# The Logical Framework

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# 1 Quick-start: The Logical Framework in a Nutshell

The following matrix provides an overview of the most important elements of the Logical Framework Approach, along with common terminology and hints for the filling of the matrix.

<table>
<thead>
<tr>
<th><strong>Strategy of Intervention</strong> (Results chain / Hierarchy of objectives)</th>
<th><strong>Key Performance Indicators</strong></th>
<th><strong>Means of Verification</strong> (Data Source)</th>
<th><strong>External Factors</strong> (assumptions / risks)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Impact</strong> (Development objective / overall goal)</td>
<td><strong>Impact Indicators</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Definition:</strong> Improvements of a situation in terms of social and economic benefits which respond to identified development needs of the target population under a long-term vision. <strong>Scope of project management:</strong> The achievement of the development objective lies outside the direct reach of the project and depends on the assumptions formulated at outcome level. However, outcomes should represent a relevant contribution to it.</td>
<td><strong>Definition:</strong> Features which can be measured or at least described precisely in terms of quantity and quality respectively and which show a change in situation. <strong>NB:</strong> Impact Indicators are essentially used during evaluations.</td>
<td><strong>Definition:</strong> Means of verification indicate where and in what form information on the achievement of objectives and results can be found, e.g. reports of ministries, project reports, laws, statistics, assessments, etc. <strong>NB:</strong> It may be useful to also state the means and methods for collecting and reporting information (monitoring).</td>
<td><strong>Definition:</strong> Assumptions are conditions which could affect the progress of the project but which are not under direct control of project management. An assumption is a positive statement of a condition that must be met for the project’s objectives to be achieved. A risk is a negative statement of a condition that might prevent the project’s objectives from being achieved.</td>
</tr>
<tr>
<td><strong>Outcome</strong> (Project Objectives / Purpose)</td>
<td><strong>Outcome Indicators</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Definition:</strong> Intended situation at the end of or soon after the project’s lifespan in terms of gains in performance (as a result of changes in knowledge and behavior). <strong>Scope of project management:</strong> The attainment of outcome is primarily dependent on the project outputs, but depends also on factors beyond the project’s control. <strong>Hint:</strong> Where projects or programmes have several components, formulate one outcome statement for each component.</td>
<td><strong>Definition:</strong> Conditions at the end of the project indicating that the purpose has been achieved. <strong>NB:</strong> Outcome indicators are commonly used for project reviews and evaluations. <strong>Hint:</strong> Pay attention to the proper distinction between outcomes and outputs (see 4.1, good practice)</td>
<td></td>
<td><strong>Hint:</strong> To ensure a proper vertical logic, it is essential to attribute assumptions to the corresponding level of intervention (in this box assumptions at outcome level which are relevant for achieving the development objective need to be stated).</td>
</tr>
</tbody>
</table>
### Strategy of Intervention
(Results chain / Hierarchy of objectives)

**Hint:** Use one-sentence statements, in the form of a status achieved or an infinitive (to do something).

### Key Performance Indicators
**Indicators** measure whether the objectives on each level are achieved whereas standards define the level of expected performance.

### Means of Verification
(Data Source)

### External Factors
(assumptions / risks)

<table>
<thead>
<tr>
<th>Outputs (Project Results / deliverables)</th>
<th>Output Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition:</strong></td>
<td></td>
</tr>
<tr>
<td>Products and services produced or competences and capacities established directly as a result of project activities.</td>
<td></td>
</tr>
<tr>
<td><strong>Scope of project management:</strong></td>
<td></td>
</tr>
<tr>
<td>Outputs are under the control / responsibility of project management (for multiple agency arrangements see also 4.1)</td>
<td></td>
</tr>
<tr>
<td><strong>Hint:</strong> For clarity of logic, one output statement for each corresponding project component is recommended.</td>
<td></td>
</tr>
<tr>
<td><strong>Definition:</strong></td>
<td></td>
</tr>
<tr>
<td>Measures of the quantity and quality of outputs.</td>
<td></td>
</tr>
<tr>
<td><strong>NB:</strong> Output indicators are predominantly used during monitoring and review.</td>
<td></td>
</tr>
<tr>
<td><strong>Hint:</strong> Formulate assumptions at output level which are relevant for achieving the project’s objective(s).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Activities (Project components)</th>
<th>Inputs</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specific tasks performed using resources and methods in order to achieve the intended outputs.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Scope of project management:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Critical factors for carrying out activities are professional skills, the availability of sufficient financial resources and the absorption capacity of the local partners as well as of the target groups and beneficiaries.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Hint:</strong> The matrix should not comprise the entire list of project activities, and focus on what the project is to deliver and not on how. The complete list of activities belongs in the main text of the project document and be referenced numbers to show the link between activities and results (see also 4.1, Format)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Definition:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physical and non-physical resources (personnel, equipment) and finance necessary to perform the planned activities and manage the project.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NB:</strong> Inputs and budget figures are usually not included in the matrix, but detailed in the main text of the project document</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Hint:</strong> Formulate assumptions at activity / input level which are relevant for achieving project outputs.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2 Concept

