



TIMOR-LESTE STRATEGIC PLAN OF THE MINISTRY OF FINANCE 2011 - 2030





P R E F A C E

We are pleased to be able to publish this Strategic Plan for the Ministry of Finance 2011-2030. Since the Ministry of Finance was established under UN administration in 2001 it has rapidly developed its capability to support other State institutions in Timor-Leste in managing public finances. Much has been achieved in a short period of time in the development of many areas of public financial management, some of which are discussed in this document. Nevertheless, the shift in the government's focus from conflict resolution to rapid economic development and poverty reduction demands that the Ministry of Finance also shifts its attentions from building basic capabilities for managing the public finances to supporting the Government's implementation of its Strategic Development Plan 2011-2030 (SDP).

This shift in emphasis poses great challenges to the Ministry of Finance as the SDP is critically dependent for its success on high performance by this Ministry, including not only in its existing scope of operations, but also in embracing new responsibilities to provide services in support of the SDP. This represents a significant change up the ladder of required technical and professional skills.

Readers and users of this document will see in this Plan a comprehensive overview as well as the details of just what the new demands will be, and the time scales on which they must be met.

In view of these new challenges, the leadership of the Ministry at all levels, with support from various advisors and following extensive consultation, worked together to prepare this plan to provide clarity on what we need to do to meet our new demands. This will include a plan for how the Ministry can be expected to change and develop over the years ahead. While this Plan will guide the work of those of us who must implement it, we trust that it will also be of interest to all who are concerned and interested in the management of the public finances in Timor-Leste, as well as our nation's development prospects and plans.

Emilia Pires

Minister of Finance

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1

INTRODUCTION

Fiscal policy is the primary instrument for management of the economy and for achieving growth and development in Timor-Leste, and the Ministry of Finance plays a pivotal role in the formulation and conduct of this policy. Therefore, strengthening the institutional capacity of the Ministry, through the definition and consistent implementation of a strategic plan, is of vital importance to improve the overall quality of fiscal policy, public finance and economic management in the country.

The flow of substantial oil and gas revenues has opened up the prospect of achieving fast growth and rapidly reducing the incidence of poverty in the country, subject to a prudent and effective utilisation of the financial resources becoming available. A strategy of pro-poor growth will need to be implemented, which focuses on implementing the Strategic Development Plan 2011-2030 and making maximum progress towards attaining the Millennium Development Goals by 2015.

Already, there are clear signs that the economy has moved on to a trajectory of high growth, primarily in response to a large jump in public expenditure. The growth rate of non-oil GDP was 11.6% in 2007, rising to 14.6% in 2008, 12% in 2009 and 9.5% in 2010. The size of the State Budget in 2010 was \$759 million, up from \$604 million in 2009 and \$484 million in 2008. The preliminary figure for 2011 is \$1306 and the budget plan for 2012 is \$1674. This rapid growth in government expenditure is due not only to the petroleum revenue, but also to the enhanced capacity for budget execution by the Ministry of Finance. Nevertheless, poverty still remains high, at 41% in 2009 (a decrease of 9% since 2007), and there has been only limited progress to date in the achievement of the MDGs.

The country is, however, poised to make a transition from a post-conflict to a developing State. In response, the Government launched a national Strategic Development Plan covering the period of 2011 to 2030. The Ministry of Finance is responsible for supporting this plan by further enhancing capacity, not only for effective budget execution, but also for implementing policies and institutional mechanisms to diversify sources of revenue, promote private sector development, support line ministries in delivering major infrastructure projects and in maintaining high standards of transparency and accountability in public expenditure.

This Strategic Plan of the Ministry of Finance firstly describes the overall context of Public Finance Management PFM in Timor-Leste, identifies the implications that the Government's Strategic Development Plan 2011-2030 (SDP) has for the performance of the Ministry of Finance. It then defines the vision, the institutional mandate, strategic goals, major operational goals, and how individual units within the Ministry of Finance will work towards achieving the goals. Additionally, the plan also highlights the need for an institutional 'engineering' within the Ministry in order to respond to the new challenges.

This Strategic Plan for the Ministry of Finance is organised as follows:

Sections 2 and 3 explore the challenges for the Ministry of Finance in the medium and long term. Sections 4 and 5 outline the vision and mandate for the Ministry, Section 6 defines its strategic goals for the next 20 years, and Section 7, 8, and 9 specify operational goals, overarching issues and directorate strategies which will contribute to attaining the strategic goals.

Then, Section 10 discusses capital expenditure, while Section 11 identifies possible organisational changes over the longer term. Section 12 delineates the need for an integrated planning framework with linkages to Annual Action Plans and the nation's Strategic Development Plan 2011-2030.

Section 13 provides the main components for an Institutional Strengthening and Capacity Development Plan (ISCDP) of the Ministry, and Section 14 provides a conclusion to the plan.

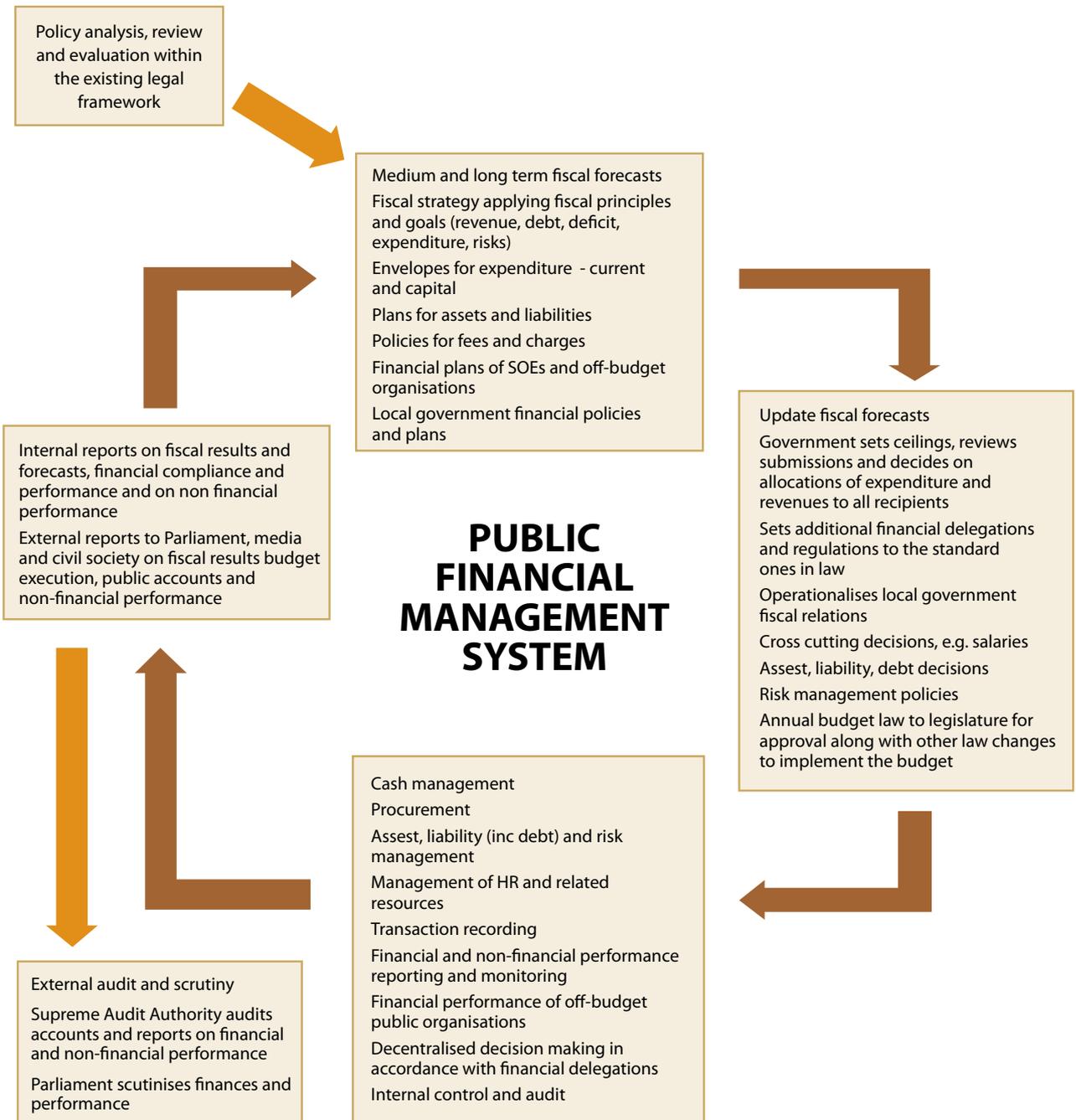
Attachments 1 and 2 provide detailed descriptions of operational plans at the level of General Directorates and National Directorates. Attachment 3 outlines the requirements for a fiscal framework, and Attachment 4 makes an account of the methodology used for the development of this Strategic Plan.

The consolidated working papers presented as a separate volume are a compilation of the work sheets prepared by the National Directorates of the Ministry and used in the extensive consultations that informed the preparation of the Ministry of Finance Strategic Plan.

2

PUBLIC FINANCE MANAGEMENT PFM IN TIMOR-LESTE

Within the comprehensive role of stewardship in fiscal policy, Ministries of Finance are conventionally tasked to guide an integrated public finance management cycle within the Government or within the State. Nonetheless, each country has its own institutional arrangements to fulfill such a task, reflecting individual history, capability, and other unique factors. While institutional arrangements differ, some basic elements are commonly found in many countries, as illustrated in the diagram below.



These elements of the system closely interact to produce the results expected from a proper PFM system, which in turn will influence the overall economic and social development of a country. In Timor-Leste, much has been achieved in setting the foundations of a robust PFM system, but substantial qualitative improvements remain to be addressed, and a list of weaknesses of this PFM system in Timor-Leste is provided below:

Weaknesses identified during the strategic planning process

- Ambitious work plans alongside human resource gaps results in extraordinary pressure on staff.
- Language barriers (use of Portuguese and English) have created bottlenecks in communication and comprehension of documents, especially in the dissemination of new laws.
- A lack of confidence of staff to undertake work independently.
- A lack of a proper recognition and rewards system for qualified and successful staff.
- Tendency to bypass decisions and general non-compliance with rules, which may lead to maladministration of funds.
- A lack of space and infrastructure for a safe and comfortable environment for staff.
- Lack of proper asset control.
- While ensuring merit in employment, centralised recruitment by the Civil Service Commission can inhibit speedy recruitment of staff.
- Frequent changes in laws and regulations create difficulties for implementing units.

Weaknesses identified by the “Public Expenditure and Financial Accountability” diagnostic study

In 2010 the World Bank sponsored an evaluation of the financial management system using the Public Expenditure and Financial Accountability methodology (PEFA). The PEFA methodology has been used throughout the world as a systematic examination of the effectiveness of all the standard parts of a Public Finance Management system and as a guide to ministries of finance in particular for deciding on capacity building strategies. The areas requiring attention were revealed to be as follows:

- The budget is not poor predictor of aggregate expenditure.
- The areas of state financial activity that is encompassed by the budget is narrow and could be expanded. While autonomous agencies and public enterprises are relatively few in number, oversight of these entities is weak and the fiscal risk they represent is not monitored.
- The linkage between policy objectives and the budget is weak and sector investment programs are no longer developed.
- The process for preparing the budget could be more predictable and stable from year to year and more time could be allowed for line ministries to prepare investment proposals.
- The Ministry of Finance lacks the time and capacity for adequate review of the rationale, costing and impact of public investment.
- Fiscal and budget policy lacks a solid medium-term perspective.
- Transparency of taxpayer obligations has improved, but other aspects of tax collection remain weak or have even deteriorated.

- Budget execution has been further enhanced recently by a very flexible virement framework, which should be monitored to ensure that the freedom to reallocate funds between approved expenditure items is not excessive.
- Procurement policies and processes have been uncertain and underdeveloped and should be stabilised and strengthened.
- Audit processes both, internal and external, are seriously underdeveloped.
- Legislative scrutiny of the budget is slowly improving, but the discussion of the Government Audit report is relatively ineffective.

Weaknesses identified by the Report on the Observance of Standards and Codes

In 2010 the International Monetary Fund conducted an evaluation of the fiscal transparency of the Public Finance Management system using its standard methodology known as the Report on the Observance of Standards and Codes (ROSC). Its key conclusions were as follows:

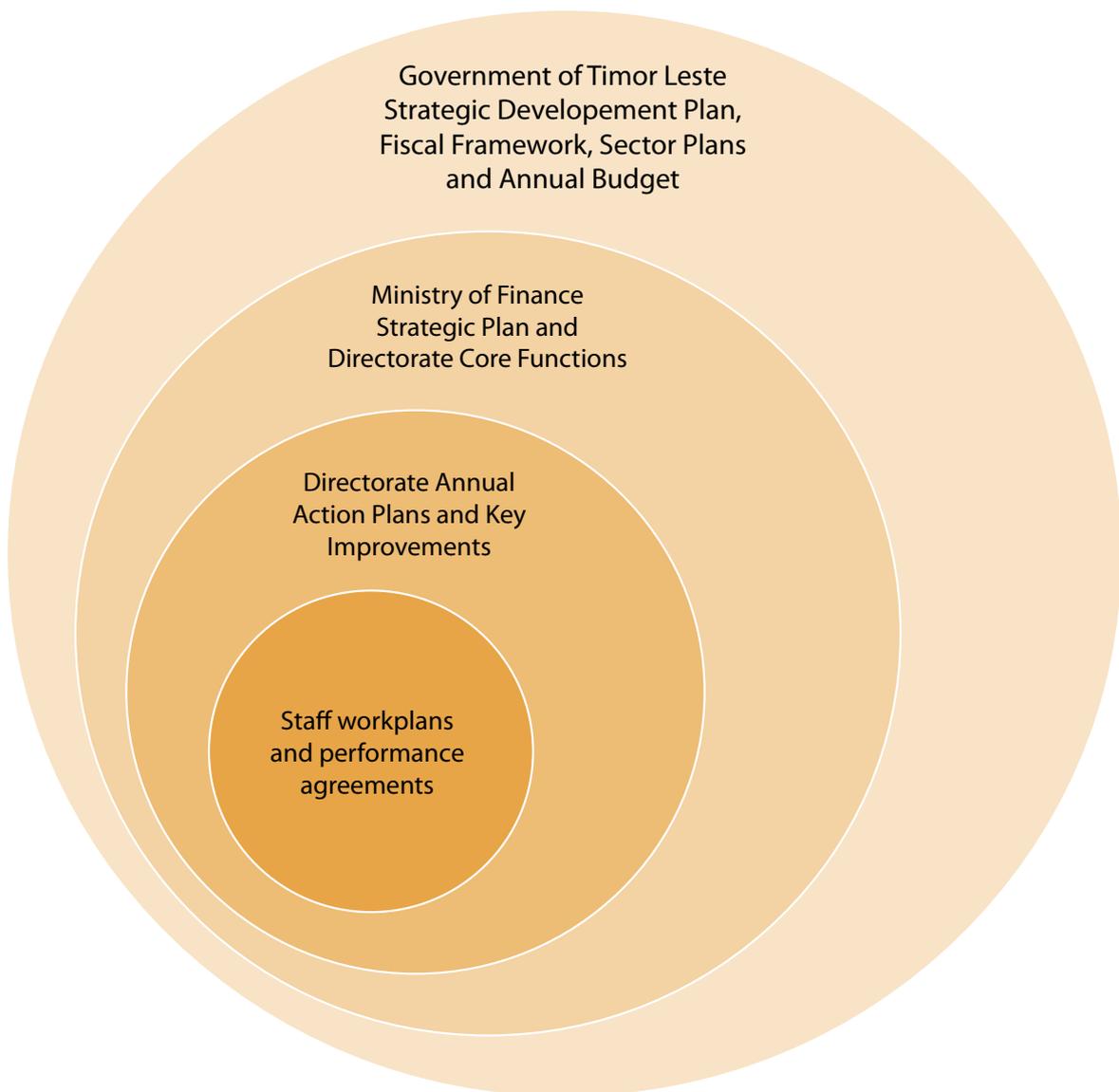
- An independent High Administrative, Tax and Audit Court, while required by the constitution, is yet to be established and internal audit is very weak. Basic state processes such as tax administration and procurement suffer from a lack of transparency, integrity, process control and appeal options.
- Planning and budgeting are largely unconnected, and a medium-term perspective has only just started to be taken.
- Strategic planning is largely absent. Budget preparation is input-based and incremental and it is split between a current and capital side with disregard for their linkages.
- Budget review function in the Ministry of Finance has very little assessment capacity, especially in regard to capital
- Despite recent improvements planning and implementation capacity in line ministries is weak.
- Payroll integrity is a concern, and arrears, while minimal, are not monitored.
- Budget reporting should be extended to cover fiscal risks, quasi-fiscal expenditures (which occur in the petroleum sector), and tax expenditures.

The weaknesses identified above are not uncommon among developing nations. Typically there is a concentration of effort on planning and budget preparation at the beginning of the financial management cycle and too little attention to the delivery of services, financial controls, reporting, monitoring, review and audit functions.

The detailed reform plans associated with this Strategic Plan, and the operational plans that will follow from it will work to address the weaknesses shown in these evaluations, within the Government's priorities and the resources available.

The Public Finance Management reforms guided by this Strategic Plan for the Ministry of Finance should result in strong incentives on ministers and officials to continually lift the performance of ministries and other agencies. A key part of this approach is to have a well-functioning integrated management cycle that involves specifying the performance requirements for the ministries and other state organisations at the start of an annual or multi-year management cycle, reporting on the results subsequently and linking the results to the assessment of the performance of the ministries and other organisations and the responsible officials. Strategic plans and performance expectations should be linked to the annual budget to match performance requirements with the resources needed for their achievement. The environment for setting individual performance expectations is illustrated in figure 2 below.

