation in the budget process requires a clear strategy and a medium-term workplan which dovetails with the NSDP timeframe. The strategy needs to begin by building a broad knowledge base of budget literacy, including about the economic issues facing Lesotho. Budget literacy knowledge-sharing sessions need to be conducted at regular intervals throughout the year. Scheduling of these sessions can be linked to focus days (Women's Day, Youth Day, Independence Day, etc.) which are already part of

Lesotho's public consciousness. The economic and budget issues impacting on particular focus groups can be used as a learning platform.

98. It is preferable to use existing communication channels, with different media forms targeting specific community segments. TV, newspapers, radio websites, and social media will reach different demographic segments. Social media is a powerful community engagement tool, allowing for discussion forums on Facebook, awareness-raising through WhatsApp groups, and bite-size messages on Instagram.

99. Traditionally, 'town hall' meetings have been used as for community forums. These should continue to be used as an effective part of a broader strategy. The messaging needs to target a specific segment, and the wording and imaging needs to be tailormade for that segment. Non-governmental organisations and community-based organisations may choose to access budget information through credible web-based channels, and the publishing of annual Budget Briefs is important in this regard.

100. The youth segment may prefer holding discussions and having lively interaction through Facebook and on WhatsApp groups. The preparation and distribution of printed material must be subject to cost–benefit evaluations. It is an expensive media channel and is often obsolete at the outset due to a vague understanding of the target segment, the use of budget jargon, insufficient thought given to the language used, and lower literacy levels in the community. In addition printed media often reaches its audience too late to allow for meaningful engagement.

101. Regardless of which media is used, the expectations must be clear and all knowledge building and future community involvement in decision-making meaningful, realistic, and sustainable.

A Lesotho-specific contextual definition of 'community'

102. The term 'community' needs to be understood in terms of participating in the budget process. If participation in planning and budget formulation is to have meaningful impact, all stakeholders need to agree on what the community is and who can legitimately represent segments of it. In addition, caution must be taken to ensure that certain demographic segments do not have more influence than others, as this may entrench inequity.

103. There are many ways a bias can become entrenched in decision-making. In general, communities with more financial resources have more influence on decisions affecting them. The bias towards better resourced communities is further entrenched by an urban : rural bias, as urban communities have better access to platforms which allow them to have input in decision-making.

104. Budget allocations to communities or segments experiencing extreme hardship may be prioritised at a cost to other communities after issues are exposed in the media or by non-governmental organisations. Non-governmental organisations and community-based organisations often have undue influence on planning and budgeting and tend to favour their own focus area or segment of the community, disadvantaging issues and groups which do not have their issues elevated by these groups.

105. There are no simple answers to these issues raised above, and it is suggested that a study should be conducted on how Lesotho can achieve a fair system of community participation in budget processes.

Clear definitions of which budget decisions are discussed at the community level

106. Traditionally, communities are more likely to be included in decision-making on capital projects and local government budgets that affect them directly. Although this is important, it ignores the largest budget allocations (salaries and operating costs). Communities are aware of issues such as there being too few primary health care nurses, inadequate spending on secondary schools, unfinished capital projects and poor, and lack of delivery of basic services.

A clear understanding of how community input influences allocation of resources

107. To allow communities to influence budget allocations, it is suggested that their input through the various communication platforms should be collated and condensed into a 'Community Budget Report' which is disseminated to ministries prior to their preparation of their BFP. A section should be added to the BFP which requires ministries to show how their budget request attempts to address the perceived needs of the community, and how emerging community issues should be addressed through NSPs.

108. Challenges facing meaningful community participation and which need to be addressed through planning and a dedicated community participation budget include building the capacity and skills of government employees; diversity within the community; making sufficient time to enable meaningful input into the budget process; lack of transport to meetings; power dynamics within the community; and access to rural communities. It is suggested that the process of establishing community budget participation should be 'outsourced' to a unit at a tertiary institution which has the required skill set and experience.

9. Monitoring and Evaluation (M&E)

Introduction to the role of monitoring and evaluation in Lesotho

109. Monitoring and evaluation (M&E) are integral components of the Medium-Term Expenditure Framework (MTEF). They provide the mechanism for the government of Lesotho to assess their own performance and ensure that all MDAs are constantly and systematically increasing their levels of efficiency and effectiveness.

110. The performance information from the M&E system has many uses, it:

- informs citizens on how public funds will be used.
- defines the MDA's responsibilities to deliver on their mandate.
- measures progress towards achieving the MDA's medium-term policy objectives using its planned medium-term budget allocations.
- informs Cabinet and the National Assembly for decision-making and scrutiny of the budget.
- informs the public of the current state of public services and its progression over time.