2.1 Approach

The **Logical Framework Approach** (LFA) (see also 3) is a systematic, analytical process for the planning of projects, programmes as well as sector or country strategies.

The approach helps to:

- Analyse an existing situation, including the identification of stakeholders' needs and the definition of related objectives;
- Establish a causal link between inputs, processes, outputs, outcomes and objectives (vertical logic);
- Define the assumptions on which the project logic builds;
- Identify the potential risks for achieving objectives and outcomes;
- Establish a system for monitoring and evaluating project performance;
- Establish a communication and learning process among the stakeholders, i.e. clients / beneficiaries, planners, decision-makers and implementers.

**History**

Originally developed and applied in science (NASA) and the private sector (management by objectives) for the planning and management of complex projects, the Logical Framework Approach was first formally adopted as a planning tool for overseas development activities by USAID in the early 1970s. Since then it has been adopted and adapted by a large number of agencies involved in providing development assistance. They include the British DFID, Canada's CIDA, the OECD Expert Group on Aid Evaluation, the International Service for National Agricultural Research (ISNAR), Australia’s AusAID and the German GTZ. With its ‘ZOPP’-version (Ziel-Orientierte Projekt Planung) GTZ has put particular emphasis on the participation of stakeholders in the application of the approach. However, more than a decade of mandatory and highly standardized use of ZOPP in all GTZ-projects has revealed several drawbacks (see also 2.4). As a result in the late 90'ies the rigid application of ZOPP has been replaced by a more flexible approach for project planning.

2.2 Matrix

The **Logical Framework Matrix** (see also 4) summarizes the result of the process and

- Helps to present / communicate the project in a standard format to planners, decision-makers and managers;
- Serves as a reference for project cycle management (PCM)

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1 In this paper the term project is used as synonym for project, programmes and strategies since LFA can be applied for all three.
### 2.3 Process

#### When to use it?

The LFA can be used throughout the project management cycle, i.e. for identifying, preparing, appraising, implementing, monitoring and evaluating projects. If the LFA is used to conceptualise projects rather than as a standard mechanism to design projects it has the potential for widespread and flexible application.

#### Where to start from?

The conventional entry point is the problem analysis followed by a stakeholder analysis (mapping of interests and potentials of relevant actors), an objective analysis (image of an improved situation in the future) and the selection of the preferred strategy of intervention (comparison of different "chains of objectives") (see also 3.1).

However, there are other entry points:

- For programmes and strategies it may be useful to start by defining the intended development goal(s).
- Instead of a ‘problem-oriented’ approach it may be more appropriate to identify potentials and related ‘bottlenecks’.
- A short-cut approach directly links needs with project outputs.

#### Who should be involved?

Project planning and management should always be considered a team task. This requires giving key stakeholders the opportunity to provide inputs to the LFA process and product. Ideally the LFA is developed in a consultative process, involving seco and the implementing partners and preferably the clients / beneficiaries.