FIGURE 2 - RELATIONSHIP OF PLANS AND PERFORMANCE EXPECTATIONS



3

IMPLICATIONS OF THE SDP ON THE MANDATE AND PERFORMANCE OF THE MINISTRY OF FINANCE

The success of the SDP partly rests on achievements which depend on the Ministry of Finance lifting its performance to levels that can be characterised as ambitious, particularly considering the short time the ministry has existed and the general environment in which it operates. The following paragraphs note the areas where the Ministry of Finance will be challenged.

The SDP targets 11.3% annual average real economic growth over the next 10 years, which implies similar growth rates in government expenditure and public investment. Budget and Treasury staff, as well as systems in the State Finance Directorate, will have to cope with these increases in activity. The Financial Management Information System (FMIS), including the procurement system, will need to be scaled up and work effectively. Line ministries will have to be supported and trained to use FMIS systems effectively and Ministry of Finance procedures streamlined and efficient.

The efficiency of public and private sector spending will improve, reflected in Incremental Capital Output Ratios for both sectors (SDP p203). This means capital projects must have high returns, which requires strong feasibility analysis and advice to Government and ministers about the choice of projects, including advice to reject projects with low returns. Specifically, the regulation and management of the two special funds (the Infrastructure Fund and the Human Capital Development Fund) will need to ensure high rates of return on investments. This requires careful – but expeditious – project analysis and effective monitoring and implementation so that projects achieve their intended results.

Non-oil private sector growth rate of 11% for 20 years, with export emphasis (this offsets declining rate of growth in public investment in second 10 years of the plan). The Ministry of Finance will have to be clear in its advice about the policies needed to create an internationally competitive location for private investment. This advice must be evidence based, informative and comprehensive on matters that include:

- Taxation and charges
- Legal system
- Regulations
- Infrastructure
- Inflation and macroeconomic circumstances, and
- Transparency, credibility and sustainability of economic policy.

Non-oil domestic revenue collections are projected to grow at an average annual rate of 12% (SDP p204) to allow withdrawals from the Petroleum Fund to return to conformity with the ESI limit later in planning horizon. As the economy develops, the SDP anticipates that the tax base will move away from its weighting towards revenue from customs and trade and towards taxes on income and capital gains. This will allow comprehensive tax reform to be undertaken to widen the tax base and increase State revenue.

The Ministry of Finance through the General Directorate of Policy and Research will be required to provide advice on tax policy that ensures that the Government is properly advised on the basis of international standards of tax policy and technical analysis.

The SDP also proposes a competitive tax regime and free economic zones to attract private business. Hence, increased domestic revenue must come from broadening the tax base, closing loop holes and strengthening administration of tax collection. Achieving these revenue targets will be challenging for the Ministry of Finance given the current policy settings and capacity levels.

Increased revenues will also come from putting autonomous agencies on a commercial footing so that profits are available to fund government spending. The role of the Ministry of Finance in monitoring the commercial performance of these commercial organisations has not been tied down at this time. Using the profits of these organisations to provide essential revenues to support the SDP implies that the Ministry of Finance should have a significant role in the financial oversight of these organisations. This should include the monitoring of any contingent liabilities that they raise, as discussed elsewhere in this plan.

Successful implementation of borrowing strategies, and increased aid effectiveness. The SDP envisages borrowing in international markets and on concessional terms from various official sources. This will greatly increase the level of complexity in the work of the Treasury in borrowing, debt management and relations with official sources of finance

Public-Private Partnerships (PPPs) and dealing with commercial issues. Public-Private Partnerships of all kinds are envisaged by the SDP. International experience, however, shows that whether PPPs help or hinder development depends primarily on how effectively they are designed and implemented. The details determine the outcome. Private parties interested in PPPs will bring an extensive and experienced team of international advisors to negotiate and it is therefore necessary for the Ministry of Finance to match this level of expertise in order to achieve the results from PPPs that the SDP seeks. PPPs as described in the SDP are projected to require public funding, although there are many kinds of PPP that do not call on public funds. In fact the more common kind of PPP is designed to avoid calling on the government budget. Some countries, for example Chile, have experienced problems with PPPs creating contingent liabilities usually in the form of guarantees. Also PPPs sometimes involve essential public infrastructure which cannot be allowed to close down if the private partner walks away. For all these reasons it will be an important role for the Ministry of Finance to protect the public finances in the way PPPs are designed and conducted.

Integrating the work between the Economic Planning and Investment Agency (EPIA), line ministries, and others such as SOEs and TLIC). The SDP assumes a high degree of coordination and cooperative behaviours between the planning authorities, Ministry of Finance, line ministries, local authorities, development partners and other stakeholders. This will require the development of integrated systems across the Government for planning, budgeting and execution. The Ministry of Finance will be responsible for the design and operation of the systems that support tight integration of planning, budget formulation and implementation and performance monitoring.

The SDP states (p190) that “the Economic Policy and Investment Agency will also coordinate with the Ministry of Finance during the budget process and collaborate on determining the funding levels required to pursue economic development-related strategies and projects.” Systems, protocols and procedures will be needed to ensure that this works efficiently. However, the determination of funding will be decided finally by ministers not the EPIA and the Ministry of Finance. The National Development Agency and later the EPIA is accountable to its high level Ministerial Steering Committee. As the Minister of Finance is a member of this committee, the Ministry of Finance must have the capability to provide its minister with advice to support his/her role in its deliberations.

Management and control of special funds. The proposed process for approving and authorising spending from the two special funds involves many steps to ensure effectiveness and probity. The Ministry of Finance will have to be skilled and prompt in executing these processes in order to keep SDP proposed spending on target.

Decentralisation to local communities. The SDP (p112) notes that decentralisation to local government will “... take time as we will need to develop and build our administration and management capability to introduce systems, processes and procedures in public management and local democratic governance. There will also be a critical need to develop human resources to effectively operate treasury and financial functions as well as develop, plan and monitor programs and service delivery at this level of government.”

Details of the decentralisation policy are yet to be determined, but the general objective of empowering local communities to be more involved in the decision over spending public money in their areas will require an effective system of local government finance to be developed. This will place heavy demands on the Ministry of Finance to contribute to the design of the systems of local government financial management and to regulate these and provide some of the systems that will be required.

Transparency and reducing corruption. The Ministry of Finance’s responsibilities for controlling and reporting on the use of public money, procurement policy, tax administration, PPPs, decentralisation and other matters are creating great demands on the Ministry to ensure that its systems of transparency and accountability for public finance work to a high degree of effectiveness and probity.

Major infrastructure projects and procurement. Major infrastructure projects are initiated in line ministries, appraised by the Major Projects Secretariat, approved by the Council of Administration of the Infrastructure Fund, implemented and monitored by line ministries, verified by National Development Agency, supervised by AND disbursed through the Treasury. This system involves many people and organisations at different stages in the process and the smooth conduct of the infrastructure program will require good coordination, sound advice at each point and a robust information system.

The different players have different lines of accountability, which will need to be well coordinated to be efficient. The Minister of Finance sits on the key ministerial committees and the Ministry of Finance provides some of the systems that will underpin the infrastructure investment programs. There are weaknesses in some of the information systems that are currently in use and investments will be required to create robust information support for the major projects. The Major Project Secretariat has developed a proposal along these lines.

Major procurement is to be conducted through the National Procurement Commission, which intends to contract in expert services (SDP p189). Smaller procurements will be made in line ministries with delegations under regulations and good practice manuals. The role of the Ministry of Finance is intended to be through engagement with the development of policies and regulations that govern procurement practices. As the decentralisation to local government proceeds this work will be particularly important.

Independent Bureau of Statistics. The SDP notes (p186) that an independent Bureau of Statistics will be created by 2020. The General Directorate of Policy and Research incorporates the core of what will become the Bureau in the coming years. The Ministry of Finance will be called upon to work with others to design and build the required statistical organisation ready to be separated off in time.

Special economic zones. The SDP states (p154) "A comprehensive review involving all interested parties will be conducted to assess the benefits and risks of applying a special set of business laws and regulations in Special Economic Zones. The aim will be to use tax incentives or customs and import duty exemptions (for example) to make Special Economic Zones attractive to foreign companies seeking to invest or establish a business in Timor-Leste." And also states "The advantage for Timor-Leste is that Special Economic Zones can be established without requiring reform to the laws and regulations that cover our whole country. In this way, Timor-Leste could provide more streamlined and certain regulatory and lower tax environments than our international competitors."

Ensuring that Special Economic Zones work in the interests of the economy as a whole will require careful attention to the details of this policy. As the SDP notes (p155)

"There are risks in providing too many exemptions in Special Economic Zones, including the displacement of domestic investment, uneven domestic development, the avoidance of national economic reform and negative consequences if labour or environment laws are relaxed. We need to carefully assess and weigh these risks against the potential benefits before deciding on the nature of the incentives to be introduced in Special Economic Zones."

The tax analysis group in the General Directorates of Policy and Research and Revenue and Customs will need to be engaged in this assessment in order to assess the impact of the zones on tax revenues and on the general design and operation of the tax systems

State financial institutions. The SDP (p152) summarises the Government's intentions to create and develop several State financial institutions:

- National Development Bank to provide long term finance for the private sector
- Timor-Leste Investment Corporation to make investments on commercial terms in the development of domestic industry
- Timor-Leste Microfinance Institute, which will evolve into a fully commercial bank providing financial services throughout the country

As these organisations will be accessing State funding through the budget and also potentially creating contingent liabilities, and as they will be too important to fail, arrangements will be needed through which the funding, financial performance, dividends and risk profiles of these organisations will be monitored and advice provided to ministers. The Ministry of Finance will need to be involved in these processes to some extent, which is yet to be determined.

The weaknesses and challenges described above are not necessarily insurmountable. To overcome these, however, a lucid vision, implemented by unambiguous mandates and equipped with realistic goals will be essential to galvanising action, change and success.

4

THE VISION OF THE MINISTRY OF FINANCE

'HELP YOU ACHIEVE YOUR DREAMS' is a pioneering motto adopted by the Minister for Finance to guide the actions of the Ministry of Finance. In addition to that, at the 10th Anniversary of Timor-Leste's vote for independence, the Government promoted the slogan:

'GOODBYE CONFLICT, WELCOME DEVELOPMENT.'

These, and the Vision of the Government's SDP *"Given Timor-Leste's attributes, the country will ultimately take its place amongst its regional neighbours to become an advanced economy."* informed the development of the vision for the Ministry of Finance in the following terms:

“

Improving the quality of life of the people of Timor-Leste through peace, stability and sustainable development by playing the role of a competent professional ministry in the formulation and conduct of pro-poor fiscal policies and in administering the State Budget in a prudent and effective manner, while preserving high standards of integrity, transparency, accountability and client-orientation.

”

- **We aim to reach the highest standards** for the management of public finances in the pursuit of transparent and accountable government;
- **We will measure ourselves against international benchmarks** and will have self-assessments independently verified against internationally accepted performance standards; and
- **Our target** is that by the end of the Strategic Plan we will: i) consistently demonstrate improvements in performance over time; ii) reach our primary target to be rated very highly according to a wide range of performance standards; and iii) be ranked within the top 20% of low and middle-income and developing countries, where country comparisons are possible.

5

MANDATE OF THE MINISTRY OF FINANCE

The mandate of the Ministry of Finance set out in Article 21 of the Organic Law of the Fourth Constitutional Government Decree-Law No.7/2007, is as follows:

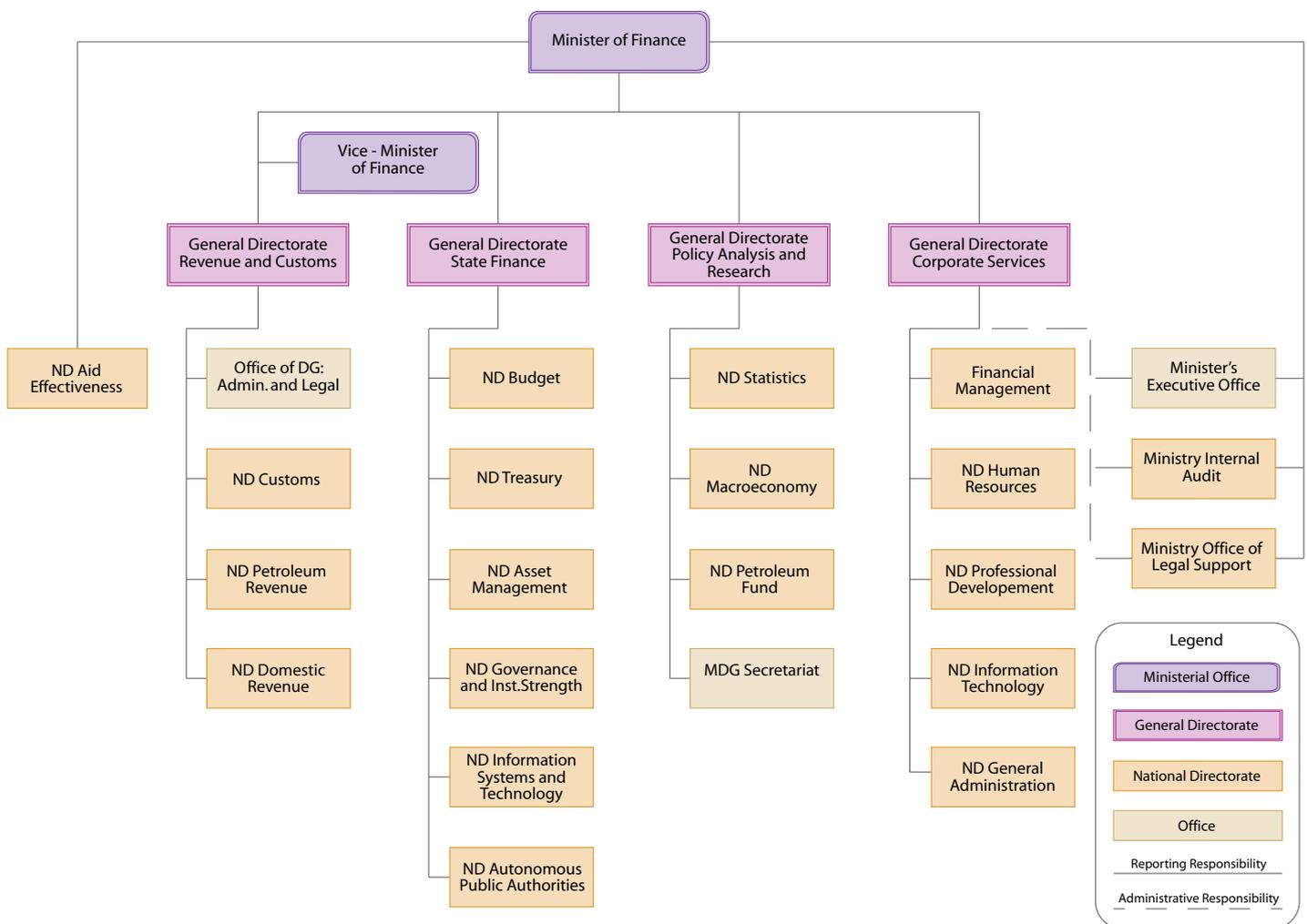
The Ministry of Finance is the Government's main body responsible for the design, execution, coordination and assessment of the policies defined and approved by the Council of Ministers for the areas of budget and finance, annual planning and monitoring, namely:

- a) Proposing the macroeconomic, monetary and exchange policies, in collaboration with the Central Bank;
- b) Proposing the policy and drafting the regulation proposals for tax and non-tax revenues, budget framework, procurement, public accounting, public finance, auditing and control of the State treasury, issuing and management of the public debt;
- c) Administering the petroleum fund of Timor-Leste;
- d) Working in cooperation with the Ministry of Foreign Affairs, so as to coordinate the relationship of Timor-Leste with the donors;
- e) Managing the external public debt, the State participations and the external assistance, coordinating and defining the financial and tax aspects;
- f) Managing the patrimony of the State, without harm to the attributions of the Ministry of Justice in terms of real estate patrimony;
- g) Drafting and publicising official statistics;
- h) Assuming the responsibility for the implementation of the budget allocated from the State General Budget;
- i) Promoting the necessary regulation and carrying out financial control over the expenses of the State General Budget that are attributed to the remaining ministries, in view of pursuing a policy of greater financial autonomy for the services;
- j) Looking after the good management of the funding from the State General Budget by the State indirect administration bodies and by the local governance bodies, through audits and monitoring;
- k) Administering and promoting international technical assistance in terms of technical advisory for the State bodies, except for the areas of human resource training; and
- l) Setting up collaboration and coordination mechanisms with other government bodies responsible for connected areas.