111. The National Strategic Development Plan (NSDP) II Evaluation can be used to provide a baseline of the current levels of service delivery. It will also show whether MDAs were able to achieve their performance targets which were set at the start of the five-year NSDP II period.

112. When NDSP III and new National Vision are adopted, they will include high level, developmental performance information (PI) which focusses on socio-economic development as well as the impact government services will have on the wellbeing of citizens. NDSP performance information should, therefore, focus on effectiveness (outcomes/changes in the community).

113. Based on the NSDP and National Vision, sector strategic plans are developed. Sector strategic plans will focus on outcomes and priority objectives. It is optimal that the period for sector strategic plans is aligned with the NSDP period.

114. The NSDP and sector strategies are static plans as their performance targets do not change during the period implementation period. The (annual) Budget Strategy Paper indicates whether the government is achieving its

outcome targets and advise ministries, departments and agencies which targets to focus on in a particular year

115. MDAs will incorporate the NSDP and National Vision targets into their Budget Framework papers and into their MTEF.

Requirements of a comprehensive monitoring and evaluation system

116. An M&E system aims to evaluate the performance of government as a whole, as well as the performance of each MDA. To provide a valid evaluation, an M&E system needs to have both integrity and credibility.

- **Integrity** refers to how real and measurable performance is.
- **Credibility** is how seriously the M&E system is taken by MDA managers, Cabinet, political leadership, and parliamentarians.

117. An M&E system produces data used for quarterly and annual reports and in Budget Framework Papers. An M&E system should also produce regular, internal MDA management reports which are an integral part of MDA management protocols. MDAs, therefore, require systems for to conduct both 'monitoring' and 'evaluation', which are generally regarded as synonymous, but have distinct, complementary functions.

- **Monitoring** is the collection and compilation of performance data.
- **Evaluation** is the analysis of performance data, the recognition of achievements and planning to overcome challenges.

Criteria for a good monitoring and evaluation system

118.Monitoring and evaluation systems are based on setting good quality performance information. All performance information should have the following qualities:

- **Cascaded** to all levels of the government at the MoF, MDAs, programmes, departments, specialised units and projects.
- **Streamlined,** so that MDAs are not required to collect data for additional measures and do not collect multiple measures for the same purpose.
- **Appropriate,** measuring the right things by using the best possible PI which is specific, measurable and time bound.
- **Reliable** data which can be verified and eventually audited; and
- **Utilised** to play a material part in government decision-making processes

Monitoring and evaluation terminology

119. Monitoring and evaluation practitioners use different terms to define categories of performance information. Box 5 (below) explains the definitions utilised in this manual. However, if they are not consistent with those of the Lesotho Cabinet, Ministry of Development Planning and Ministry of Finance, they should be replaced with terms which are currently in use.

Box 5: Monitoring and evaluation terms

Performance Terminology	Definition	Example
Performance Information	A generic term used to describe all information used in measuring performance	
Performance Measure	A description of what will be measured.	Grade 12 pass rate
Performance Target	A specific target/result/ quantification of the performance measure in a specific timeframe	T1:-78% T2:-85% T3:-94%

Categorisation of performance information

120. As with monitoring and evaluation terminology, it is important that the Lesotho Cabinet, Ministry of Finance, Ministry of Development Planning and all MDAS use the same definitions for the various categories of performance information terminology. As with the monitoring and evaluation terminology described in Box 1 (above) if they are not consistent with those currently used in Lesotho, they should be replaced with terms which are currently in use. The terms (below) are standard definitions used in many countries. Education is used as an example). (Hypothetical human resource development/ education examples are provided)

121. Impacts are the long-term results of achieving specific outcomes, such as reducing poverty and creating jobs. (Generally, at NSDP and National Vision level)

Example: A private sector which is people-centred directly engaging citizens of Lesotho and empowering individuals and encouraging participation in the development process.

122. Outcomes are the medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives as set out in its Strategic Sector Plan and BFP. Outcomes are "what government officials wish to achieve".

Example: The creation of 49, 319 jobs (23,096 jobs in the four productive sectors and 26,223 jobs in other sectors), which amounts to 9,864 jobs annually

123. (Impacts and outcomes are grouped under Key Performance Area (KPA) in the NSDP)

124. Objectives are a statement of what is achieved as a result of a number of outputs which are delivered. Objectives are used at an NSDP and National Vision 2020 as well as at MDA level. Objectives are an aggregation of services and have a strategic value, linking the o Objectives:

- should be specific (not a mandate or activity) and
- at neither too high a level nor too low a level.
- relate to challenges.
- stated in terms of the service delivery improvements they will deliver.
- identify trade-offs across spending lines towards achieving the ministry's medium-term strategic objectives.