#### What else to consider?

To ensure that all elements for the successful implementation of a project are adequately considered in the planning phase, the LFA has to be supplemented with:

- An assessment of the implementing organization(s), e.g. capacity, competence, interests, division of labour (see also 2.5: Results-based Management).
- An assessment of the institutional context, e.g. role, policies and strategies of relevant stakeholders in the private and the public sector).
- Market and due diligence studies etc., as appropriate.
2.4 Limitations

To fully realize the LFA's strengths and potential it is important to be aware of the limitations of the approach and the need for alternative and supplementary tools and procedures. Development projects and programmes always operate in a complex environment, i.e. in a reality which cannot be managed only on the basis of logical and rational analysis.

<table>
<thead>
<tr>
<th>Potential strengths</th>
<th>Common problems / possible pitfalls</th>
</tr>
</thead>
</table>
| Vertical logic (see 4.2) | • Provides logical link between means and ends  
• Places activities within broader development environment  
• Encourages examination of risks |
|                      | • Oversimplification of intervention logic to a simple linear chain  
• Neglect of possible alternative strategies  
• Goals are considered fix  
• Reaching consensus on objectives  
• No serious analysis of assumptions and risks |
| Horizontal logic (see 4.4) | • Requires analysis of whether objectives are measurable  
• Helps establish monitoring and evaluation framework |
|                      | • Finding measurable indicators for higher level objectives and „software“ projects  
• Tunnel-vision because of focus on available information and selected indicators |
| Format and application (see 3 & 4.1) | • Links problem analysis to objective setting  
• Allows to visualize and is relatively easy to understand.  
• Can be applied in a participatory manner |
|                      | • Focus on problems to the detriment of potentials  
• Problem analysis reduced to routine and a mere cosmetic exercise  
• Marginalisation of risks  
• Focus on product (what to we want to achieve) rather than process (how should something be done)  
• Logical Framework Approach neglected in favour of a quick matrix exercise  
• No explicit consideration of the time dimension  
• High demand on training |

2.5 Link to Results-based Management

Because of its analytical and logical strengths the LFA, along with other tools, is an important element for the results-based management (RBM) of projects.

Results-based Management:

- Focuses on tangible results to be delivered;
- Clarifies clients and mandate of (implementing) organization(s);
- Promotes benchmarking and performance analysis;
- Emphasizes value-for-money;
- Moves from input (budget-driven) to output (results-oriented) operations.
The following model reflects the key elements of a systematic results-based management approach for the planning, implementation and evaluation of projects. The figure also shows the link to the Logframe matrix.

The model distinguishes three layers: the context (clients, beneficiaries), the project (mandate) and the organization (implementing agency). Simply put, the organization responds to identified needs in a context with a specific project. While the development objective (impact level) reflects the broader needs which the organization wants to address within its overall mission, the outcomes define a focused response to the needs of a specific group of beneficiaries or to a specific situation on the basis of the available instruments and approaches of the organization. An effective RBM requires a clear definition of the needs and of the focus of the project (i.e. a clear mandate) are essential.

For every project it has to be clarified:

- Who are the clients / beneficiaries / stakeholders ?
- What are their actual needs to which the project shall respond ?
- What are the objectives that have to be fulfilled to satisfy the identified needs ?
- What are the processes, structures and means needed to attain the objectives ?
- What are the requirements the implementing organization has to fulfil ?

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2 Simplified version of a more comprehensive model developed by KEK-CDC Consultants.
A major challenge of RBM is to shift focus from inputs to outputs and from outputs to even higher outcomes and impacts. To do so, it is important not only to identify the intended results at these different levels, but also to understand the cause-effect linkages between them. Here is where the LFA can add value to RBM:

- **Testing the adequacy**
  
  By defining a causal link between inputs, outputs, outcomes and impact, i.e. the strategy of intervention, the LFA allows to check the adequacy of objectives (see also 4.2) with regard to the actual needs.

- **Testing the effectiveness**
  
  By defining indicators that have a logical link to the planned inputs, outputs and outcomes the LFA allows to check the effectiveness of a project (horizontal logic, see 4.4).

- **Testing the efficiency**
  
  By defining measurable results that need to be achieved on each level, the LFA provides the basis for measuring the efficiency in terms of 'input to output', but also 'output to outcome'. This allows to establish benchmarks in terms of 'value-for-money', i.e. how much is achieved at each level with the results given at the lower level.