Ministry of Finance Decree-Law No. 13/2009 establishes the structure of the Ministry of Finance in terms of 'General Departments' otherwise known as General Directorates, under which are 'National Departments'. There are four General Directorates namely, Revenue and Customs, State Finances, Policy Analysis and Research and Corporate Services. The Aid Effectiveness National Directorate also reports to the Minister of Finance. The organisational structure is shown in Chart 1 that follows:

Chart 1

ORGANOGRAM OF THE MINISTRY OF FINANCE



The core functions of each Directorate can be seen in Attachments 1 and 2.¹

¹ At the time of writing a number of functions had been established however they are not reflected in the legislation governing the Ministry and do not appear in the organogram above. While final decisions are still to be taken it is anticipated that these functions will be managed as follows:

- Public Private Partnerships (PPP Unit) and the Industry Advisory Board (IAB) are involved in complex commercial relationships and will most likely be located in National Directorate of Autonomous Public Authorities
- Debt Management Unit will be located in Treasury
- The change management function to be managed as part of the responsibilities of the Professional Development Centre in Corporate Services

The composition of each General Directorate is described below:

Directorates and Departments within Ministry of Finance	
EXISTING	ADDITIONAL UNITS / DEPARTMENTS / DIRECTORATES
General Directorate of Revenue and Customs (DGRC)	
National Directorate of Customs	Revenue and Customs Appeal Section.
National Directorate of Petroleum Revenue	Revenue and Customs Legal Office
National Directorate of Domestic Revenue	
General Directorate of State Finances (DGSF)	
National Directorate of Budget	National Directorate of Information Systems and Technology
National Directorate of Treasury	
National Directorate of State Assets Management	
National Directorate of Procurement	National Directorate of Governance and Institutional Strengthening (Financial management and capacity building support to all organs of government, including decentralised functions – would incorporate roles of current National Directorate of Procurement)
National Directorate of Autonomous Public Authorities	Administration Office
General Directorate of Policy Analysis and Research (DGPAR)	
National Directorate of Statistics	
National Directorate of Macroeconomics	Microeconomics Department
National Directorate of Petroleum Fund	Research Department
	IAB (Independent Body reporting directly to the Minister)
General Directorate of Corporate Services (DGCS)	
Department of General Administration	Ministry's Internal Audit
Department of Financial Support Services	General Legal Services
Department of Information and Technology	Support to Minister's Office and Media Relations
Department of Human Resources Management	Documentation and Records Management
(Note: the above Departments are to be upgraded to National Directorate (Level))	Translation Services
	National Directorate of Professional Development
National Directorate for Aid Effectiveness	

6

STRATEGIC GOALS

In the quest to realise the vision, and meet the challenges posed by the SDP, the Ministry of Finance embraced the following strategic goals for the next 20 years:

1. *Attain high quality and responsive Public Financial Management services.*
2. *Be proactive in identifying issues, challenges, risks and opportunities and advising on beneficial changes.*
3. *Be able to recruit and retain staff from among the top graduates in economics, finance, and other relevant disciplines.*
4. *Establish adequate systems as well as effective and efficient processes.*
5. *Adopt appropriate organisational structures and working conditions.*

GOAL ONE: Attain high quality and responsive Public Finance Management (PFM) services

The Ministry of Finance should be able to provide high quality and responsive PFM services to support the Minister for Finance's role (within the collective responsibilities of the Council of Ministers) in order to:

- Promote economic and fiscal policy to support the development of Timor-Leste
- Ensure that the Government's development plans are fully consistent with fiscal sustainability and transparency requirements
- Manage the fiscal performance and position of the Government as a whole
- Facilitate adherence to fiscal sustainability and transparency requirements
- Set standards for the financial management systems, and
- Monitor the performance of such systems.

A sound framework for fiscal management is needed, including legal requirements regarding fiscal sustainability and transparency. This should build on the current requirements for sustainability of income from petroleum resources to become a comprehensive multi-year fiscal framework (see Attachment 3).

The SDP prescribes investment in human capital, infrastructure and sector development, with a strong role envisaged in the economy for the private sector, especially small and medium sized enterprises and foreign direct investment. To play its part in implementing the SDP the Ministry of Finance must be geared up to provide high quality policy advice and services including a well developed multi-year fiscal strategy to frame the annual budgets.

The Ministry of Finance also has to provide the information and the management processes in order to fulfill the role of directing all the Ministry's functions. The Ministry of Finance's role in relation to the planning functions located under the Prime Minister will be defined in the future. Regardless of the scope of services in the planning functions, the Ministry of Finance must provide high quality economic and fiscal policy advice, extending beyond macroeconomic and fiscal policy, to providing advice on how to link the budget with the achievement of SDP goals and to strengthen the performance incentives of the ministries and the implementing agencies. It should provide second opinion advice on policy and spending proposals from budget using organisations.

In summary, well before 2030, the Ministry of Finance has to be a provider of high quality economic and fiscal policy advice that extends from economy-wide analysis to advice on possible regulatory, service, institutional, financing and other interventions in particular sectors.

GOAL TWO: Be active in identifying issues, challenges, risks and opportunities and advising on beneficial changes

The Ministry of Finance should be proactively identifying issues, challenges, risks and opportunities and advising on beneficial changes. This should be part of a continuous search for ways of doing things better within the Ministry of Finance and a continuous search for how the Ministry can encourage improvements in the wider public sector. It should include a search for ways to reduce barriers to business and to carry out regulatory functions in an effective and efficient way. Within the next five years, the Ministry of Finance's working culture should be consistent with the following expectations:

- All managers work with their staff to make continuous improvements in the performance of their units and the ministry as whole
- Frank and fearless advice is provided to the Minister and this is based in thorough consideration of evidence, the application of professional skills and sound processes
- Planning, review and control systems are in place to ensure that all work across the Ministry of Finance is of high quality
- A clear and firmly applied policy of zero tolerance for corruption within the Ministry of Finance and in relation to its dealings with external parties
- Cooperative and efficient working practices are actively encouraged within the Ministry of Finance, and behaviours that detract from this should be actively discouraged, with consequences in staff performance management system
- The Ministry of Finance is professional and polite in its dealings with external parties and is cooperative without compromising its role and position on issues
- The Ministry of Finance engages interested and affected parties in policy development and other work to ensure that the Ministry of Finance understands the possible options and the consequences of proposals.

GOAL THREE: Be able to recruit and retain staff from among the top graduates in economics, finance, and other relevant disciplines

The Ministry of Finance should define personnel requirements matched to the Ministry of Finance's development priorities, and how the staff and contractors with the required skills will be acquired and developed. This should be regularly updated to reflect the changing requirements of the Ministry of Finance and the market for staff. While it is premature to state the precise human resource mix which might be needed by 2030, some preliminary specification of this goal includes that the Ministry of Finance:

- Is a highly sought after employer by skilled workers and graduates seeking positions in Timor-Leste, and is the number one choice for the top graduates in economics, finance and other relevant disciplines
- Has staff producing high quality forward thinking economic, fiscal and regulatory policy advice, with staff members who are at the leading edge of policy making and analysis in these areas in relation to Timor-Leste
- Efficiently runs the 'business-as-usual functions' with staff continually achieving better performance
- Has officials in management positions, who create an environment that is conducive to high performance.
- Is innovative in using external advisors, managing them in a professional way with the use of suitably designed contracts to encourage performance
- Operates a performance management system for staff that reflects the demands on the Ministry, and that rewards performers and effectively and fairly deals with non-performers
- Has a moderate staff turnover once it has established a suitable staff mix
- Has recruitment and training policies that ensure that the staff skills and mix are matched to the vision for the Ministry and the demands in it over the medium term
- Reinforces support for training and development at a local level by reserving overseas training, internships and work placements for staff who have demonstrated capacity to successfully participate in and perform well on training and development initiatives conducted in Timor-Leste.

GOAL FOUR: Establish adequate systems as well as effective and efficient processes

Well before 2030 the Ministry of Finance should have adequate systems to support its work. These must be reviewed regularly to ensure they are able to meet core business requirements as well as the emerging priorities in the Ministry's work.

Moreover, at a general level, expectations for all the major Ministry of Finance's processes by 2030 would be that they produce the results required, are efficient and effective, are well maintained, and there are plans in place to maintain or upgrade them to reflect changing demands.

The key processes that will need continual attention are as follows:

- Macroeconomic and fiscal forecasting, planning and policy including revenue (oil funds and other revenue), debt, deficit, expenditure and risk management. Considerable upgrades in the data, analysis and policy-making aspects will be required. Expect to have a full fiscal framework that includes a credible annual fiscal strategy that forms a powerful guide for the annual budget
- Budget process operating within the fiscal policies including the Medium Term Expenditure Framework and budget analysis on spending proposals. Expect to have an orderly, timely, complete, and efficient budget process that results in a credible budget reflecting the fiscal strategy. Credibility of the budget should be reflected in: full coverage of government in the budget with low or no extra budgetary expenditure; clear basis for budget transfers; appropriate budget classifications; use of international accounting standards; linking of annual budget to fiscal strategy including a Medium Term Expenditure Framework with effective prioritisation and investment planning and budgeting; moderate to low level in-year changes; low variance of expenditure when compared to what was budgeted; low variance of revenue out-turns compared to forecasts; low level or no arrears
- Spending reviews, program evaluation, and machinery of government advice that contributes to incentives to upgrade performance and improvements in public sector productivity
- Cash management process that supports good management of cash with robust and up-to-date cash forecasting, expenditure commitment and disbursement controls
- Monitoring all the budgetary bodies including ministries, secretary of states, agencies, local government, others within the Ministry of Finance's mandate including monitoring of regular financial and non-financial performance reports with appropriate follow up actions
- Debt management with good records, up-to-date debt sustainability analysis, and controls on the creation of liabilities
- Reporting financial position and related non financial performance reporting at the whole of the government level in a timely and comprehensive way with easy access for the public to reports, audits and other information on performance
- Revenue services include clear and comprehensive legislation and procedures for taxation with easy access to information for taxpayers, a well functioning appeals procedure, effective taxpayer registration procedures, and effective management of non-compliance
- Procurement process with cost effective, fair and transparent procurement activities that are open to scrutiny information available on the call of expression of interests and awards of contracts and a well functioning complaints procedure
- Internal audit processes that meet professional standards (depending on Ministry of Finance's role in relation to other budgetary bodies this may extend to oversight of internal audit in other bodies)
- Internal Ministry of Finance recruitment and performance management processes that support attracting, developing and retaining high quality staff
- Internal quality control processes to support the production of high quality advisory and other services.

GOAL FIVE: Adopt appropriate organisational structures and working conditions

As soon as feasible, the Ministry of Finance's staff should have working conditions and facilities that support their work including adequate equipment and supplies, and a productive physical working environment such as working space and suitable air temperature. The working conditions should be reviewed and improved as appropriate to meet changing working requirements.

Additionally, the structure of the Ministry of Finance is expected to evolve to support changes in functions and improvements in productivity. It should be reviewed in the context of implementing and updating this Strategic Plan.

7 OPERATIONAL GOALS

- In implementing the Strategic Plan, the pursuit of strategic goals is mediated by operational goals. The following chart summarises some major operational goals. The chart shows the current status, responsible organisation, necessary inputs and timing associated with attaining each goal.



Chart 2 Operational Goals in the implementation of the Strategic Plan							
Operational Goal	Lead Agency or Agencies	Status of Implementation	INPUTS ² Legal Framework	INPUTS ² Institutional Structure	INPUTS ² Systems and Procedures	INPUTS ² Policy Environment	Sequencing of Implementation
1. TRANSPARENCY IN PUBLIC FINANCES							
Development of Budget Information System	DGSF-BU/ DGPAR-ST	IMP1					I
Publish quarterly information on budget execution	DGSF-BU/ DGPAR-ST	IMP					I
Improvement in Control of Autonomous Organisations and Publication of Financial Statements	DGSF-AA/ DGPAR-ST	UIP	✓	✓	✓	✓	II
Establishment of Autonomous Statistical Agency	DGPAR	TBI	✓	✓	✓		I
2. STREAMLINING THE BUDGET EXECUTION PROCESS							
Decentralisation (and decentralising) of State budget execution to ministries, such as municipalities.	DGSF-TR	TBI	✓	✓	✓		I
Enable services to be autonomous with necessary controls	DGSF-BU	TBI	✓	✓	✓		I
3. PUBLIC INVESTMENT							
Preparation of Strategic Investment Plan	DGPAR-ME	UIP		✓		✓	I
Development of basic Infrastructure projects	DGPAR Line Ministries, Autonomous Agencies	UIP			✓	✓	I
Directing Public Expenditure towards maintenance of existing assets	Line Ministries, Autonomous Agencies, DGSF-AA	UIP				✓	II
Establishment of incentives for private investment	DGPAR-ME DGRC-DR	TBI	✓			✓	I
4. FISCAL POLICY							
Enhancing revenue	DGRC	UIP	✓	✓	✓	✓	I/II
Development of a tax system for encouraging private sector and investment and integration of small businesses	DGRC-DR	TBI	✓		✓	✓	I
Development of a macroeconomic model	DGPAR-ME	TBI				4	II
5. EXTRAORDINARY FUNDS (OIL AND EXTERNAL FUNDING)							
Responsible management of the Petroleum Fund and portfolio diversification	DGPAR-PF	UIP	✓	✓	✓	✓	I
Effective channeling of funds from the Oil Fund to infrastructure and commercial projects with high development impacts	DGPAR-P	UIP	✓	✓	✓	✓	I
Capacity building for evaluating and monitoring investment projects	DGPAR	UIP		✓			II
6. THE CENTRAL BANK							
Establishment of Organic Law of the Central Bank	Central Bank DGPAR	IMP	✓	✓	✓	✓	II
Establishment of Central Bank as a credible, efficient institution	Central Bank	UIP		✓	✓		I
Undertake studies on a national currency together with Central Bank	Central Bank/ DGPAR-ME	TBI	✓	✓		✓	II
¹ IMP = already implemented, UIP = under implementation, TBI = to be implemented ² indicates required inputs in the area to achieve the goal.							

8

OVERARCHING ISSUES AFFECTING THE ACHIEVEMENT OF OPERATIONAL GOALS

The planning process identified the overarching issues discussed below, which affect the achievement of operational goals and need specific strategies. .

Decentralisation of State Budget Execution

Decentralisation of State Budget Execution is a big institutional change that is shaping the Strategic Plan for the Ministry of Finance. It will involve the deconcentration of Treasury and Budget functions initially to line ministries, the autonomous authorities and down to the municipality level. The necessary changes in the legal framework, institutional structure, systems and procedures will have to be carefully identified and implemented as part of this Strategic Plan. These changes shall be implemented initially on a pilot basis, in collaboration with the Ministry of State Administration and Territorial Management. In addition, the employment implications and overall costs will have to be determined. A special training program for out-posted officers needs to be undertaken as a top priority.

Control of Autonomous Organisations and Publication of Financial Statements

The central policy issue is whether the regulatory functions, especially with regard to fixation of tariffs, will be primarily performed by the Ministry or by specialised autonomous regulatory agencies in different sectors like power, telecommunications, oil and gas. Based on these decisions, the Ministry will have to prepare its plan for achieving this operational goal. While it may not be involved in setting tariffs, it will have a role in monitoring financial performance especially of organisations that have a government guarantee or draw on the budget for funds. Manuals will need to be developed for these on preparing financial statements and reporting to the Ministry of Finance.

Preparation and Implementation of Strategic Investment Plan

The medium term Macroeconomic Framework will have to quantify the fiscal resource envelope from 2012 to 2015. In particular, the policy on extent of withdrawal of funds from the Petroleum Fund will need to be developed. This sets the limits to the investments needed to support the SDP and any other requirements for capital expenditure. Investment project briefs come from line ministries to the Major Project Secretariat (MPS), which appraises them and makes recommendations for prioritisation by the Council for the Administration of the Infrastructure Fund (CAFI). MPS is located in the Ministry of Finance and also acts as the CAFI Secretariat. CAFI is made up of ministers with three permanent members: Prime Minister, Ministry of Finance and Ministry of Infrastructure.

Strengthening management practice

Under this plan, the management practices within National Directorates and General Directorates will be improved across all aspects of management. There will be a complementary strengthening of General Directorate of Corporate Services so it can better support staff development and the management of change in the Ministry. This is discussed further in the Institutional Strengthening and Capacity Building Plan (Section 13).

9

DIRECTORATE STRATEGIES TO SUPPORT THE STRATEGIC GOALS

Over the next five years, strategies will be implemented to strengthen service delivery and ensure that the core functions for each Directorate are performed effectively. These key improvements are summarised below and presented in more detail in Attachments 1 and 2.

9.1. GENERAL DIRECTORATE OF STATE FINANCES

9.1.1 Key Improvements for National Directorate of Budget

- Strengthen the analysis of the fiscal position and construct fiscal envelopes (Budget Directorate and Macro Directorate)
- Improve budget submissions to make them align better with government priorities and new measures in order to undertake better analysis
- Improve economic analysis of measures and proposals
- Improve quality assurance and coordination
- Focal points (currently in National Directorate for Aid Effectiveness) to be relocated to Budget Directorate and to budget offices in line ministries.

9.1.2 Key Improvement for National Directorate of Treasury

- Establish offices at district level, establish National Directorate of IFMIS
- Establish cohesive legislative, regulatory and procedural framework
- Complete treasury systems coverage
- Improve accounting and fiscal reporting
- Establish debt management function
- Enhance capacity of internal audit/financial assurance
- Improve budget execution procedures
- Enhancing the capability of payroll management to include information like leave and other entitlements within the same database and to link this to human resources management information.

9.1.3 Key Improvements for National Directorate of Governance and Institutional Strengthening

- Accelerate capacity development in policies, processes and systems related to public sector financial management for government bodies at the national and sub-national levels
- Design formal training curricula and develop training material and ensure its successful delivery
- Review and document standard operating and good practice procedures, including the production of authoritative procedures manuals
- Monitor, assess and report on adherence to government regulation and good practice
- Review, develop and recommend improved financial policies and processes
- Draft the content of decree laws and other financial regulations
- Design, monitor and evaluate targets and compliance measures of progress and performance.

9.1.4 Key Improvements for National Directorate of Information Systems and Technology

- Implement the MIS strategy
- Develop and implement systems and strategies for interfacing and integration of various specific software solutions
- Provide a user support help desk function
- Design, develop and ensure delivery of training linked to the development phase of financial management information systems modules, including training-the-trainer approaches
- Implement standards, policies and procedures based on international best practices such as ITIL
- Using best practices for the information technology industry maintain a quality control framework and apply it to all projects
- Provide support to systems and technologies, in relation to hardware and software
- Provide network administration, including maintenance, support, security and disaster recovery services.

9.1.5 Key Improvements for National Directorate of Autonomous Public Authorities

- Establish the policy/framework, laws or regulations for autonomous public authorities
- Establish systems and work procedures of the National Directorate as well as the systems and work procedures for the Autonomous Public Authorities
- Establish the infrastructure of the autonomous public authorities as well as infrastructure (office) of the National Directorate of Autonomous Public Authorities
- Recruit employees who have the background, experience and technical training needed. For current employees, prepare scholarships for those who have potential to guarantee the continuity of work in the future.

9.1.6 Key Improvements for National Directorate of State Assets

- Strengthen the processes of receiving and inspection identification, registration and physical check to all of state asset
- Improve monitoring, supervision and assistance to LM in the process of implementing decentralised asset management
- Strengthened and monitoring of trip ticket, fuel Consumption, repair and maintenance of state vehicles. Efficient and effective procedures and regulation control in the use of state vehicles
- Provide training to the different ministries and institution in the procedures and regulation for asset management
- Improve processes for identification, classification and collection of assets due for disposal and improve the auction administrative preparation and implementation of the approved methods of disposal.