Example: Enhanced Institutional Capacity for Research and Innovation at 10 private sector and 3 higher education facilities.

125. Outputs are the final products, or goods and services produced for delivery. Outputs may be defined as "what government officials produce or deliver".

Example: Science, Maths, and technology (STEM) classes are provided at all public secondary schools

126. Activities are the processes or actions that use a range of inputs to produce the desired outputs/services and ultimately outcomes. In essence, *Example:* 3 hours of STEM classes are given daily for Grade 10-12

127. Inputs are all the resources that contribute to the production and delivery of outputs/services. Inputs are "what government institutions use to do the work".

Examples: 2 qualified STEM personnel are employed and specialised equipment and computers are available at all secondary schools.
Costs are the amounts required to purchase inputs. (i.e., the line item MTEF budget allocations)

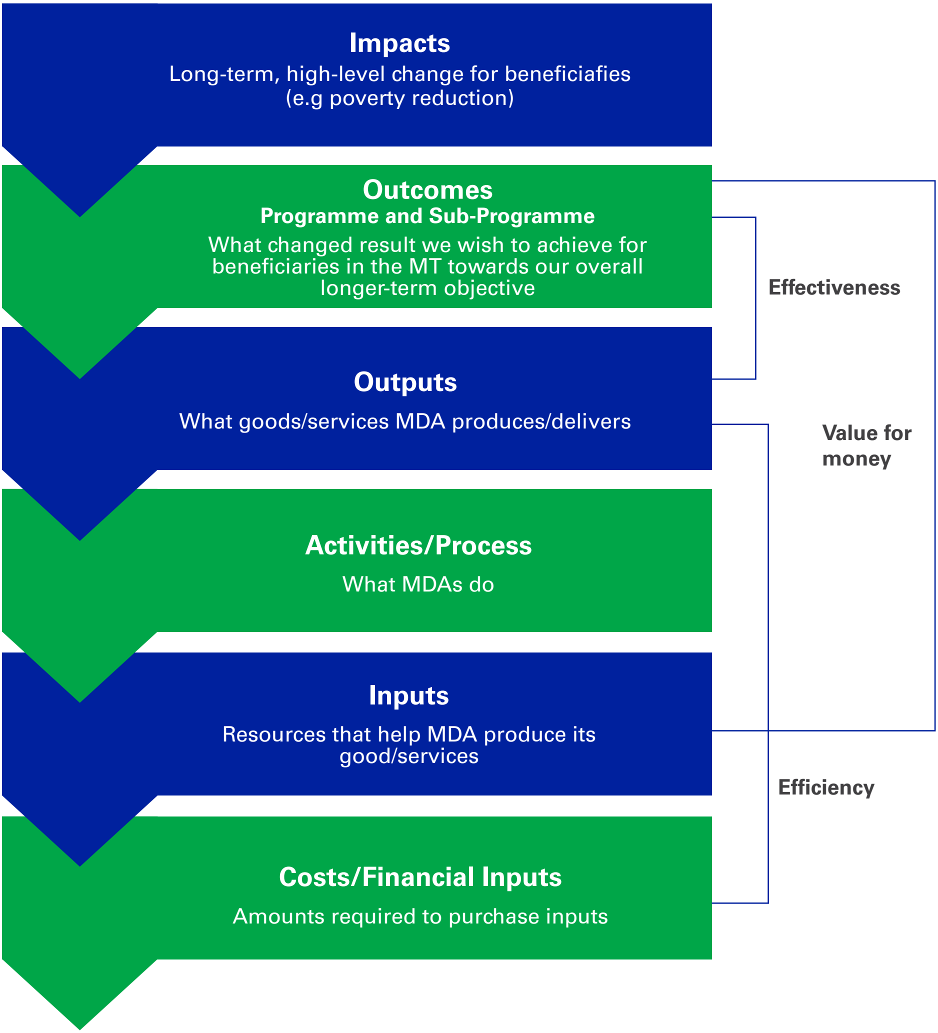
128. Costs are the amounts required to purchase inputs. (i.e., the line item MTEF budget allocations)"

129. The Government Finance Statistics Economic Classification of expenditure adopted by the Government of Lesotho provides a standard international way to classifying allocations and actual use of financial resources according to different types of inputs.

130. In the example above, the performance target is included as part of the performance statement. When a performance matrix is created, the descriptive element is usually separated from the target. The target will include a timeframe.