- **Testing the relevance**
  
  By evaluating the achieved effects of the project against the needs of the beneficiaries, the relevance of the project is tested ex-post.

### 3 Application

#### 3.1 Steps

Development projects are usually designed as a means (or a set of interventions) for addressing and overcoming identified problems. The LFA

- provides a structured analysis of the existing situation
- helps to identify of a future, improved situation
- defines of a strategy to reach the future situation.

In principle, the LFA involves four major steps: (see also 2.3: 'Where to start')

1. **Problem analysis**
   
   *Purpose*: to identify the 'root causes' and the **cause and effect** relationship between problems which should be addressed in project design.

2. **Stakeholder analysis**
   
   *Purpose*: to identify who is most impacted by these problems, and what might be the roles, interests and potentials of different stakeholders in addressing the problems.

3. **Objectives analysis**
   
   *Purpose*: to develop an objective tree which shows the **means - end** relationship between objectives.

4. **Selection of an intervention strategy**:
   
   *Purpose*: to define a strategy based on the potential merits or difficulties and risks associated with different possible project interventions.
It has to be emphasised that effective project planning is an iterative process, not just a linear sequence of the above mentioned four steps.

On some occasions it may be advisable to undertake the stakeholder analysis (or an initial stakeholder analysis) before embarking on the problem analysis. For example, if it is likely that there are strong competing interests among the stakeholders that may influence their input into the analysis of the development problem, then this should be known beforehand for a transparent problem analysis.

3.2 Problem Analysis

Brainstorming exercises with stakeholders are best suited for the problem analysis. It is essential to ensure that “root causes” are identified and not just the symptoms of the problem(s).

The problems identified are arranged in a ‘problem-tree’ by establishing the **cause and effect** relationships between the negative aspects of an existing situation.

Depending on the complexity of the situation to be addressed by the project, preliminary technical or socio-economic studies or assessments might be useful.

Other suitable tools and methods for problem analysis are:
- SWOT (SEPO) - analysis;
- Mind maps;  
  
  *for more details see annex I.*

3.3 Stakeholder Analysis

The identified problems have to be further considered in the light of the interests and roles of the different stakeholder and their potential for addressing these problems. In order to ensure that the design of a project responds to the real needs of different groups, there should preferably be multiple and separate stakeholder analyses.

The stakeholder analysis should provide an assessment of:
- the categories / types of stakeholders (e.g. beneficiaries which are actors in the project or negatively affected by the project, etc.).
- existing or potential conflicts of interest.

Suitable tools and methods for the stakeholder analysis are:
- Potential analysis;
- Organizational landscapes;
- Venn diagrams;
- ‘field analysis’
  
  *for more details see annex.*
Good practice

- Include the implementing agency in the analysis which should be done during the planning phase
- Make sure that different perspectives are considered
- Do not 'blind out' different cultural and social realities

3.4 Objective Tree

The Objective Tree provides an overview of the desired future situation by translating problems into solutions. These positive statements are presented in a diagram of objectives showing a means-end hierarchy.

In its simplest form, the objective tree uses exactly the same structure as the problem tree. However, not all the original problem statements may need to be translated into objective statements. Furthermore, some objectives may prove to be unrealistic, so other solutions to the problem need to be found or the attempt to solve it has to be abandoned.

Good practice

- Do not consider objectives that are unrealistic.
- Keep in mind that a conflict between the overall development objective and the more concrete goals and interest of the different stakeholders may exist.

3.5 Strategy of Intervention

The Objective Tree usually shows different clusters of objectives that have an inherent means-end linkage. Out of these possible strategies of intervention the most pertinent and feasible one is selected on the basis of a number of criteria, including relevance, likelihood of success, resource availability, etc.

Those objectives which fall under the strategy of intervention are selected to elaborate the hierarchy of objectives in the first column of the Logframe matrix. Objectives atop the tree are translated into the development objective, while those objectives further down the tree need to be converted into outcome and output statements.