9.2 GENERAL DIRECTORATE OF REVENUE AND CUSTOMS

9.2.1 Key Improvements for National Directorate of Customs

- Improve the collection of revenue from import duty, excise tax and sales tax
- Improve the control, movement and circulation of international goods
- Improve the protection of the community from illegal goods and illegal trafficking of drugs and weapons
- Improve the facilitation of trade and commerce
- Maintain the promotion and facilitation of internal and external investment
- Improve the protection of public health for consumers

9.2.2 Key Improvements for National Directorate of Petroleum Revenue

- Monitor and audit petroleum taxpayers by timely review of monthly and yearly returns and resolution of disputed issues
- Issue both Public and Private Rulings as well as User Guidelines
- Improve tax research and intelligence.

9.2.3 Key Improvements for National Directorate of Domestic Revenue

- Provide taxpayer education so that taxpayers understand their rights and obligations
- Register taxpayers and maintain an up-to-date taxpayer client register
- Process tax forms and collect revenue
- Conduct audits and other compliance activities to ensure that taxpayers are correctly complying with the law
- Gather information and intelligence for risk assessing the level of voluntary compliance with the tax laws.

9.3 GENERAL DIRECTORATE OF POLICY ANALYSIS AND RESEARCH

9.3.1 Key Improvements for National Directorate of Statistics

- New and strengthened Statistics Law for Timor-Leste to create an independent statistics organisation as laid down in the SDP
- Competent and sustainable independent national statistics office
- Effective medium term planning processes in place, supported by program and project budgeting and monitoring processes
- A knowledgeable and competent workforce capable of successfully delivering the medium term work plan
- Effective statistical coordination arrangements in place
- An expanded statistical work program, with regular production of highest priority statistics
- Strengthen the role of District Offices.

9.3.2 Key Improvements for National Directorate of Macroeconomy

- Complete the handover of management of macroeconomic data, analysis, modeling and forecasting from international staff to national staff
- Increased integration with other Directorates in order to provide useful policy analysis to assist the Ministry of Finance's decision making across departments
- Faster, more efficient data collection and quality. More quality data through systems that create streamlined databases on economic and fiscal variables
- Budget process better informed by macroeconomic analysis and SDP priorities
- Tax policy and analysis: increased analytical output regarding tax structure and economically optimal rates in accordance with generally accepted tax principles
- Improve capacity to make projections and forecasts of various economic variables
- Advice and control as required on the setting of fees and charges for public services from ministries and autonomous bodies that have a monopoly on provisions of essential services using generally accepted principles of cost recovery and avoidance of hidden taxes in excessive charges.

9.3.3 Key Improvements for National Directorate of Petroleum Fund

- National staff are able to provide high quality products in a timely manner
- Establish in-house capability for analysis of petroleum revenues and the ESI calculation
- Establish Department of Petroleum Fund Management and Petroleum Revenue Management
- Effective coordination with relevant State institutions and stakeholders on issues related to management of Petroleum Fund.

9.4 GENERAL DIRECTORATE OF CORPORATE SERVICES

9.4.1 Key Improvements to establish a Professional Development Centre

Establish a Centre for Professional Development and training in accordance with Ministry of Finance priorities. This unit to be at the level of a National Directorate and be responsible for developing and coordinating:

- Competency based training needs
- Annual training programs
- Ministry of Finance staff development policy and procedures
- Staff development programs including scholarship programs, and
- Developing and implementing graduate development program.

9.4.2 Key Improvements for Department of Human Resource Management

- All staff in the Ministry of Finance have clearly defined duties and responsibilities
- Each General Directorate has an effective human resources staffing plan to meet existing and projected workload requirements
- Key staff in each General Directorate are competent and motivated to perform the duties of their positions
- Staff performance is managed against clear performance criteria
- All General Directorates and National Directorates have access to accurate and up-to-date data on their staff.

9.4.3 Key Improvements for Department of Financial Support Services

- Adequate coordination during the preparation of Ministry of Finance Annual Action Plans and Budget submission
- Ministry of Finance's budget well executed monitored, analysed and reported
- Adequate management of the cash flow of Ministry of Finance funds allocated through the General State Budget (GSB)
- Adequate coordination with the Department of Human Resources Management in disbursing and monitoring travel allowances and scholarship funds
- Adequate technical support and supervision of financial management undertaken by other Directorates
- Good quality reports produced in relation on departmental core functions.

9.4.4 Key Improvements for Department of General Administration

- Improve procurement of goods, services and works
- Ensure logistical support to Ministry of Finance
- Ensure proper management of office correspondence and record keeping
- Ensure management of assets (movable and immovable) of Ministry of Finance in accordance with required practices and policies. Control of car use is a priority
- Improve management translation services.

9.4.5 Key Improvements for Department of Information and Technology

- Improve database administration, development and database reporting
- Better management and maintenance of Ministry's mission critical applications
- Better management of website content and portals
- Enhance system administration
- Increase Ministry's computer network system up time and better network management
- Provide improved first level end-user support
- Improve coordination of all IT core functions.

9.4.6 Key Improvements for Department of Legal Services

- Strengthen coordination of legal matters
- Develop standard legal procedures for Ministry of Finance
- Educate Ministry of Finance units on legal obligations
- Establish a legal panel for Ministry of Finance
- Link with Council of Ministers Secretariat to ensure that all laws that need a financial opinion or a financial impact on the budget are passed to the Ministry of Finance.

9.4.7 Key Improvements for Department of Internal Audit

- Identifying risks in the management of public finance in the Ministry and recommend strategies to manage and mitigate risk
- Plan and organise internal audits including issuing audit reports and recommending corrective action
- Monitoring the implementation of the recommendations.

9.4.8 Key Improvements for Unit of Support to Minister's Office

- Establish a corporate system for monitoring, evaluating and updating the Ministry's plans and links to the SDP
- Establish a public relations and corporate communication system to meet stakeholder communication expectations
- Provide secretarial and administrative support to the Office of the Vice-Minister
- Strengthen support to Minister's governance role on multi-donor agencies
- Strengthen executive management functions of the Consultative Council on Financial Management (CCFM)
- Improve whole of government and public transfer accounting and reporting.

9.5 NATIONAL DIRECTORATE ON AID EFFECTIVENESS

Key Improvements for National Directorate for Aid Effectiveness

- Strengthen leadership and the Directorate overall
- Policy, tools and systems strengthening
- Improve engagement with external stakeholders
- Improve integration of development partner support into Ministry planning, budgeting and reporting systems
- Move focal points into the Budget Directorate to develop a fully integrated budget process that captures both government and donor resources.

10

CAPITAL EXPENDITURE REQUIREMENTS

In addition to the recurrent expenditure needed by the Ministry of Finance to implement this strategic planning, there are also capital expenditure requirements. The estimates presented here are a work in progress, and are subject to changes throughout the implementation period. But the following figures indicate the content and size of forecast requirements on the Infrastructure Fund and Human Development Fund.

- A total of \$22 million for the design construction and supervision of a new Ministry of Finance building to be executed between 2011 and 2013;
- A total of \$21.5 million for the development and maintenance of the Financial Management Information System (FMIS), including e-procurement and transparency portal to be executed during the period between 2011 and 2013;
- A total of \$1.69 million for strengthening of language and numeracy skills of Ministry of Finance staff during the period between 2011 and 2015;
- A total of \$10.83 million for scholarships and fellowships in public finance management and IT of civil servants working in Public Finance Management during the period between 2011 and 2015; and
- A total of \$0.145 million for induction courses for Ministry of Finance civil servants during the period between 2011 and 2015.



11

LONG-TERM EVOLUTION OF THE ORGANISATIONAL STRUCTURE

When Timor-Leste has reached its goals for economic development over the next 20 years the Ministry of Finance will have evolved to reflect both the normal structures of a ministry of finance in similar countries and the particular features of the economy and the constitutional arrangements. Each of its functions will have reached a level of capability and standard of performance that is benchmarked to similar countries' performance indicators, which are generally easily accessible for comparative purposes. It can be expected that some of the more complex specialised functions would continue to involve external advisors and be connected to international networks of experts. Tax analysis, debt management, value for money analysis, macroeconomic analysis and economic development are probable areas of activity for this kind of engagement with international expertise. Some changes from the present structures are already apparent from decisions under action or in prospect.

In order to ensure the independence and credibility of statistics and to make the system of information generation and dissemination more client oriented it is proposed that the Statistics Directorate be converted into an autonomous Statistics Bureau of Timor-Leste in accordance with the SDP commitment. One option is for the Bureau to report to a National Statistical Council with members from parliament, government, private sector, civil society and academia.

The Treasury could be separated from State Finance as the functions of the Treasury become more extensive and specialised.

The General Directorate of Revenue and Customs could be upgraded to two autonomous agencies with responsibility for revenue collection and customs respectively. The tax policy functions would remain with the Ministry although the knowledge needed to provide advice on operational policy would continue to reside in the revenue agencies. Further, the establishment of the Procurement Commission for all ministries has changed the responsibilities of the Ministry of Finance to cover policy, regulation and monitoring through the accounting system.

The Departments of Finance, Human Resources, Information Technology, and General Administration in the General Directorate of Corporate Services will be upgraded to National Directorate level to reflect changes in demand on these work units. Additionally, a National Directorate of Professional Development will be established to manage the staff development needs of the Ministry.

The organisational structure of General Directorates over the longer term could be as follows:

1. General Directorate of State Finances with National Directorates responsible for:
 - Budget
 - Treasury (including debt management unit)
 - Autonomous public authorities
 - Asset management
 - Governance and institutional strengthening
 - Information systems and technology

2. General Directorate of Policy Analysis and Research with an Economic Development and Poverty Reduction Unit
 - Macroeconomic analysis and forecasting and general economic policy advice
 - Tax policy and advice on business subsidies and regulations
 - Poverty analysis from the perspective of distribution of the benefits of economic development

3. General Directorate of Corporate Services with National Directorates responsible for:
 - Human resource management
 - Professional development and change management
 - Administration and finance (including logistics and general business management)
 - Information technology and records management
 - Ministry internal audit

The Office of the Minister would be supported by Corporate Services and include a:

- Secretariat of the Minister and Vice-Minister
 - Strategic planning secretariat
 - Media relations and communications
 - Legal services
 - Translation services
4. Autonomous Statistical Agency reporting to a National Statistical Council

 5. Autonomous Revenue and Customs Agencies

Note: General tax policy would remain in the Ministry of Finance although policies to improve the administration of tax laws would call on the knowledge of the revenue agencies.

6. Treasury with a new debt management function that would monitor contingent liabilities. As Paris principles of aid management are progressively implemented the budget will incorporate external assistance, which will be disbursed by Treasury and recorded in the financial systems

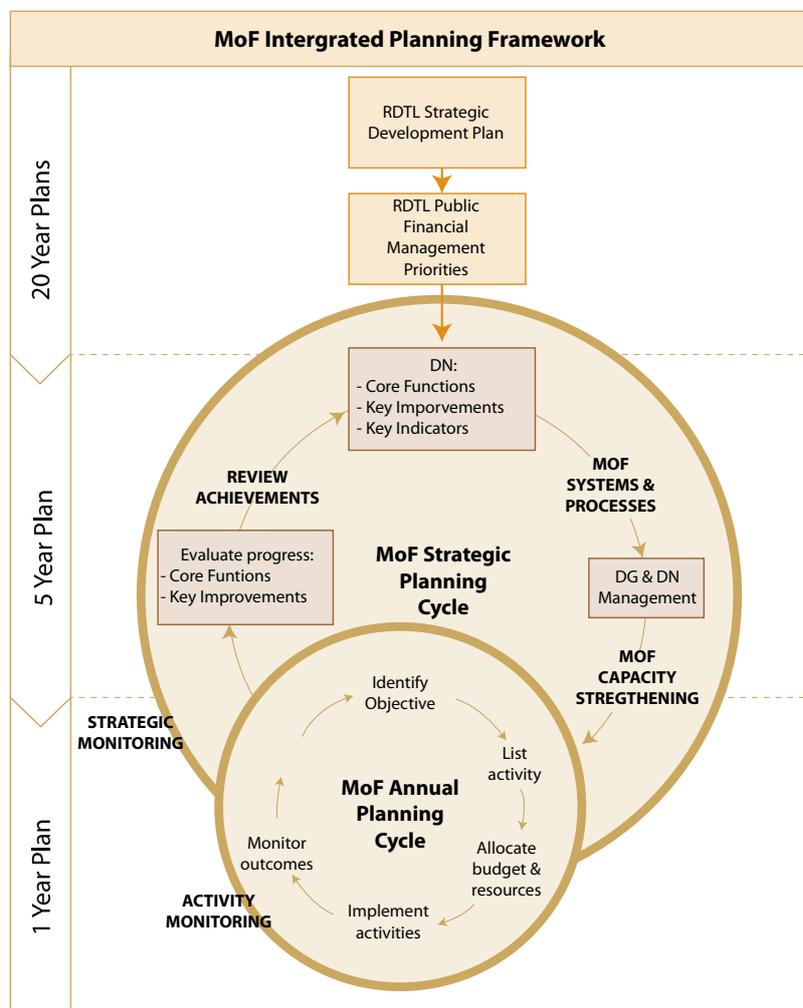
Further, the Ministry proposes to establish a Professional Development Centre to manage the scholarship and graduate development programs, the specialised courses in areas of accounting, finance, taxation and to coordinate staff development across the Ministry and key Public Finance Management positions in line ministries.

12

INTEGRATING PLANNING AT ALL LEVELS

In order to effectively manage the Public Finance Management reform process and monitor changes required to implement this ambitious program it is important to ensure that programs are coordinated over the short, medium and long term.

In accordance with government directions on Annual Action Planning (Government Resolution No. 14/2010) the Ministry of Finance has adopted an integrated planning model that links the Strategic Development Plan, the Ministry of Finance Strategic Plan and the Annual Action Plans. This is presented in chart 4 below.



As can be seen, this framework draws on the priorities identified under the SDP, identifies the financial management priorities to support the SDP and then mobilises a strategic planning cycle that improves performance of the core functions of the Ministry that are monitored over a five year timeframe. Annual Action Plans from 2011 onwards will be developed within this framework and all activities in the Ministry will be directed at supporting or improving the core functions identified.

The process will be reviewed regularly and modifications can be made to correct and improve performance based on the outcomes achieved.

13

THE INSTITUTIONAL STRENGTHENING AND CAPACITY DEVELOPMENT PLAN

The purpose of the Institutional Strengthening and Capacity Development Plan (ISCDP) is to make the links between improving the performance of core functions of directorates and institutional strengthening and capacity development issues more explicit. More specifically, it analyses issues coming out of the directorate level plans and the priorities identified in the SDP and makes a number of recommendations as to how to sharpen the focus of improvements needed and how these can be sequenced and made operational.

Issues addressed by the ISCDP include:

- Management and coordination of capacity building
- Stabilisation and clear understanding of operating systems
- Link between core functions, operating systems, organisation and allocation of work
- Managing for results against agreed work priorities (plan/do/check/act)
- Integration of planning at strategic (20 year), operational (five year) and annual planning levels, and
- Performance management (work unit and individual levels).

The SDP has highlighted the need for a high performing Ministry of Finance capable of delivering the range of Public Finance Management services required of a middle-income country in the year 2030. A vision of the core functions of such a ministry at that time is listed below. These are consistent with relevant international practices for ministries of finance in middle-income countries.



1. General economic analysis (including policy analysis)	<ul style="list-style-type: none"> • Forecasting macro: multiyear fiscal planning • Long term sustainability (pensions/debt/public finance) and intergenerational transfers • Policy advice on impact of fiscal policy on economy and society in economy and society • Economic planning including evaluation of aid effectiveness
2. Budget and expenditure analysis	<ul style="list-style-type: none"> • Processes/data • Expenditure revenue analysis • Cost effectiveness • Second opinion • Capital budgeting
3. Governance and shareholder interests in State bodies and other assets	<ul style="list-style-type: none"> • SOEs • Other semi-autonomous bodies • Infrastructure “networking industries” • State assets • State financial institutions, such as National Bank
4. Revenue operational policy and administration	<ul style="list-style-type: none"> • Income tax and VAT • Customs and excise
5. Cash, debt management accounting (Treasury)	<ul style="list-style-type: none"> • Balance sheet – contingent liabilities • Systems, integration and development
6. Accounting	<ul style="list-style-type: none"> • Establishing government accounting standards • Quality assurance of public accounts
7. Local government financial management and control	<ul style="list-style-type: none"> • Unconditional grants • Conditional grants • Raising local taxes
8. Corporate services	<ul style="list-style-type: none"> • Strategic planning and performance management • Accounting • Human resource management • Internal audit for Ministry of Finance • Operational policies • Ministry of Finance asset management
9. Aid coordination	
Office of the Minister	
Note: By 2030, there would be an independent Bureau of Statistics under the direction of a Statistics Council for Timor-Leste.	

A series of evaluations and assessments ² conducted in recent years suggest that current skill levels of public servants in the Ministry of Finance are well below the levels required and urgent, indeed radical, steps need to be taken to raise the capacity of the Ministry of Finance to meet the challenges presented by the SDP. The technical and management competencies required are not generally available within the existing civil service workforce. Such competencies that do currently exist in Timor-Leste are available among a small group of international and national advisors and internationally trained Timorese currently employed by the UN, donors, NGOs and various consulting and project management firms operating mostly in Dili.

The recent assessment undertaken by National Directorates in identifying staffing and advisory priorities over the next five years have further highlighted the gaps alluded to above.