131. Diagram 2 provides a visual depiction of how performance information provides the building blocks for the Government of Lesotho to achieve its national development outcomes and have an impact on improving the livelihood

Diagram 2: The link between social and economic development and the budget



Developing realistic and achievable plans and performance targets and indicators

132. Each MDA is required to develop performance measures to be included in their MTEF. These need to be approved by the Ministry of Finance and cover the following areas:, they should be replaced with terms which are currently in use.

- Strategic priorities over the budget period (three years) (outcome indicators).
- Key outputs, associated with these medium-term strategic priorities, and

133. Developing performance measures requires strategic thinking. MDAs need to be clear on the results they want to achieve over the budget period, and what their strategy is to achieve these results. Performance measures should, therefore, measure the desired result (the outcome) and the planned strategy implementation (their objectives, outputs and activities).

134. The performance measure is the description of what will be measured and are set for a three-year period and not be changed annually. The performance targets may be updated on an annual basis, based on actual achievements and challenges.

135. Box 6 (below) sets out the activities to develop good quality performance targets. The table is followed by a step-by-step explanation.

Box 6: Steps in developing MTEF performance indicators

Discuss collectively the strategic performance improvements required by the MDA	Consider what challenges with service delivery the MDA is trying to fix? What are the gaps in service delivery?	Convert the challenges into positive statements of priority improvements in service delivery?	Consider theory of change (results chain) for desired improve-ments, identifying the outcomes, outputs / activities and inputs

Design indicators to show achievement of strategic priorities, and implementation of result chain. Check existing MDA indicators first.	Link each strategic priority to a Programme/ Department& make it an outcome. Select/ design indicators to measure its achievement	Select/design indicators that will show that the critical outputs for achieving the strategic priority are being delivered	Select/design measures to indicate whether MDA is efficient in results chain implementation
Assess proposed indicators against criteria for good-quality indicators, including likely data availability	Record data for the base year for each indicator	Determine MT targets for each indicator, taking into account likely MTEF resources	Review targets against likely resources with MDA senior management, including PS

136. Step 1: Discuss the strategic performance improvements achieved by the MDA

137. Step 2: List the current service delivery challenges facing the MDA. This refers to the gaps or weaknesses in service delivery. These challenges can be identified by questions such as:

- What services do the public complain about?
- What is the Minister worried about?
- What is the MDA not delivering that it should be delivering?

138. Step 3: Convert the current challenges in the BFP into improvements in service delivery the MDA would prioritise. For example, if the challenge is *"Unable to respond to public complaints timeously", the priority would be "Respond to public complaints within the required response period set by law".*

139. Step 4: Consider how the MDA can best reach the desired service delivery improvement.

140. Step 5: Design performance measures that will measure whether strategic priorities are achieved, and whether the strategy to achieve them, is being implemented and implemented efficiently.

141. Step 6: Set targets that will demonstrate whether the critical outputs for achieving the service delivery improvement are being delivered. (First check if any existing measures are appropriate.)

142. Step 7: Assess the list of draft indicators against good-quality criteria for performance indicators as well as availability criteria.

143. All performance indicators should meet the criteria for a good quality indicator as well as availability.

Box 7: Good-quality criteria checklist for indicators

Criteria for good quality indicators: Is the indicator specific and **measurable?** (Clear and specific, relate to a clear goal or objective, and able to be measured)

Is the indicator **appropriate?** (The indicator measures something that is important and useful to the MDA and to the users of the information [not trivial], and which does not lead to data manipulation)

Is the indicator **relevant?** (There should be a direct relationship between the indicator and what outcome or output is being monitored)

Is the indicator a **reliable measure** (There should be an increase in actual performance in the programme's outcome, output or activity, does the data for the indicator show a similar positive movement?)

Is the indicator **time-bound?** (The time period or deadline for delivery is explicitly set out)

Box 8: Criteria for availability

Is the data for the indicator currently or able to be collected in a timely fashion? (The data should be available soon after the end of the period to which they relate)

Is the data for the indicator reliable? (The data must be accurate and should not require significant revision later)

144. Step 8: Record the base year data.

145. Once the MDA has agreed on the final selection of indicators, it should record the actual data for the base year for each indicator (outcome, output and efficiency). The most recent available data should be used. (Ideally, the most recently completed fiscal year).