Good practice

- Note that it is rarely possible to directly transpose the objective tree into the Logframe matrix. Further adjustment and refinement of the statements is usually required and the means-ends logic should be constantly checked as the matrix is being developed. (see also 4.2)
- Ideally only one project objective is defined. If it is necessary to formulate more than one, consider to divide the project into different components (with component objectives contributing to a single project objective).
4 The Matrix

4.1 Format

The results of the logical framework analysis are presented and further analysed in the so-called Logframe matrix. The matrix essentially provides a summary of the project down to the output level. While it is possible to also include activities in the Logframe matrix, they are preferably listed in the main narrative part of the project document where a systematic numbering, as shown below, allows to establish the link to the Logframe matrix. Reference to the implementation schedule and budget provisions can also be useful to illustrate when key activities are expected to take place.

**Linking activities to objectives**

<table>
<thead>
<tr>
<th>Impact</th>
<th>usually only one objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcome(s):</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Outputs:</td>
<td>1.1</td>
</tr>
<tr>
<td></td>
<td>1.2</td>
</tr>
<tr>
<td></td>
<td>....</td>
</tr>
<tr>
<td></td>
<td>2.1</td>
</tr>
<tr>
<td></td>
<td>etc.</td>
</tr>
<tr>
<td>Activities:</td>
<td>1.1.1</td>
</tr>
<tr>
<td></td>
<td>1.1.2</td>
</tr>
<tr>
<td></td>
<td>....</td>
</tr>
<tr>
<td></td>
<td>1.2.1</td>
</tr>
<tr>
<td></td>
<td>....</td>
</tr>
<tr>
<td></td>
<td>2.1.1</td>
</tr>
<tr>
<td></td>
<td>etc.</td>
</tr>
</tbody>
</table>

**Terminology**

**NB:** The first term refers to the most common terminology

- **Impact** *(development objective / overall goal)*
  Improvements of a situation in terms of social and economic benefits which respond to identified development needs of the target population under a long-term vision.

- **Outcome** *(Project objective, purpose)*
  Intended situation at the end of or soon after the project's lifespan in terms of gains in performance (as a result of changes in knowledge and behavior).

- **Outputs** *(Project results, deliverables)*
  Products and services produced or competences and capacities established directly as a result of project activities.

- **Activities** *(project components)*
  Specific tasks performed using resources and methods in order to achieve the intended outputs.
• **Indicators**
Features which can be measured or at least described precisely in terms of quantity and quality respectively, and which show a change in situation.

• **Means of verification**
Indicate where and in what form information on the achievement of objectives and results can be found.

• **Inputs**
Physical and non-physical inputs (personnel, equipment, material) and finance necessary to carry out the planned activities and manage the project.

• **Assumptions**
Conditions which could affect the progress of the project but which are not under direct control of project management.

An assumption is a **positive** statement of a condition that must be met for the project's objectives to be achieved.

A risk is a **negative** statement of a condition that might prevent the project's objectives from being achieved.

**Good practice**

• Quite often, the distinction between outcome and output is not so obvious. In such a case it can help to identify the project’s overriding purpose. **Example:** “Computerized platform for efficient, sound dept recording and analysis established” – what is outcome, what is output? The establishment of the computerized platform serves an overriding purpose, namely the development of local capacity of external debt recording and management. Consequently, the computerized platform is an output, i.e. a means to an end; or a boost to attain the project objective (outcome).

• Be consistent when formulating objectives. Use either the infinitive (“to do something”) or the past tense.

• Keep in mind that the Logframe will always remain a draft because it is only a snapshot of a situation at a certain moment in time. Therefore, it may be necessary to adjust the matrix in the course of time, as conditions change. Likewise, avoid to apply the tool too rigidly as there is a danger of restricting project management rather than facilitating it.

**Project Management’s Scope for Control**

The Logframe gives a good indication of the degree of control that project management has over a project. Project management has considerable direct control over inputs, activities and outputs, but only limited influence over the achievement of outcomes. It has in general no direct influence over achieving the development objective (impact), and can only be expected to monitor the broader project environment to help ensure that the project continues to be contextually relevant.

When defining project outputs it is also worthwhile to remember that there may be no single agency that has complete control over their delivery.

Furthermore, in multilateral operations, seco is funding only one component of a larger programme for which other organisations are responsible. Similarly, in bi-lateral seco-funded projects, the delivery of outputs is the primarily the responsibility of a local implementing agency and/or a seco-funded contractor or consultant.