In order to raise the performance of the Ministry of Finance to meet the challenges posed by the SDP the following priorities are apparent:

1. To develop a strategy to immediately source and retain high level PFM skills in the areas of:

Discipline	Specialty	Estimate ³
a) Economics	<ul style="list-style-type: none"> • Macroeconomics • Micro/sector/industry specialist economics • Corporate finance regulation (project appraisal) 	11
b) Statistics	<ul style="list-style-type: none"> • National Income Accounts • Statistical analysis • Data management 	41 (national) 230 (districts)
c) Accountancy	<ul style="list-style-type: none"> • Public accounts • Integrated financial management systems • Management accounting 	82 (Including staff in line ministries)
d) Law	<ul style="list-style-type: none"> • Tax lawyers • Commercial lawyers • Legal draftspersons 	2 2 2
e) Tax auditing	<p>A range of audit skills including:</p> <ul style="list-style-type: none"> • Forensic accounting • General accounting, commercial law, company law • IT systems • Tax law 	70 (Domestic and Petroleum Revenue)
f) Internal auditing	<ul style="list-style-type: none"> • Systems • Procurement 	6 26

² 1. Job Analysis Report Ministry of Finance 2008

2. Institution Building within the Timor-Leste Revenue Service Tom Story 2009

3. PFMCBP Mid Term Review 2010

³ Based on estimates provided by National Directorates. Policy issues relating to long term staffing (e.g. Statistics officers at district level) are to be determined and will affect long-term estimates of staff needs

2. To manage the delivery of the services provided by these technical specialists in the short and medium terms, in particular developing a performance culture that manages for outcomes in the short, medium and long term.
3. To develop a sustainable model to provide these services over the long term.
4. In the short to medium term there is a need to stabilise and raise the quality of the core functions associated with the existing organisation as reflected in the Strategic Plans for the National Directorates attached. Structured training and development programs will be organised and delivered by a Professional Development Centre in the Ministry of Finance.

A FINANCIAL ADVISORY SERVICE FOR PUBLIC FINANCIAL MANAGEMENT

In order to attract and retain high quality candidates to serve as advisors and line managers in a professional PFM service a Financial Advisory Services (FAS) will be established. Incumbent civil servants and new entrants are being provided scholarships and/or fellowships to acquire the necessary academic knowledge and technical skills in relevant PFM fields.

A market based career structure will be developed to support PFM in Timor-Leste focusing on developing and retaining a core of economics, accountancy, law and other finance professionals. The Financial Advisory Service will be open to all Timorese citizens and will be accessed by a competitive selection process administered by an independent body responsible for promoting excellence in financial administration across the public sector.

A remuneration structure will be developed based on an assessment of market rates for qualified professionals in Timor-Leste.

The Financial Advisory Service will have three levels:

Level 1. Graduate membership with entry by competitive merit based assessment

This will provide participants with structured development experiences over a minimum of three years in their area of specialty. A program of supervised work experience will be provided supported by mentors, internships and structured work experience both domestically and internationally.

Level 2. Qualified professional membership

Successful applicants will normally have a minimum of three years post qualifying experience in a relevant professional environment. They should be able to demonstrate the progressive acquisition of skills and experience over this period. In some sectors a supervised experience program under the direction of an experienced professional may be required for professional recognition.

Level 3. Experienced professional membership

A candidate for a position at this level should be able to demonstrate mastery in at least some aspects of their profession and be capable of supervising less experienced professionals in the acquisition of competence in that field.

Members of the Financial Advisory Service will progressively replace advisors in the Ministry of Finance as they acquire recognition at the Qualified (Level 2) and Experienced (Level 3) competence levels.

ORGANISATION OF THE NATIONAL DIRECTORATES

The strategic plans developed for the National Directorates identified new staff and advisors required in the directorate over the next five years (to 2015). These projections will be reviewed to develop an organisation chart for the Directorate. These organisation charts will include advisor positions and will clearly identify where there is a continuing need for the advisor. The chart will also identify if a PFM professional should fill the advisor's position from the Financial Advisory Services. In this case, the Terms of Reference for the Advisor will clearly state the supervisory responsibility for the PFM professional (if the position is filled at Level 1) or the actions that will be taken to replace the Advisor through the development of a suitable counterpart.

Position descriptions for all positions in the organisational structure for the National Directorate will be prepared in accordance with the approved Ministry of Finance format and will be included in the Organisation Chart for the National Directorate.

The organisation chart for the National Directorate will identify:

1. Management and supervisory positions
2. PFM Special Career Regime positions
3. Non-professional positions
4. Administrative and support positions

Corporate Services will approve the Organisational Chart and, only approved vacant positions supported by an up-to-date job description can be submitted to Corporate Services for advertising by the recruitment method approved by the Ministry.

SUPPORT FOR TRAINING AND PROFESSIONAL DEVELOPMENT

There is an immediate and pressing need for the Ministry of Finance to arrange the provision of high priority training and capacity building programs to staff, as identified in the training plan that is supported by the Public Financial Management Capacity Building Plan - PFMCPB.

In the longer term, the coordination and delivery of training and capacity building activities will be managed through a National Directorate of Professional Development however there is currently limited capacity within the Ministry to staff and support this function.

The priorities are therefore to:

1. Immediately provide for high priority training and development activities through contracting out or similar arrangements. Situation to be reviewed in two years.
2. Revise the Ministerial Diploma/Organic Law to provide for a National Directorate of Professional Development under the General Directorate of Corporate Services
3. Develop a framework for effective management of the staff development function in Ministry of Finance, including structure, clarification of responsibilities (Corporate Services and National Directorates), policy, procedures and provision of services. Key functions are reflected in the following diagram:



4. In consultation with General Directorates and others, facilitate the establishment of an independent body to develop, accredit and regulate professional standards across PFM. This independent body will also be responsible for prescribing conditions and for entry and advancement within the PFM Special Regime
5. Establish professional standards for PFM by:
 - a. Provide linkages for organisations in Timor-Leste with international partners to promote rising professional standards in PFM, specifically in accounting, audit, law, economics and IT
 - b. Prepare legislation and regulations to establish an independent regulatory body
 - c. Facilitate the establishment and resourcing of an independent PFM regulatory body in Timor-Leste
 - d. Support the development of professional standards for PFM

Note: To strengthen professional development in Timor-Leste, it is suggested that an international business or accounting school might work with a local partner from the NGO community or one of the Timor-Leste business schools such as UNTL in relation to their specific profession or discipline.

6. Ensure the effective management and supervision of the current scholarship program
7. Recruit and train key staff to support this function including:
 - a. Coordinate the professional development of PFM Special Regime participants
 - b. Key training of staff who will support each of the core training and development functions. Specifically:
 - i. Identify training needs:
 - ii. Develop of training programs to support Ministry of Finance priorities
 - iii. Manage and coordinate staff development
 - iv. Training operations
 - v. Scholarship and Graduate Development programs
 - vi. Logistics and administrative staff to support the organisation and delivery of training activities across the Ministry of Finance and line ministries

Steps required to establish a Professional Development Centre would include:

1. Support to Directorates in identifying training needs
 - a. Assist directorates to develop competency profiles for all positions
 - b. Conduct audit of competencies against competency profiles
 - c. Assist National Directorates to identify training needs for:
 - i. Enabling skills (numeracy, literacy, language)
 - ii. Technical skills (specific to National Directorate)
 - iii. Management skills (planning, organising, leading, controlling)
 - d. Identify training and development priorities against Ministry of Finance work priorities
2. Develop training program
 - a. Agree strategy for meeting different training needs
 - b. Identify training providers (both domestic and international)
 - c. Accredite/pre-qualify training providers
 - d. Develop long-term training plan
 - e. Prepare annual training calendar

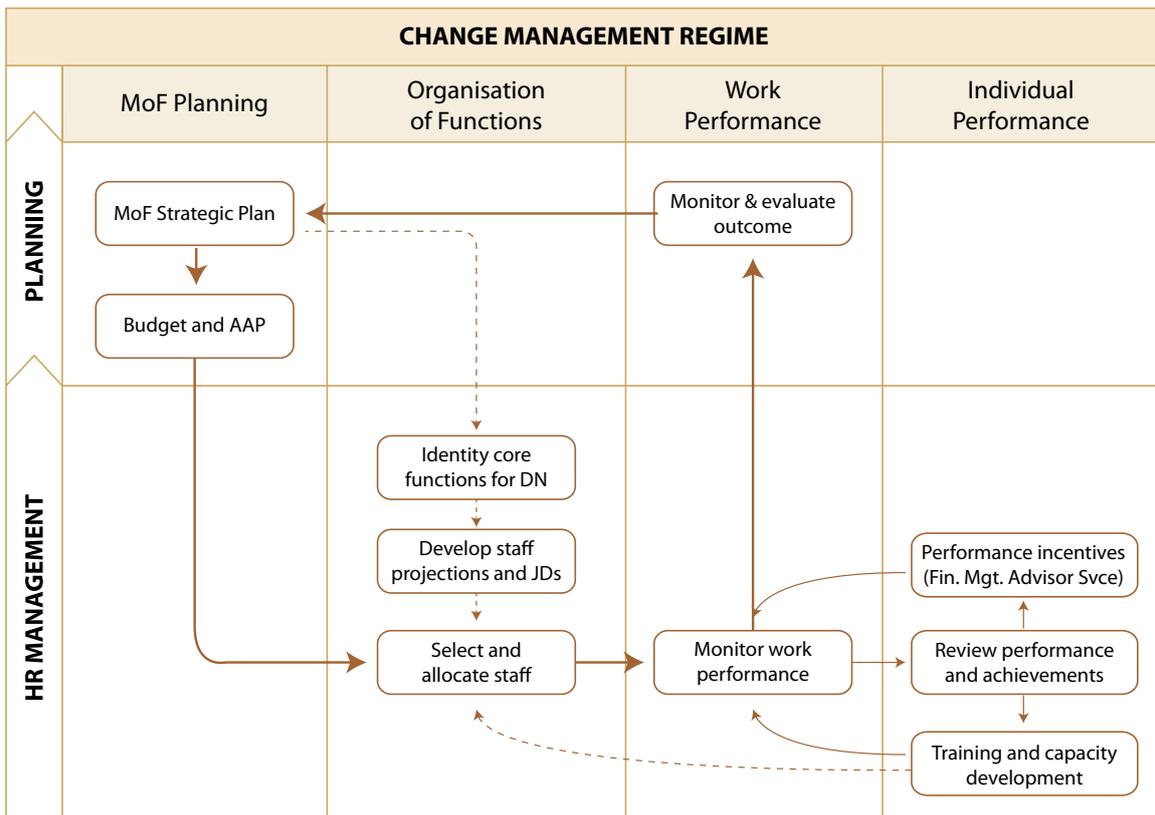
3. Support for staff development in Ministry of Finance
 - a. Develop policy on training, study leave, staff development and evaluation of staff development
 - b. Publish staff development manual and procedures
 - c. Provide training to all staff in management and leadership positions on performance appraisal and staff development
 - d. Strengthen capacity of National Directorate staff to manage staff development process
4. Training operations
 - a. Organise training facilities and other logistics requirements
 - b. Contract training providers
 - c. Coordinate delivery of training and development activities
 - d. Monitor and evaluate training activities
5. Scholarship and Graduate Development programs
 - a. Identify priorities for scholarship programs in line with Ministry of Finance long-term professional development requirements
 - b. Manage the selection and awarding of scholarships (including mobilisation and student support in-country)
 - c. Monitor progress of scholarship awardees
 - d. Establish graduate development programs for scholarship alumni
6. Manage the systematic support for transferring skills, knowledge and experience from international to national advisors and Ministry of Finance staff. This would also include the provision of professional development programs for national advisors

MANAGING FOR OUTCOMES AND PERFORMANCE

As noted in the PFMCBP Mid-Term Review:

“ Changing the focus of capacity development away from individual competencies towards strengthening the Ministry of Finance as an organisation will also require the senior management team to take the lead on capacity development, with continuing overall leadership from the Minister and the Vice-Minister: discussing the issue with the Consultative Council on Financial Management (CCFM) on a weekly basis, participating in team meetings with Directors, Heads of Department and their staff to help everyone understand the priorities and improve communication at all levels of the Ministry. It is particularly important that middle managers (Directors and Heads of Department) are encouraged to demonstrate leadership on implementation of the Strategic Plan in general, and capacity development in particular. ”

Managing for performance, as opposed to managing for compliance is an increasing concern. Managers at all levels must be encouraged to support the change management regime outlined below:



To reinforce the type of management behaviors valued by the ministry the following performance indicators should be adopted for all officers in management or leadership positions:

MANAGEMENT ACTIVITY	PERFORMANCE INDICATORS
PLANNING	
1. Strategic	<ul style="list-style-type: none"> Strategies identified and reflected in the Strategic Plan Specific operational priorities identified
2. Capacity development activities	<ul style="list-style-type: none"> Capacity development plan prepared and reviewed annually
3. Operational activities	<ul style="list-style-type: none"> Annual work plan prepared and reviewed quarterly
ORGANISING	
1. Funding	<ul style="list-style-type: none"> Annual budget prepared and reported quarterly Cost estimates realistic Funding sources identified
2. Systems and processes	<ul style="list-style-type: none"> Operating systems are in place Staff have been trained to operate systems Manuals and standard operating procedures prepared and distributed
3. Human resources	<ul style="list-style-type: none"> Staff plan for work unit prepared Staff know what is required of them Training is organised and successfully implemented
4. Equipment and supplies	<ul style="list-style-type: none"> Equipment organised Distribution of supplies and equipment arranged Maintenance and update schedules are in place
5. Communication	<ul style="list-style-type: none"> Management of Ministry of Finance and relevant agencies consulted All staff advised of actions which affect them Responses to questions are timely and accurate
LEADING	
1. Staff relations	<ul style="list-style-type: none"> Staff informed of plans and progress
2. Teamwork	<ul style="list-style-type: none"> Participates effectively in team meetings Encourages teamwork in the work unit
3. Delegation of authority	<ul style="list-style-type: none"> Clear lines of authority are established in each work unit Management and staff are advised of delegation arrangements
MONITORING AND EVALUATION	
1. Data collection	<ul style="list-style-type: none"> Staff understand data collection procedures Data is accurate and up to date
2. Record keeping	<ul style="list-style-type: none"> Record and registry systems are in place Records are accurate and up to date
3. Performance monitoring	<ul style="list-style-type: none"> Variations from plans are identified Corrective actions is taken where necessary
4. Reporting	<ul style="list-style-type: none"> Reports are submitted on time Reports conform to the Ministry of Finance requirements

As indicated in the Change Management Regime above, performance and achievements of staff will be reviewed on a regular basis. After consultation with the Civil Service Commission, a performance management process will be developed that complies with the requirements of the RDTL Performance Appraisal Regime but actively supports the strengthening of core functions and the achievement of key improvements identified for each National Directorate under the Strategic Plan.

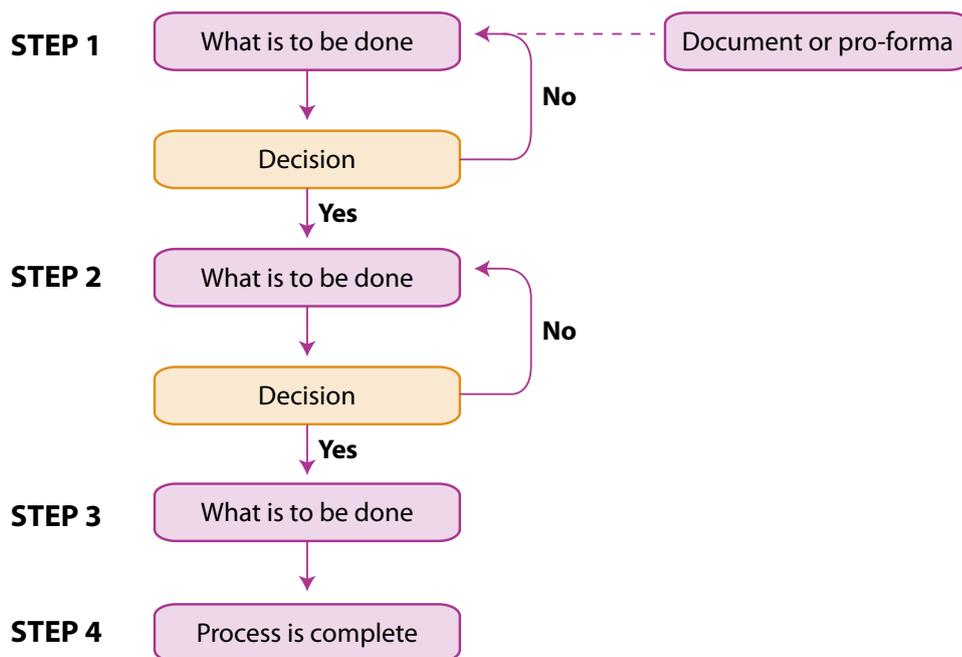
DOCUMENTATION AND MANAGEMENT OF SYSTEMS AND PROCESSES

To support managing for performance and outcomes across the Ministry of Finance it is important to standardise the presentation and documentation of operating procedures. This will be particularly important as the Ministry of Finance implements the Government's program of decentralisation to line ministries and other RDTL agencies.

Standard operating procedures and relevant supporting documentation such as manuals will be developed. The procedures will contain the following minimum information and may be supported by additional guidelines, tutorials or other learning instruments as attachments.

Format for Standard Operating Procedures

1. **Why this is important:** A statement of the purpose of the procedure. Reference should be made to the Ministry of Finance policy that the procedure gives effect to.
2. **Scope:** Coverage and to what and to whom does the procedure apply.
3. **Actions:** The steps in the process, preferably prepared in flowchart format similar to the example below:



4. **Responsibilities and Authorities:** Who is responsible for each decision and approvals?
Who has the delegated authority?
5. **References:** Other relevant documentation such as Ministry or donor documentation, guidelines or other useful materials
6. **Abbreviations:** List of abbreviations used including acronyms and their meaning.
7. **Records:** Any records produced or to be retained once the procedure has been applied
8. **Attachments:** A list of pro-forma documents, guidelines, standards or other material useful in completing the procedure

Corporate Services will provide coordination and quality control.

14

CONCLUSIONS

The Strategic Plan for the Ministry of Finance 2011 to 2030 outlines an extended program of activities to support the Government of Timor-Leste in achieving its long-term goals as outlined in the SDP.