146. Step 9: Determine medium-term performance targets.

147. MDAs are required to set annual performance targets for each indicator in their MTEF BFP

Box 9 : Example of medium-term targets

Ministry of Police and Public Safety	2018 budget/ Base year data	2019 Planned/ Target	2020 Planned/ Target	2021 Planned/ Target
MTEF Budget ceilings	M 295,000	M 300,320	M 306,275	M 315,350
Strategic Priority Target % of crime reports classed as solved (annually)	65%	75%	85%	95%
	65%	68%	70%	71%

148. Step 10: Review targets against medium-term budget ceilings
While MDAs are working towards the achievement of the strategic priorities, the resources available may change (e.g., due to budget cuts or virement to another spending unit). This would require the targets to be revised. This should be done by MDA managers and submitted to the MOF for approval.

Box 10: Hypothetical example Department of Immigration

Context: Incoming passengers to the airport have been complaining to the Minister about ever-longer queues to get through immigration controls

Challenge: Inefficient processing of air passengers
Strategic priority: More efficient processing of air passengers so that waiting times are reduced.

Intermediate outcomes needed to improve efficiency:
Individual performance of immigration officials measured –-> Immigration officials are incentivised to process passengers faster.

Immigration processes are improved to allow faster processing of officials, including cutting out double-handling of immigration forms and manual inputting of data by immigration officers.

Activities and outputs: Automated systems for passenger processing implemented. Systems implemented to measure performance of each officer and reward good performance.
Inputs required:

Automated system: Year 1: Consultancy fees to design system and software development; Year 2: Hardware acquisition and training.

Measurement of individual performance: Built into automated system at no additional cost. Reward system will not require additional spending over the budget period.

Desired outcome over next 3 years: Significantly reduced waiting times at immigration by passengers on incoming flights

Outcome indicator: Average time (in minutes) between passenger arriving in immigration hall and being processed by an immigration officer

Output indicator: Percentage of arriving passenger information inputted manually

Efficiency indicator: Average time (in seconds) for a passenger to be processed by immigration staff

Actively monitoring performance

149. MDAs need to develop organisational processes to support their own monitoring and evaluation system, including assigning roles and responsibilities of personnel to collect, verify, sort, update and report data. The specific oversight roles and responsibilities that management will play need to be set out. The upkeep and management of the M&E system should be assigned to a specific ministry official or unit and included in job descriptions (i.e., not an extraneous activity).

Evaluating performance results

150. An MDA needs to evaluate if it successfully meets its targets. Certain successes may be based on the achievement of a time-bound target which can be regarded as complete, and resources can be reallocated to another area of service delivery. Success in certain areas can be used as examples of how to tackle challenges in other areas.

- Achievements must relate directly to the major outputs and targets in the MDA performance framework.
- The same outputs should be reported on annually so they can be used to compare performance from previous years.

Reporting

151. In order to communicate to the National Assembly and to the public the extent of progress being made in performance against budget allocations (i.e. in other words, what service improvements is government achieving with public funds) MDAs are required to prepare reports on the performance of financial and non-financial indicators.

In-year revision of performance targets

152. Revision of targets may be required because the strategic priority has been achieved, or because the MDA is setting a new strategic priority based on a change of policy or a new spending proposal (NSP) for the MDA output targets may be revised if the existing output indicators are not effectively measuring the implementation of the MDAs strategy, or because the strategy has changed.

153. Revisions may also come about because of a change in the MDA's mandate, the data for existing targets is no longer being available, or because the indicator itself is not accurately reflecting actual performance as intended. Changes in the of targets will be reviewed by the MOF during BFP discussions and would need to be accompanied by a clear justification and accompanying evidence.

Annex 1: Example of Performance Information for (a hypothetical)

Programme/ Department	Sub-programme	Specific Item Measured (Outcome/ Goods/Services)	Indicator	Type of Indicator
2. Land Management and Administration		Outcome: Efficient use of land	% commercial, agricultural and residential land used for its designed purpose.	Outcome
	2.1. Land Policy and Legislation	Service: Complete revision of legislation related to the Programme/Department	Legislation reviewed and aligned with policy	Output
		Service: Policies and regulations	Specific policies and regulations reviewed	Output
	2.2. State Land Management	Service: Allocate residential plots of lands	Number of plots allocated	Output
		Service: Lease of state lands	% of area allocated for leases	Output
		Service: Administration of leases	% of backlog in lease administration	Efficiency
	2.3. Spatial Data Infrastructure	Service: Maintenance of digital cadastre	% of overlapping boundary	Quality output
		Service: Geodetic control network	Number of control points fixed	Output
		Service: Provision of survey services	Average processing time for approval of surveys	Efficiency
			% completed surveys	Outcome
	2.4. Geographic Information Services	Service: Effective database management	Average monthly % down time	Efficiency
		Services: Accessibility to geospatial data	Average time taken in hours to respond to requests	Efficiency

Ministry of Finance and Development Planning
Finance House
Government Complex
Kingsway Road