In such cases it is advisable to map the whole project in a Logframe in order to make sure that all important links within the project are being considered. However, the responsibilities for de-
livering the outputs should be written down in the project document, the contract or in a memorandum of understanding rather than in the Logframe matrix itself.

4.2 Vertical Logic

The **vertical logic** of the Logframe identifies what the project intends to do (strategy of intervention) and shows the causal relationship between the different levels of the objective system (column 1) and the assumptions and risks (column 4) that are beyond the control of project management.

- **IF** inputs / means are provided, AND the preconditions fulfilled, THEN activities can be undertaken;
- **IF** activities are undertaken, AND the assumptions hold true, THEN outputs will be produced;
- **IF** outputs are produced, AND the assumptions hold true, THEN outcomes will be achieved;
- **IF** outcomes are achieved, AND the assumptions hold true, THEN the project contributes to the development objective (impact).

4.3 External Factors

External factors refer to conditions which can influence the progress or success of the project, but over which project management has no direct control. **Risks** are negative statements about what might go wrong, whereas **assumptions** are positive statements about the conditions that need to be met if the project is to stay on track. Understanding and analysing these assumptions is an important part of the planning process in order to improve wherever possible the robustness of the project design.

**How to identify assumptions (risks):**

1. Assumptions/(risks) can be identified in the objective tree as objectives not covered by the strategy of intervention or as factors not included in the tree.
2. These external factors need to be placed at the appropriate level in the matrix.
3. Assess the importance of external factors and their likelihood to influence the project by using the decision tree depicted here.
4. Check back to see whether the intervention’s vertical logic is indeed logical and nothing important is missing (see also 4.2 & 4.4).
4.4 Horizontal Logic

For measuring and reporting the achievement of objectives, relevant indicators (column 2) and the corresponding means of verification (columns 3) need to be identified at different levels. The logical link between indicators and objectives (column) is referred to as the LFA’s horizontal logic.

The horizontal logic is essential for testing the project description (see also Handbuch Indikatorenbildung, seco 2001, Zielkritik): During the process of defining performance indicators it is necessary to revisit the quality and appropriateness of project objectives (are they clear, feasible, specific enough?). It may be necessary to adjust the objectives in an iterative process.

Good practice

- Specifying indicators and their means of verification should focus on the output, project objective and development objective levels of the Logframe hierarchy. It is usually not appropriate or necessary to define indicators for activities (if they are included in the Logframe at all). This is in line with seco’s efforts to encourage monitoring and reporting by objective rather than the traditional activity-based reporting.

5 Looking for Additional Support & Information

Looking for Support?

seco’s Controlling unit (WECO), through a coaching mandate given to KEK – CDC Consultants, can provide additional support for questions related to the LFA and the Logframe matrix. After consultation with the evaluation officer the staff of seco’s Economic Development Cooperation Division as well as our strategic partners can directly contact KEK – CDC Consultants (Markus Engler / engler@kek.ch / 01 368 58 58).

When doing so it is necessary to address the coach with specific questions, either in writing or verbally, and provide all the necessary background material. The coach will attend to the requests asap. The coach’s comments and recommendations are usually provided both in a discussion with the responsible person and in the form of short written notes.

The coach is eligible to receive copies of all final documents produced as a result of the coaching (e.g. Logframes, elements of project documents).

Useful links / related documents

- Handbuch Indikatorenbildung, für die wirtschaftliche Zusammenarbeit mit Entwicklungs- und Transitionsländern, seco.
6 Example: Debt Management Project Kyrgyz Republic

6.1 Context / Project

The Kyrgyz Republic, due to the lack of marketable resources, has been a net aid recipient already under the Soviet regime. The economy was mainly dependent on the export of wool and meat. With the end of the communist system, the export markets of the Kyrgyz Republic collapsed. At the same time independence forced the country to implement major structural adjustments, i.e. shifting from a planned to a market economy and from centralistic to democratic rule. These structural adjustments required resources that were mobilized in the form of credits. The Soviet Union, previously the major ‘donor,’ was replaced by international finance institutions (EBRD, World Bank) and bilateral donors. Generous provision of credits in the early phase of transition, and the challenges faced by the Kyrgyz government in the form of structural adjustment (e.g. lack of institutional capacity, lacking awareness of the costs for credits), led to a rapid build-up of the public external debt stock to about 130 % of GDP at the end of 2001. The situation was aggravated by poor tax administration and lack of fiscal transparency.