The Plan identifies challenges and programs at the Corporate, General Directorate and National Directorate levels and integrates planning and programming of activities over long (20 year) and medium (five year) terms and provides a framework for integrating the Annual Action Plans for the Ministry.

The plan has been developed on the assumption that in order to support the SDP to be implemented and for the Government to achieve its goals, the Ministry needs to:

1. Rapidly increase its capacity and performance in the short term
2. Stabilise public financial management systems and processes over the medium term by strengthening core functions of both the operating and support units within the Ministry and
3. Provide the long-term financial mechanisms to achieve the stability and growth which the Government of Timor-Leste anticipates in its SDP.

The outcome of the Strategic Plan will be a well-functioning and effective Ministry with a stronger and more appropriate institutional structure. The Ministry will be endowed with a highly professional core of human resources that can support the expansion of the State Budget and allocation of expenditures to areas of high national priority required under the Government's SDP this will help Timor-Leste achieve the high rates of growth and major improvements in the quality of life that will contribute to a sharp reduction in the incidence of poverty.

This way the Ministry will...

'Help You Achieve Your Dreams.'

ATTACHMENT 1: GENERAL DIRECTORATE STRATEGIES TO SUPPORT THE GOALS OF THE MINISTRY OF FINANCE

GENERAL DIRECTORATE OF STATE FINANCES

General Directorate of State Finances' core tasks and functions are found in Section II, Article 10 of Decree-Law No. 13/2009, 25 February. These are:

The General Directorate of State Finances (DGSF) is responsible for ensuring the general guidance of the Ministries with competences in the areas of State general budget, treasury, procurement policy and Autonomous Public Authorities.

The DGSF has the following tasks:

- (a) Supervise the coordination and preparation of the Budget and corresponding annual Appropriation Law
- (b) Facilitate the execution of the Government budget, including by applying regulations and directives for compliance
- (c) Supervise public accounting, control over the legality and regularity of the financial administration of the State, as well as the management of the central treasury of the State
- (d) Maintain a register of state assets and provide policy guidance on asset maintenance and disposition
- (e) Coordinate and control the process and procedure for the acquisition of goods, services and works meant for public administration, according to the Procurement Legal Regime and complementary legislation
- (f) Supervise and control aspects related to Autonomous Public Authorities, in compliance with the law.

DIRECTORATE	KEY AREA OF IMPROVEMENT
Budget	<p>The improvements in budget involve continuous improvement to core functions as well as particular emphasis on improving analysis. Specifically:</p> <ul style="list-style-type: none"> • Strengthen the analysis of the fiscal position and construct fiscal envelopes (Budget Directorate and Macro Directorate) • Improve budget submissions to make them align better with government priorities and new measures in order to undertake better analysis • Improve economic analysis of measures and proposals • Improve quality assurance and coordination • Improve integration of development partner support into Ministry planning, budgeting and reporting systems

DIRECTORATE	KEY AREA OF IMPROVEMENT
Treasury	<ul style="list-style-type: none"> • Establish offices at district level, establish National Directorate of IFMIS • Establish cohesive legislative, regulatory and procedural framework • Complete treasury systems coverage • Improve accounting and fiscal reporting • Establish debt management function • Enhance capacity of Internal Audit/Financial Assurance • Improve budget execution procedures
Asset Management	<ul style="list-style-type: none"> • Strengthen the identification, registration and inspection of all state assets • Strengthen the processing of reception and inspection of assets purchased with the State budget • Monitor and supervise the process for implementation of the decentralisation of asset management • Strengthen inventory and inspection to ensure physical assets are reflected in the asset register • Manage state vehicles by monitoring such things as fuel tickets, consumption, maintenance • Facilitate training in different ministries related to procedures related to asset management • Collection of disposal asset in different places o concentrate in auction center • Improve identification and classification of assets to be disposed • Control the monitoring and use of Free Balance system to enter asset data from line ministries • Improve regulations and procedures to protect utilisation of assets, particularly vehicles • Implement auction in accordance with regulations • Label all state vehicles with “Kareta Estado”
Governance and Institutional Strengthening	<ul style="list-style-type: none"> • Accelerate capacity development in policies, processes and systems related to public sector financial management for government bodies at the national and sub-national levels • Design formal training curricula and develop training material and ensure its successful delivery • Review and document standard operating and good practice procedures, including the production of authoritative procedures manuals • Monitor, assess and report on adherence to government regulation and goodpractice • Review, develop and recommend improved financial policies and processes • Draft the content of decree laws and other financial regulations • Design, monitor and evaluate targets and compliance measures of progress and performance
Information Systems and Technology	<ul style="list-style-type: none"> • Implement the MIS strategy developed by Deloitte • Deveop and implement systems and strategies for interfacing and integration of various specific software solutions • Provide a user support help desk function • Design, develop and ensure delivery of training linked to the development phase of financial management information systems modules, including training-the-trainer approaches • Implement standards, policies and procedures based on international best practices such as ITIL • Using best practices for the information technology industry maintain a quality control framework and apply it to all projects • Provide support to systems and technologies, in relation to hardware and software • Provide network administration, including maintenance, support, security and disaster recovery services

DIRECTORATE	KEY AREA OF IMPROVEMENT
Autonomous Public Authorities	<ul style="list-style-type: none"> Establish the policy and framework, laws or regulations for autonomous public authorities Establish systems and work procedures of the National Directorate as well as the systems and work procedures for the autonomous public authorities Establish infrastructures of the autonomous public authorities as well as infrastructure (office) of the National Directorate of Autonomous Public Authorities Recruit employees that have the background, experience and technical training needed. For current employees, prepare scholarships for those who have potential to guarantee the continuity of work in the future.

INPUTS REQUIRED FOR DGSF’s NATIONAL DIRECORATES

The key organisational and capacity development inputs involve:

KEY INPUTS	BUDGET	TREASURY	AUTONOMOUS PUBLIC AUTHORITIES	GOVERNANCE AND INSTITUTIONAL STRENGTHENING	INFORMATION SYSTEMS AND TECHNOLOGY	ASSETS MANAGEMENT
Management capacity	Improve budget planning			Improve financial management in line ministries	Support framework for financial management in line ministries	Initiative, motivation and creativity in implementation of procedures.
Policy and legal framework			Policy/ framework, laws or regulations	Vary organic law	Vary organic law	Legal references needs to be complied by line ministries/IE
Organisational structure		Establish internal monitoring and control directorate. Establish internal audit function		Develop organisation structure	Develop organisation structure	
Systems and procedures	Budget procedures guide and manual. Increase capacity of Performance Budgeting System	Preparation of delegations and standard operating procedures. Links to IFMIS, map and reengineer treasury processes. Modify Ministry of Finance systems to comply with g7+ and Ministry agreements with development partners	Systems and work procedures for National Directorate, autonomous public authorities and EP	Systems and work procedures for National Directorate and decentralised operations	Systems and work procedures	Stabilise strong regulation. Strong adequate regulation, detailed procedures and operational guidelines

KEY INPUTS	BUDGET	TREASURY	AUTONOMOUS PUBLIC AUTHORITIES	GOVERNANCE AND INSTITUTIONAL	INFORMATION SYSTEMS AND TECHNOLOGY	ASSETS
Physical infrastructure	Rehabilitate the main office. Establish new office	Office arrangements and logistics for line ministries and district offices arrangements and logistics for line ministries and district offices	Office space and facilities for agencies and Directorate	Office space and facilities for agencies and Directorate	Office space and facilities for agencies and Directorate	LM/EI need proper warehousing to keep assets. Lack of parking for vehicles. Lack of training facilities
Human resources (See also staffing and advisor chart below)	Strengthen Information Technology	Human resource development needed, particularly related to e-procurement and decentralisation	Recruit employees with background, experience, technical training. Train current employees to ensure continuity	Develop staff map, job descriptions and staff key positions	Develop staff map, job descriptions and staff key positions	Lack of human resources. Needs for both formal and informal training

STAFF DEVELOPMENT AND TRAINING FOR DGSF's NATIONAL DIRECTORATES

The training and development needs that were identified in relation to key improvements are:

DIRECTORATE	STAFF DEVELOPMENT AND TRAINING
Budget	<ul style="list-style-type: none"> • Budget and fiscal analysis • Economic analysis of proposed initiatives in ministry submissions • Language skills (Portuguese and English)
Treasury	<ul style="list-style-type: none"> • Most of the training will require a combination of classroom and on-the-job training • Entire treasury functions for districts and sub-districts • User training for systems, operations and reporting for districts and sub-districts • Treasury operational procedures (Ministry of Finance and line ministries)
Asset Management	On the job training, site visits and short courses needed in all areas of asset and inventory management
Governance and Institutional Strengthening	Design formal training curricula and develop training material and ensure its successful delivery
Information Systems and Technology	Design, develop and ensure delivery of training linked to the development phase of financial management information systems modules, including train-the-trainer approaches.

STAFF AND ADVISORS PROJECTIONS FOR DGSF

The following staff and advisor projections have been identified by the General Directorate and represent an immediate requirement based on projected workloads arising out of the key improvements identified for Directorates and Departments in Attachment 2. They therefore should be implemented over the next five years in accordance with reforms associated with the key improvements.⁴

DIRECTORATE	STAFF		
	Current Staff	Proposed New Staff	Total
Office of Director General	1		1
Budget	42	4	46
Treasury	60	78	138
Assets Management	58	15	73
Governance and Institutional Strengthening		(See Note)	(See Note)
Information Systems and Technology		(See Note)	(See Note)
Autonomous Public Authorities	8	(See Note)	(See Note)

Sources:

DIRECÇÃO-GERAL DOS SERVICOS CORPORATIVOS Total Funcionários Permanentes Ministério Das Finanças, Augusto de 2011

Note:

Staff estimates to be developed by Staff Mapping Project

DIRECTORATE	TECHNICAL SUPPORT ESTIMATES			
	Strategy and Policy	Skills Development	Technical Contractor	Administration Contractor
Office of Director General	SMA			
Budget	Senior Budget Advisor Expenditure Review Advisor		Budget Support Contractor (2)	Translator (2)
Treasury	Treasury Policy Specialist		Treasury Technical Contractor (2) Technical Contractor (4)	

⁴ At the time of writing Corporate Services was undertaking a review of staff requirements based on actual workloads of existing staff. The project will result in the preparation of detailed job descriptions for all current staff and produce detailed staff maps for each work unit based on analysis of existing work capacity and projected work requirements. The review will also revise the above estimates for both staff and advisors over the next 5 years. Where available recommendations have been incorporated.

DIRECTORATE	TECHNICAL SUPPORT ESTIMATES			
	Strategy and Policy	Skills Development	Technical Contractor	Administration Contractor
Asset Management	Asset Advisor		Asset support Contractor (2)	
Governance and Institutional Strengthening	Senior Governance Advisor Senior Procurement Advisor Senior Financial Assurance Advisor	Anti-Corruption Advisor	Decentralisation Advisors (5)	
Information Systems and Technology	Sen. FIS Advisor Senior Technical Specialist (FIS)	Training Specialist (FIS)		
Autonomous Public Authorities	Senior Policy Advisor		Technical Contractor	
TOTAL	11	2	16	2

PRIORITIES FOR THE INPUTS IN DGSP

The priority inputs identified in the directorate strategic plans are:

DIRECTORATE	PRIORITY FOR INPUTS
Budget	Support (training, mentoring, on the job support) to strengthen analytic function
Treasury	Staffing, training and formalised regulator and procedural framework
Asset Management	Strengthened procedures, guidelines and compliance facilities
Governance and Institutional Strengthening	Organise, establish and resource National Directorate
Information Systems and Technology	Organise, establish and resource National Directorate
Autonomous Public Authorities	To be completed
Improve client orientation	<ul style="list-style-type: none"> • Primary client: line ministries and agencies • Extensive consultation with Ministries on budget bids, proper reporting and training • Aim to issue cheques/TOPs within a week of receipt of CPV • Reconciliation regularly of figures with Ministries • Reporting quarterly on Ministry website and to Parliament • Assistance to ministries with tender and contract process

GENERAL DIRECTORATE OF REVENUE AND CUSTOMS

The Directorate-General for Revenue and Custom's core tasks (functions), are found in Section I, Article 6 of Decree-Law No. 13, 2009, 25 February, are:

1. The General Directorate of Revenue and Customs (DGRC) is responsible for ensuring the general guidance of all Ministry services with competences in the area of Revenue and Customs.
2. The DGRC has the following tasks:
 - a. Administer and collect State revenue from direct, patrimonial, service, capital and sale taxes, as well as administrate other tributes attributed to it by law, according to policies defined by the Government regarding taxes;
 - b. Exercise border and national territory control for tax and economic purposes and for protecting society, namely within the scope of public safety, health and environment;
 - c. Administer, supervise and collect customs duties;
 - d. Administer and collect selective excise tax and the further indirect taxes attributed to it, according to the policies set by the Government and in conformity with the legislation;
 - e. Administer, supervise and collect taxes concerning all activities involving the drilling, processing and trading of oils; and
 - f. Perform such other functions are as required by Law.

KEY AREAS OF IMPROVEMENT FOR REVENUE AND CUSTOMS' NATIONAL DIRECTORATES

The following are summaries of strategic improvements to improve core functions by each department. The details are found in the strategic plans for each directorate.

DIRECTORATE	KEY AREA OF IMPROVEMENT
Customs	<ul style="list-style-type: none"> • Improve the collection of revenue from import duty, excise tax and sales tax • Improve the control, movement and circulation international goods • Improve the protection of the community from illegal goods and illegal trafficking of drugs and weapons • Improve the facilitation of trade and commerce • Maintain the promotion and facilitation of internal and external investment • Improve the protection public health for consumers
Petroleum Revenue	<ul style="list-style-type: none"> • Sustain and institutionalise the present level of efficiency in assessment and collection • Ensure timely review of monthly and yearly returns and resolution of disputed issues • Provide clarity in areas of the tax laws that are subject to different interpretations • Organise regular forums with stakeholders such as ANP, Central Bank, General Directorate of Policy, Analysis and Research and oil and gas operators • Automate the process of generating management reports • Ensure complete registration of taxpayers
Domestic Revenue	<ul style="list-style-type: none"> • Providing taxpayer education so that taxpayers understand their rights and obligations • Registering taxpayers and maintaining an up-to-date taxpayer client register • Processing tax forms and collecting the revenue • Conducting audits and other compliance activities to ensure that taxpayers are correctly complying with the law • Gathering information and intelligence for assessing the risk management of the level of voluntary compliance with tax laws

KEY INPUTS REQUIRED FOR REVENUE AND CUSTOMS' NATIONAL DIRECTORATES

Key organisational and capacity development inputs proposed in the plans include:

KEY INPUTS	DIRECTOR GENERALS OFFICE	CUSTOMS NATIONAL DIRECTORATE	PETROLEUM REVENUE NATIONAL DIRECTORATE	DOMESTIC REVENUE NATIONAL DIRECTORATE
Management capacity	<ul style="list-style-type: none"> • Ensure accountability in the area of staff attendance, ethics and revenue collection • Establish cooperative agreements with major trading partners 	<ul style="list-style-type: none"> • Closer relations with international trading partners • Manage stakeholder consultative forum • Establish liaison meetings with border agencies 	<ul style="list-style-type: none"> • Coordinate with General Directorate Corporate Services for interview and appointments of new staff • Regular consultations with stakeholder groups 	<ul style="list-style-type: none"> • Strengthen client service culture • Improve liaison and coordination with stakeholder groups
Policy and legal framework	<ul style="list-style-type: none"> • Engage Revenue Legal Counsel for drafting all private and public rulings • Establish Revenue and Customs Appeals Board • Institute Legal action against certain taxpayers • Prepare for VAT and Excise increases • Present new Tax and Customs Laws to CON, Parliament including amendment to the Taxes and Duties Act 8/2008 	<ul style="list-style-type: none"> • Access to laboratory to assess goods thought to be dangerous • Improve knowledge, interpretation and application of tax law 	<ul style="list-style-type: none"> • Improve knowledge, interpretation and application of tax law 	<ul style="list-style-type: none"> • Improve knowledge, interpretation and application of tax law
Organisational structure	<ul style="list-style-type: none"> • Prepare and obtain approval for a functional organisational structure based on core functions 	<ul style="list-style-type: none"> • Establish functional organisational structure for National Directorate of Customs based on core functions • Consider new roles for staff at new IBPs 	<ul style="list-style-type: none"> • Establish functional organisational structure for National Directorate of Petroleum Revenue based on core functions • Set up a functional Audit and Intelligence Unit 	<ul style="list-style-type: none"> • Establish functional organisational structure for National Directorate of Domestic Revenue based on core functions
Systems and procedures	<ul style="list-style-type: none"> • Improve capacity of staff to use SIGTAS • Determine need for SIGTAS upgrade 	<ul style="list-style-type: none"> • Implement ASYCUDA Phase 2 work plan • Establish valuation database <ul style="list-style-type: none"> • Upgrade Harmonise System • Licensing of customs brokers • Review warehousing operations • Introduce effective post clearance audit capability • Upgrade intelligence database 	<ul style="list-style-type: none"> • Establish well-defined job descriptions for all national staff • Develop user guidelines with Revenue Legal Counsel. 	<ul style="list-style-type: none"> • Set up a tax payer Client Service Charter • Improved adherence to standard operating procedures • Set up improved operational manuals • Introduce data warehouse
Physical infrastructure	<ul style="list-style-type: none"> • Consider overall improvements to infrastructure including new Revenue and Customs House 	<ul style="list-style-type: none"> • Provide adequate space for Customs Directorate • Improve infrastructure at Dili Port 	<ul style="list-style-type: none"> • Provide functional tax library 	<ul style="list-style-type: none"> • Obtain space for all Domestic Revenue staff in National Directorate's Kobe building

STAFF DEVELOPMENT AND TRAINING FOR REVENUE AND CUSTOMS' DIRECTORATES

The training and development needs that were identified in relation to key improvements are:

DIRECTORATE	KEY AREA OF IMPROVEMENT
Customs	<ul style="list-style-type: none"> • Management training at three levels – Personal, Supervisory and Senior • Language training particularly English • Training of customs brokers • Post clearance audit training • Training in risk analysis and risk management • Training to improve publishing customs information and procedures • ASYCUDA and intelligence systems training • X-Ray training • Training to identify dangerous goods including drugs
Petroleum Revenue	<ul style="list-style-type: none"> • Petroleum Tax Law trainings • Tax accounting – formal and informal training • Tax auditing • Language training
Domestic Revenue	<ul style="list-style-type: none"> • Auditing and Accounting training • Domestic Tax Law training • Improved analytic skills • Improved capacity to use SIGTAS • Improved report writing, interviewing, communications (written and verbal), conflict resolution • English language • Microsoft Office training

STAFF AND ADVISORS PROJECTIONS FOR REVENUE AND CUSTOMS

The following staff and advisor projections have been identified by the General Directorate and represent an immediate requirement based on projected workloads arising out of the key improvements identified for Directorates and Departments in Attachment 2. They therefore should be implemented over the next five years in accordance with reforms associated with the key improvements.⁵

DIRECTORATE	STAFF		
	Current Staff	Proposed New Staff (Note 2)	Total
DG's Office	52		52
Customs	194	18	
Petroleum Revenue	17	9	212
Domestic Revenue	81	25	26
Total	345	36	106

Source:

DIRECÇÃO-GERAL DOS SERVICOS CORPORATIVOS Total Funcionários Permanentes Ministério Das Finanças, Augusto de 2011

⁵ See Footnote 3.

⁶ VAT and Excise Advisors to be relocated to DGPARG when revenue policy function established

NATIONAL DIRECTORATE	TECHNICAL SUPPORT ESTIMATES			
	Strategy and Policy	Skills Development	Technical Contractor	Administration Contractor
Office of Director General	SMA Legal Adviser	VAT Advisor Excise Advisor ⁶ ODI	Legal Counsel Internal Auditor	
Customs	Senior Customs Adviser	Customs Specialist Customs Broker Specialist ASUCUDA Adviser	Technical Contractor (2)	
Petroleum Revenue	Senior Petroleum Revenue Adviser Petroleum Legal Adviser	Petroleum Audit Advisor (2)	Technical Contractor (3: 1 position filled, 2 vacant)	
Domestic Revenue	Senior Domestic Revenue Adviser	Tax Audit Adviser (3) Tax Collection Adviser	Technical Contractor (3) Tax Auditor (S/T) Tax ID Unit Specialist	
TOTAL	5	12	12	

PRIORITIES FOR INPUTS FOR REVENUE AND CUSTOMS

DIRECTORATE	PRIORITY FOR INPUTS
Overall	Improved link between the International Advisors and the capacity development of National Staff by the use of National Advisors Policy development of VAT and Excise increases have not been included in this plan
Customs	The priority is for an interrelated mix of more knowledgeable and highly trained staff, improved systems and improved staff capacity to use the systems.
Petroleum Revenue	Acquisition of technical knowledge on audit and tax issues as well as recruitment of international auditors and three local consultants Hiring of an engineering firm to assist petroleum audits Dedicated tax lawyer with oil and gas experience New tax research software and technical training on how to conduct tax research Petroleum tax law library
Domestic Revenue	The directorate requires a mix of interrelated training ranging from technical (tax law, SIGTAS, IT) to strengthening management and administrative skills (Communications, conflict resolution, analytic, report writing, English language)
Improve Client / Stakeholder Orientation	All areas need to improve client/stakeholder relations Publish Code of Conduct Develop and implement a Taxpayer Charter Publication of relevant tax and customs guides on website Establish a Board of Tax and Customs Appeals Conduct socialisation activities and interaction with stakeholders Develop the ASYCUDA e-commerce platform set out in the Phase 2 Work Plan Sign Cooperative Agreements (MOUs) with trading partners Provide all necessary data to Government to enable them to consider introducing a VAT and increasing Excise Duties

GENERAL DIRECTORATE OF POLICY ANALYSIS AND RESEARCH

The General Directorate of Policy Analysis and Research (DGPAR) core tasks (functions), are found in Section I, Article 16 of Decree-Law No. 13/2009, 25 February, are:

1. The General Directorate of Policy Analysis and Research (DGPAR) is responsible for ensuring the general guidance and integrated coordination of all Ministry Services with competences in the areas of statistics, macroeconomy and Petroleum Fund
2. The DGPAR has the following tasks:
 - a. Design and coordinate the official statistics of Timor-Leste;
 - b. Provide specialised technical assistance in the fields of economy promotion, and in particular financial and tax justice performance, in conformity with the law and with the goals set by the Government; and
 - c. Provide specialised technical assistance to the management of the Petroleum Fund.

The specific core functions are provided in each of the directorate plans.

DIRECTORATE	KEY AREAS OF IMPROVEMENT
Statistics	<ul style="list-style-type: none"> • New Statistics Law for Timor-Leste • Competent and sustainable independent national statistics office • Effective medium term planning processes in place • Competent workforce capable of successfully delivering the medium term work plan • Effective statistical coordination arrangements in place • An expanded statistical work program, with regular production of highest priority statistics • Strengthen the role of District Offices
Macroeconomy	<ul style="list-style-type: none"> • Complete handover of Macroeconomic Framework from international staff to national staff • Increased integration with other Directorates in order to provide useful policy analysis to assist the Ministry of Finance's decision making across departments • Faster, more efficient data collection and quality. More quality data through systems that created streamlined databases on economic and fiscal variables • More staff engaging in data collection • Budget process better informed by macroeconomic analysis • Increased analytical output regarding tax structure and economically optimal rates • Improve capacity to make projections and forecasts of various economic variables
Petroleum Fund	<ul style="list-style-type: none"> • National staff are able to provide high quality products in a timely manner • Establishing in-house ownership of petroleum wealth and ESI calculation • Establish Department of Petroleum Fund Management and Petroleum Revenue Management • Effective coordination with relevant State institutions and stakeholders on issues related to management of Petroleum Fund and related issue

KEY INPUTS REQUIRED FOR DGPAR

The key organisational and capacity development inputs involve:

KEY INPUTS	STATISTICS NATIONAL DIRECTORATE	MACROECONOMY NATIONAL DIRECTORATE	DN PETROLEUM FUND NATIONAL DIRECTORATE
Management capacity	Improved human resource management. Improved planning, coordination and priority setting		HR management
Policy and legal framework	Upgraded legal and policy framework, including a new statistics law		Review policy and legal framework and organisational structure
Organisational structure	Independent agency by 2015	Will be an issue after staff are recruited and trained	Division into Petroleum Fund management and Petroleum Revenue Management departments
Systems and procedures	Upgraded systems and procedures		Manuals for petroleum wealth and ESI calculation
Physical infrastructure	Office space	Improvements needed to office space, water and supplies. No room for new staff.	

KEY STAFF DEVELOPMENT AND TRAINING NEEDS FOR DGPAR

DIRECTORATE	STAFF DEVELOPMENT AND TRAINING NEEDS
Statistics	On the job, tutorials, international training related to national statistic systems and management and English language training. As part of its capacity strengthening strategy, a key approach of the Statistical Directorate is to establish twinning arrangements with other Statistical Agencies, possibly in Indonesia and Australia
Macroeconomy	Internal, on the job training is the most immediate need. Training should focus on data handling methods (unbiased use of data, objective assumptions, interpolations and extrapolation techniques)
Petroleum Fund	The work related to petroleum fund and petroleum revenue requires specialised skills and knowledge which will require the recruitment of several staff at the Bachelor and Masters level, along with a combination of on-the-job training and mentoring (advisors and IMF), and overseas training mentoring (Central Bank, ANP, Towers Watson, IMF) throughout the strategic plan period

STAFF AND ADVISORS PROJECTIONS FOR DGSP

The following staff and advisor projections have been identified by the General Directorate and represent an immediate requirement based on projected workloads arising out of the key improvements identified for Directorates and Departments in Attachment 2. They therefore should be implemented over the next five years in accordance with reforms associated with the key improvements.⁷

DIRECTORATE	STAFF		
	Current Staff	Proposed New Staff	Total
Office of Director General	5		5
Directorate Statistics	60	41	101
Directorate Macroeconomy	6	11	17
Directorate Petroleum Fund	2	3	5
Total	73	55	128

Source:

DIRECÇÃO-GERAL DOS SERVICOS CORPORATIVOS Total Funcionários Permanentes Ministério Das Finanças, Augusto de 2011

NATIONAL DIRECTORATE	TECHNICAL SUPPORT ESTIMATES			
	Strategy and Policy (Level A)	Skills Development (Level B)	Technical Contractor (Level C)	Administrative Contractor (Level D)
Office of Director General	SMA			
Statistics	Senior Statistics Advisor	Statistics Advisor	Technical Contractor	
Macroeconomy	Senior Macroeconomic Advisor	Macroeconomists (3)	Technical Contractor (4)	
Petroleum Fund	Senior Petroleum Fund Advisor	Petroleum Fund Advisor	Technical Contractor (2)	
TOTAL	4	5	7	

⁷ See Footnote 3.

PRIORITIES FOR INPUTS TO DGPAR

DIRECTORATE	PRIORITY FOR INPUTS
Statistics	Establishing well functioning twinning arrangements constitutes the most important input
Macroeconomy	Human resources (new staff, training and the recruitment of an advisor who with a strong analytic background can turn data into policy analysis and also provide on the job training)
Petroleum Fund	The most important inputs include the recruitment of qualified national staff in parallel with the recruitment of more national consultants to facilitate the reduction of dependency of international advisors
Improve client orientation	Primary client: civil society and ANP, Central Bank and Petroleum Revenue Directorate <ul style="list-style-type: none"> • Improve coordination and information sharing • Remove barriers to integration • Improve partnerships and cooperation • Improve cost-effective services • Publish more user-friendly statistics • Improve transparency and extend the coverage of publications

TAX ANALYSIS AND ADVICE

There is a need for specialist advice on the development of tax policies from the perspective of general fiscal policy and economic development. The way in which taxes are collected has a major impact on the functioning of the economy. This is a standard capability in finance ministries around the world. The mandate for DGPAR should be reviewed and a proposal developed for consideration by the Minister of Finance to build this capability. This should be provided by a combination of international advisors initially with these skills and local consultants, with a plan for transforming this into a routine role for DGPAR over the longer term. As tax analysis is a specialised skill there is likely to benefit from maintaining an international advisor in the area over the longer term.

Where the tax issues being considered raise issues of implementation DGRC would also be engaged. One vital area of advice in the shorter term will be to participate in the design and evaluation of Special Economic Zones, which are likely to have very significant impacts on tax policy and revenue collections.

GENERAL DIRECTORATE OF CORPORATE SERVICES

The role of General Directorate of Corporate services differs from other General Directorates in a significant way. Most of its core functions involve the provision of important administrative and human resources services to other directorates. To provide these services effectively requires close collaboration and partnership between General Directorate of Corporate Services and the other directorates and requires complementary capacity in all General Directorates to carry out key functions, particularly those related to human resources and financial/budget management. For example, operational General Directorates must have the capacity to manage functions such as maintaining and updating job descriptions, identifying training needs, and completing personnel appraisals if General Directorate of Corporate Services is to effectively carry out its ministerial functions related to overall recruitment and the development of training programs.

General Directorate of Corporate Services' core tasks (functions), found in Section IV, Article 20 of Decree-Law No. 13/2009, 25 February, are:

1. Operation of administrative services and management of financial resources
2. Proper management of human resources and implementation of training program
3. Execute Public Administration laws, regulations and procedures, within the scope of the ministry
4. Management of material resources and general services
5. Management of technology, information and computer resources
6. Ensure expenditure procedures for acquisition of good, works or services based on procedures
7. Maintain equipment, vehicles and manage acquisitions, repairs and transportation
8. Provide means to ensure Ministry staff participation in national and international events
9. Issue opinions on internal regulations regarding human and material resources
10. Coordinate publication and distribution of official matters
11. Ensure communications services, security, cleaning and maintenance of offices

KEY AREAS OF IMPROVEMENT FOR DGCS

The following represent summaries of strategic improvements to core functions by each department in Corporate Services. The details are found in the strategic plans for each department. The General Directorate of Corporate Services is responsible for a number of diverse services that are all important and the key improvements are not presented in any particular order of priority. Having said that, all directorate level plans and the Ministerial Strategic Plan emphasise the importance of staffing and human resource management and development. For that reason the Professional Development Centre and Human Resource Management are focused on these.

DIRECTORATE	KEY AREAS OF IMPROVEMENT
Human Resource Management Department	<ul style="list-style-type: none"> • Recruit new staff in accordance with agreed to ministerial staffing plan • Clarify duties of all Ministry of Finance staff (job descriptions) • Implement staff performance based on performance criteria • Ensure each General Directorate has an effective human resources staffing plan • National and General Directorates have access to up-to-date staff database
Professional Development Centre	<p>Establish a Centre for professional development and training in accordance with Ministry of Finance priorities. This will including:</p> <ul style="list-style-type: none"> • Competency based training needs identified • Independent body established to accredit PFM standards • Annual training program published • Ministry of Finance staff development policy and procedures published • Staff development programs delivered on time • Scholarships provided against priorities, • Graduate development program developed and implemented
Financial Support Services Department	<ul style="list-style-type: none"> • Strengthen technical support, coordination and supervision of preparation of Annual Action Plans and budget submission • Improve monitoring, execution, analysis and reporting of Ministry of Finance's Budget, Annual Action Plans and procurement • Strength technical support to, and supervision of, other directorates to ensure adherence to financial rules and procedures
General Administration Department	<ul style="list-style-type: none"> • Strengthen executive support to the Director General Corporate Services • Strengthen understanding of rules and procedures for procurement and contract management and ability to use them in General Directorate of-Corporate Services and other General Directorates • Strengthen procurement of goods, services and works, logistic support, and management of assets and office correspondence/records • Improve rules on correspondence and the centralised filing and archiving system • Strengthen inventory system for moveable and immovable patrimony • Strengthen cleaning and maintenance service • Improve capacity to provide translation
Information and Technology Department	<ul style="list-style-type: none"> • Strengthen database development, management and reporting • Better manage and maintain Ministry of Finance's mission critical applications • Better manage website, content and portals • Enhance system administration • Increase network system uptime and management • Provide better first level and end-user support • Improve planning, management, design and implementation of emerging and converging technologies
Legal Unit	<p>Strengthen coordination on legal matters including:</p> <ul style="list-style-type: none"> • Legal procedures documented • Ministry of Finance units educated and • Legal panel established
Audit Unit	<ul style="list-style-type: none"> • Identify risks and recommend strategies • Plan, organise internal audit and monitor recommendations.

KEY INPUTS REQUIRED FOR DGCS

A variety of inputs will be required. Most of the inputs are complementary and involve an integrated approach to making improvements.

In summary these are:

INPUT AREA	INPUT REQUIRED
Systems and procedures	<ul style="list-style-type: none"> Strengthening of the usefulness and understandings of standard operating procedures (SOPs) for human resources management and training, procurement, budget/financial management, and administrative services to make them more user-friendly and adhered to SOPS will be developed with users and involve strengthened briefing/training for all users Establishment of "focal points" in Corporate Services and in operational General Directorates to facilitate the understanding, use and improvement of standard operating procedures related to human resource, financial and administrative management. In some cases, Corporate Services staff may be located in other General Directorates to ensure good communication
Physical infrastructure	Improved work stations and a more "user friendly", one stop physical location for those seeking General Directorate services

STAFF DEVELOPMENT AND TRAINING FOR DGCS

Development and training needs to be delivered through a combination of longer term (degree) training and development, short-term skills and competency based training, and on the job training and mentoring. Some training can be conducted in country and some will be out of country.

Consistent with the key areas for improvement, the main training requirements fall into three clusters:

DEPARTMENT	STAFF DEVELOPMENT AND TRAINING
Human Resource Department	<ul style="list-style-type: none"> Training and development management Training needs assessment Competency based training
Information Technology Department	<ul style="list-style-type: none"> Short-term training and certification – overseas (MCP, CCNP, Linux, A+, Net+, MCTS, CCNA, MCSD, internet systems webmaster) Longer term training and development (BA/MA in computer sciences or related field)
General Administration and Financial Support Services	<ul style="list-style-type: none"> Procurement, contract and asset management Writing and dissemination of guidelines, regulations and standard operating procedures Budget and expenditure analysis Monitoring and reporting Risk analysis and conducting audits

PLANNING AND IMPLEMENTATION UNIT (PIU) OF THE PFMCBP

The Project Implementation Unit (PIU) was established to plan, procure and manage technical assistance for the Planning and Financial Management Capacity Building Program (PFMCBP). Technically the PIU will come to an end when the PFMCBP programme ends. However most of the functions performed by the PIU will still be required and the strategy is that they will gradually be absorbed into the HRM Department over the next 2-3 years. Most of the functions carried out by advisors in the PIU will be taken on by Ministry of Finance staff. PDP functions will be taken over by the Professional Development Centre. There will be a requirement for advisory services in the area of delivering competency based trainings as well as to support the establishment of an Institute of Chartered Accountants. Advisory services will also be required to support the new audit function, financial services and the continued strengthening of the Information Technology Department.

STAFF AND ADVISORS PROJECTIONS FOR DGCS

The following staff and advisor projections have been identified by the General Directorate and represent an immediate requirement based on projected workloads arising out of the key improvements identified for Directorates and Departments in Attachment 2. They therefore should be implemented over the next five years in accordance with reforms associated with the key improvements.⁸

DIRECTORATE	STAFF		
	Current Staff	Proposed New Staff	Total
Officer of Director General	1		1
Planning and Implementation Unit (PIU)			
Human Resources	9	10	19
Financial Services	6	7	13
Administrative Services	27	6	33
Information Technology	7	5	12
Legal Services	2	6	8
Internal Audit	0	8	8
Office of Minister	3	4	7
Total	55	46	101

Source:

DIRECÇÃO-GERAL DOS SERVICOS CORPORATIVOS Total Funcionários Permanentes Ministério Das Finanças, Agosto de 2011

⁸ See Footnote 3.