These unfavourable developments are a major risk for economic growth and future productive investment and consequently for the implementation of a Poverty Reduction Strategy.

In 2000, seco in collaboration with the IMF began providing technical assistance to the Ministry of Finance of the Kyrgyz Republic to address debt management.

**Problem Analysis**

- Usually there is a tentative idea about the scope of a project, based on the identified challenge and the instruments available to intervene. In this case the problems were addressed with technical assistance.

- The table on the following page shows how these problems were organized in a problem tree, according to the hierarchical logic between causes and effects. Prior to developing such a problem tree, the issues to be resolved by a project intervention are identified and tabled in a brainstorming exercise or through systematic analysis.

- As stated in section 2.3 stakeholder participation is essential to acquire the relevant information.
6.2 Problem Tree

Ideally the problem analysis and thus the problem tree reflect the broader situation (i.e. beyond the scope of a particular intervention) to ensure that the relevant causes and effects are identified and taken into account.
6.3 Objective Tree

Objective Tree

- The causes and effects of the problem tree are translated into positive statements, i.e. possible solutions to the specific problems. This results in a means – end logic.
- However, not every problem statement must necessarily be turned into a solution statement. Two or more problems may be addressed by one single solution. Therefore, problem tree and objective tree are not always identical.
- Conversely, the underlying causes (blue shaded) may be out of reach of the project.
6.4 Strategy of Intervention

Selection of Strategy
Provided a broad analysis of the situation is made, the objective tree offers various options to design a project. Out of these possible strategies to intervene the most pertinent and feasible one is selected on the basis of a number of criteria, including relevance, likelihood of success, resource availability, etc.
6.5 Translation of Strategy into Matrix

**Definition of Objectives**

- The objectives which fall under the strategy of intervention are properly arranged into a results chain (hierarchy of objectives) in the first column of the Logframe matrix.
- Objectives atop the tree are translated into the development objective (project impact), while those objectives further down the tree need to be converted into outcome and output statements.
- Note that it is often not possible to directly transpose the objective tree into the Logframe matrix. Further adjustment and refinement of the statements is required and the means-ends logic should be repeatedly checked as the matrix is being developed.

<table>
<thead>
<tr>
<th>Impact:</th>
<th>Impact Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strengthening of capacity for debt management and development of internal debt strategy in the MOIP and NBK</td>
<td>...</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outcome:</th>
<th>Outcome Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Debt Management</td>
<td></td>
</tr>
<tr>
<td>• Legal and institutional framework for contracting and guaranteeing government debt established</td>
<td>...</td>
</tr>
<tr>
<td>• Local capacity of external debt recording and management developed</td>
<td></td>
</tr>
<tr>
<td>• Administration of guarantees and on-lending improved</td>
<td></td>
</tr>
</tbody>
</table>

| b) Debt Strategy: | |
| • Local capacity to perform debt sustainability analysis (DSSA) established | ... |
| • Adopted comprehensive national debt strategy is published | |

<table>
<thead>
<tr>
<th>Outputs:</th>
<th>Output Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Debt Management</td>
<td></td>
</tr>
<tr>
<td>• Institutional setting and organization of debt management in MOIP and coordination with the NBK improved</td>
<td>...</td>
</tr>
<tr>
<td>• Computerized platform for efficient and sound debt recording and analysis established</td>
<td></td>
</tr>
<tr>
<td>• Overview of debt portfolio, including future debt payments completed</td>
<td></td>
</tr>
</tbody>
</table>

| b) Debt Strategy: | |
| • Analysis of all individual loans being considered by the Kyrgyz authorities improved | ... |
| • Consistency and transparency with respect to all guaranteeing and on-lending decisions | |
| • Authorities’ ability to undertake analysis of the entire debt portfolio, in line with macroeconomic fundamentals developed | |