NATIONAL DIRECTORATE	TECHNICAL SUPPORT ESTIMATES			
	Strategy and Policy	Skills Development	Technical Contractor	Administration Contractor
Office of Director General	SMA			
Program Implementation Unit ⁹	Operations Manager		Finance Manager Procurement Manager Finance Officer (3)	Administrative Assistant (2) Interpreter (2)
Human Resource Department	Senior Adviser HRM Senior Advisor Capacity Development	Training and Development Advisor	Technical Contractor (3) - Human resources - Scholarship - Training	
Financial Support Services Department			Finance Officer (3) - Ministry of Finance - Whole of government - Planning	
General Administration Department		Registry and Archive Advisor	Resident Engineer Procurement and Contract Manager Procurement and Contract Officer	
Information and Technology Department		IT Systems Advisor (2)	Technical Adviser (2)	
Legal Unit		Legal Advisor (Legal Education)	Legislative Draftsperson (2) Legal Advisor-Commercial (2)	Legal Secretary Legal Registry Assistant
Audit Unit	Senior Audit Advisor		Auditors (2)	
Office of Minister Support	Senior PFM Advisor		Executive Officer to Minister	
TOTAL	6	5	21	6

⁹ The PIU of the PFMCBP will be absorbed more closely into Corporate Services as a Partnership Management Unit. It will assume responsibility for coordination, resourcing and procurement of all Development Partner programs in the Ministry of Finance.

PRIORITIES FOR THE INPUTS TO DGCS

PRIORITY AREA	PRIORITY INPUTS
Staffing for human resource management and professional development	The Ministerial Strategic Plan and the Directorate Level plans, make it clear that Human Resource management and staff development/training are the most critical areas for improvement for the Ministry to carry out its technical functions. For General Directorate of Corporate Services to adequately play its part in strengthening capacity across the Ministry, more qualified staff and/or staff with high potential are the most critical inputs. There is also a limited need for advisors until the full complement of staff are in place.
Standard operating procedures	Standard operating procedures that are effective, well understood by staff and adhered to are essential to the improved functioning of a number of areas related to administration and finance as well as Human Resource Management. Resources (staff and advisors) are needed not only to improve the content of procedures but also to socialise them with staff and management.
Information technology	The requirements for upgraded or new technology and software, demands for capacity to undertake more complex tasks and overall expansion to the systems as greater decentralisation takes place should be expected to grow substantially. Development and training of existing staff and the recruitment of new staff to manage increasingly complex systems is crucial. It should also be anticipated that this training and development would result in greater mobility of staff.
Audit function	The Ministry must demonstrate leadership in this area. Currently there is no capacity to plan and carry out audits. A minimum level of staff and advisors is necessary as at the moment much of this activity is outsourced to international accounting firms.
Improve client orientation	Primary Client: Directorates of Ministry of Finance <ul style="list-style-type: none"> • Develop clear and uniform standard operating procedures • Training of staff on standard operating procedures



ATTACHMENT 2: OPERATIONAL PLANS FOR NATIONAL DIRECTORATES - 2011 TO 2015

To implement the goals found in the strategic plans, specific actions must be identified and the necessary resources allocated. The Ministries integrated planning framework (refer Section 10) is specifically designed to achieve this. The Annual Action Plans should clearly reflect the annual actions and resources needed to ensure that the Strategic goals are accomplished in the next five years. To assist National Directorates summaries of the Strategic Plan for the Directorate have been prepared and are attached. These summaries contain the following information:

1. The Vision for the National Directorate
2. The Core Functions for the National Directorate with the Performance Standards for each Function
3. Key Improvements needed to strengthen the Core Function together with the major steps required and the performance indicators for each.

Each National Directorate will be asked to use these summaries when preparing their Annual Action Plans.

Monitoring and evaluation processes will be carried out in the following ways:

- Review the Annual Action Plans to ensure consistency with the strategic plans as well as to ensure that resources are being adequately allocated towards strategic objectives
- Collaboration with review efforts of donors such as the World Bank, IMF, and AusAID
- Specific review and evaluation of the progress of key strategic objectives by independent resources

NATIONAL DIRECTORATE OF BUDGET

(See Page 11 of Consolidated Working Papers for further detail)

Section 1: Vision

By 2015 the National Directorate of Budget provide a high quality work team that provides assistance to line ministries to ensure transparency and sustainability to the government's budget in an uncertain future

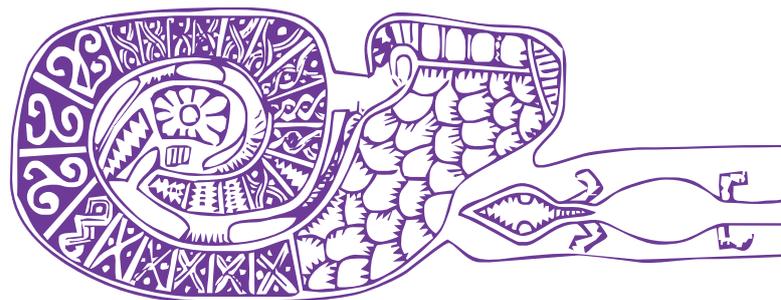
Section 2: Strengthening Core Functions

Below are the Core Functions that National Directorate of Budget will be performing in 2015 together with the standards to which those functions will be performed. National Directorate of Budget will progressively improve its capacity to perform these functions to the standard specified by implementing the Key Improvements listed in Section 3 below. Performance of the Core Functions will be monitored through the activities of the Annual Action Plan.

CORE FUNCTION	PERFORMANCE STANDARD
<p>1. Plan budget Determine fiscal envelopes, budget call circular and aggregate fiscal and budgetary analysis, in the context of the macroeconomic framework</p>	<p>The General Budget of the State is delivered in accordance with the law</p> <ul style="list-style-type: none"> Proposed budget submitted by 15 October The annexes to the budget law (including the appropriations) are internally consistent Documentation supporting the budget contains all the information mandated in the Budget and Financial Management Act 2009
<p>2. Prepare budget instructions and briefings Analyse submissions Support and advise BRC and preparing working spreadsheets of decisions</p>	
<p>3. Prepare budget Prepare proposed budget appropriations before plenary and for final after promulgation Prepare supporting budget documentation</p>	
<p>4. Monitor and facilitate budget execution and expenditure Support and advise line ministries on budget matters including assessing virements Monitor budget progress, including preparing analytic monthly expenditure reports</p>	<ul style="list-style-type: none"> Budget monitoring and support to line ministries optimises budget execution Expenditure reviews inform budgetary allocations Money flow to line ministries is recorded and reported accurately
<p>5. Evaluate the budget Undertake expenditure reviews</p>	

Section 3: Implementing Key Improvements

Below are the Key Improvements that will be implemented to strengthen the performance of the Core Functions and the major steps needed to achieve them. Performance indicators identify the level of improvement to be achieved and the contribution (where applicable) to the Strategic Development Plan (SDP).



Key Improvements	Major Steps	Performance Indicator and Contribution to SDP
1. Strengthen the analysis of the fiscal position and construction fiscal envelopes, working in collaboration with Macroeconomic Directorate	<p>Recruit additional appropriately qualified international and national advisors to contribute to fiscal analysis.</p> <p>Prepare basic fiscal analysis for Budget 2012 and out years, informed by the Strategic Development Plan, mid-term macroeconomic framework and investment options.</p> <p>Refine methodology for preparing fiscal envelopes to provide robust, realistic and respected guidance to line ministries to inform the preparation of submission, consistent with the Strategic Development Plan.</p> <p>Move towards a more rigorous enforcement of compliance with fiscal envelopes. Impart foundational awareness of the elements of fiscal analysis to Budget Directorate national advisors and then to staff during 2011 and 2012.</p>	The fiscal position informs the budget aggregates and the mid-term macroeconomic framework.
2. Improve economic analysis of budget submissions, their proposed outputs and initiatives	<p>Recruit additional appropriately skilled national advisors and staff to contribute to economic analysis of budget submissions.</p> <p>Ensure that budget submissions are presented in a way suited to economic analysis.</p> <p>Prepare economic rather than just financial analyses of submissions for Budget 2012.</p>	Better alignment of outputs and initiatives with government priorities and the Strategic Development Plan. Base choice of initiatives on indicative costs and benefits.
3. Develop budget expenditure monitoring and analysis	<p>Recruit additional appropriately skilled national advisors and staff to contribute to economic analysis of budget submissions.</p> <p>Develop standard checklists for descriptive analysis.</p> <p>Train Budget Directorate staff and national advisors in basic exploratory analysis.</p>	Monthly value-adding expenditure analysis prepared, and informs ongoing monitoring of budget execution. Greater rigor in economic analysis of policy proposals.
4. Improve quality assurance and coordination	Develop and document standard operating procedures for the quality assurance of Budget Directorate deliverables.	Error counts in Budget law (including annexes)
5. Improve integration of development partner support into Ministry planning, budgeting and reporting systems	<ul style="list-style-type: none"> • Focal points for Aid Effectiveness are established in Budget Directorate and budget offices of line ministries. • Development partner funds reported and accounted under government systems. 	All development partner funds reported accurately and in a timely fashion using RDTL systems and processes



NATIONAL DIRECTORATE OF TREASURY

(See Page 25 of Consolidated Working Papers for further detail)

Section 1: Vision

By 2015 the National Directorate of Treasury will provide efficient, modern and secure budget execution systems and a framework for accurate and client oriented reporting against PFM goals and objectives.

Section 2: Strengthening Core Functions

Below are the Core Functions that National Directorate of Treasury will be performing in 2015 together with the standards to which those functions will be performed. National Directorate of Treasury will progressively improve its capacity to perform these functions to the standard specified by implementing the Key Improvements listed in Section 3 below. Performance of the Core Functions will be monitored through the activities of the Annual Action Plan

Core Function	Performance Standard
1. Budget execution	100% compliance with approved appropriations
2. Booking revenue and expenditure	In accordance with budgetary provisions
3. Develop cash flow for RDTL	Funds available on time and in accordance with budget provisions
4. Report budget execution	Reports are prepared on time and meet RDTL standards
5. Prepare and maintain the RDTL Chart of Accounts	CoA meets budgetary and accounting requirements of RDTL CoA prepared in accordance with IMF GFS standards
6. Support line ministries and districts to implement financial systems	Guidelines reflect good accounting and financial practice Order and instructions are in accordance with RDTL regulations Support is prompt and relevant
7. Establish and maintain a system for reporting government debt and contingent liability	Timely and accurate reporting of debt and contingent liability Debt management system meets RDTL reporting requirements
8. Conduct audits of PFM operations in line ministries and local government	Audits are conducted in accordance with accepted international practice

Section 3: Implementing Key Improvements

Below are the Key Improvements that will be implemented to strengthen the performance of the Core Functions and the major steps needed to achieve them.

Performance indicators identify the level of improvement to be achieved and the contribution (where applicable) to the Strategic Development Plan (SDP)

Key Improvements	Major Steps	Performance Indicator and Contribution to SDP
1. Reorganise the National Directorate of Treasury, establish offices at district level, establish National Directorate of FMIS	<ul style="list-style-type: none"> Establish a network of Treasury offices at the district level Establish a National Directorate to manage IFMIS Identify capacity needs to determine training needs 	Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Training needs identified at all levels
2. Establish cohesive legislative, regulatory and procedural framework	<ul style="list-style-type: none"> Revise legal and regulatory framework Document Treasury Operational procedures Monitor Treasury Operational procedures 	Legal framework reflects Treasury operating needs Treasury Manual reflects operating procedures Procedures meet Treasury operating and reporting requirements
3. Complete treasury systems coverage	<ul style="list-style-type: none"> Identify and close redundant RDTL accounts in Commercial banks Incorporate donor funds in Treasury systems 	All RDTL funds are managed through the Central Bank Donor funds are reflected in National Budget
4. Improve accounting and fiscal reporting	<ul style="list-style-type: none"> Adopt IPSAS-Cash Basis and include additional disclosures as appropriate Improve quality of management reporting Deliver training for close-of-year operations and preparing financial statements 	IPSAS-Cash Basis adopted and disclosures included Management reporting is timely and accurate Close of year operations are completed successfully by all agencies Financial statements are accurate and meet RDTL reporting requirements
5. Establish Debt Management Unit	<ul style="list-style-type: none"> Identify suitable computer application Staff and resource the Unit Implement system Accurately report debt and contingent liability arising out of public investment initiatives 	Debt is reported accurately Contingent liability is correctly identified and reported Briefings to Minister are timely and accurate
6. Enhance capacity of Internal Audit	<ul style="list-style-type: none"> Contract an internal audit firm Establish IA as a National Directorate reporting directly to Minister 	Audit firm contracted NDIA established staffed and operating according to a program that meets RDTL requirements
7. Improve budget execution procedures	<ul style="list-style-type: none"> Develop processes to collect data on spending processes Develop and implement commitment monitoring and control processes in line ministries and agencies Evaluate allotment and virement framework (2010) and take corrective measures as necessary 	Commitment and spending is recorded and reported accurately Allotment and virement framework functions according to international standards

NATIONAL DIRECTORATE OF STATE ASSET MANAGEMENT

(See Page 4 of Consolidated Working Papers for further detail)

Section 1: Vision

By 2015 the National Directorate of Asset Management will provide strong administrative support to line ministries to manage their assets.

Section 2: Strengthening Core Functions

Below are the Core Functions that National Directorate of Asset Management will be performing in 2015 together with the standards to which those functions will be performed.

National Directorate of Asset Management will progressively improve its capacity to perform these functions to the standard specified by implementing the Key Improvements listed in Section 3 below. Performance of the Core Functions will be monitored through the activities of the Annual Action Plan.

Core Function	Performance Standard
Develop asset management procedures (Supervise and control the processes, procedures and inventories of the Government Asset Management)	Updated, accurate and reliable asset data register for tracking asset details for reporting and management references.
Control and disposal of assets (Assure adequate procedures for the sale or disposal of the government asset)	Identified, classified and collected assets that are surplus to the requirements and its disposal are effectively and efficiently done. Attained optimum asset life cycle.
Monitoring of assets (Decentralise the work of Asset Management to line ministries and institution)	Line ministries and institutions performed satisfactory the bestowed asset management and administrative task.

Section 3: Implementing Key Improvements

Below are the Key Improvements that will be implemented to strengthen the performance of the Core Functions and the major steps needed to achieve them. Performance indicators identify the level of improvement to be achieved and the contribution (where applicable) to the Government's Strategic Development Plan (SDP).

Key Improvements	Major Steps	Performance Indicator and Contribution to SDP
1. Strengthen processes of receiving and inspection identification, registration and physical check to all of state asset.	<ul style="list-style-type: none"> • Review and update systems and processes for receiving, classifying and monitoring assets • Train staff in line ministries in the use of Asset Module of Freebalance 	All assets identified
2. Improve monitoring, supervision and assistance to line ministries in the process of implementing decentralised asset management.	<ul style="list-style-type: none"> • Improve use of free balance system as applied on Asset Management. • Improve compliance by line ministries with legal procedures and regulation 	85% of the Procedures and regulation implemented
3. Strengthened and monitoring of trip ticket, fuel consumption, repair and maintenance of state vehicles. Efficient and effective procedures and regulation control in the use of state vehicles.	<ul style="list-style-type: none"> • Improve understanding of legal requirements for managing assets • Support the allocation of Infrastructure such as vehicle parking and provision of security measures • Established standard vehicle operational and maintenance procedures and regulations • Technical, management and administrative training for all transport personnel 	85% of state vehicles comply with the required systems and procedures with updated state vehicles regulation.
4. Provide training to the different ministries and institution in the procedures and regulation for asset management.	<ul style="list-style-type: none"> • Personnel and administrative management courses • Review and amend existing rules and regulations such as vehicle repair and maintenance procedures, assignment and use of assigned state vehicles • Strengthen culture, behaviour and attitudes through organised comparative study tour in other countries 	Line ministries and institution competent in implementing asset management systems and procedures
5. Improve processes for identification, classification and collection of assets due for disposal and improve the auction administrative preparation and implementation of the approved methods of disposal.	<ul style="list-style-type: none"> • Review and update documentation for disposal of surplus assets • Improve budget appropriation and financial support mechanism from General Directorate Corporate Services • Recruit, train and assign additional human resources 	85% of assets for disposal identified and classified with competent asset disposal staff in delivering services.

NATIONAL DIRECTORATE OF GOVERNANCE AND INSTITUTIONAL STRENGTHENING

Section 1: Vision

By 2015 the National Directorate of Governance and Institutional Strengthening will ensure transparency, participation predictability and accountability in the RDTL public financial management systems and processes

Section 2: Strengthening Core Functions

Below are the Core Functions that National Directorate of Governance and Institutional Strengthening will be performing in 2015 together with the standards to which those functions will be performed. National Directorate of Governance and Institutional Strengthening will progressively improve its capacity to perform these functions to the standard specified by implementing the Key Improvements listed in Section 3 below. Performance of the Core Functions will be monitored through the activities of the Annual Action Plan

Core Function	Performance Standard
Advise on whole of government issues relating to governance, institutional strengthening and public financial management.	<ul style="list-style-type: none"> • Advice on PFM is timely and accurate • Advice represents "best fit" to emerging circumstances in Timor-Leste
In collaboration with the National Directorate of Information Systems and Technology, provide training for line ministries, autonomous public agencies, and districts directly related to budget, treasury, assets, procurement, and financial systems.	<ul style="list-style-type: none"> • Training programs meet good training practices • A training calendar is published annually • Training is effective in meeting user requirement in relation budget, treasury, assets, procurement and financial systems.
Strengthen procurement and asset management systems and processes across line ministries and autonomous public authorities.	<ul style="list-style-type: none"> • All procurement is undertaken according to correct procedure and regulations • All assets are maintained and accounted for correctly
Monitor and evaluate targets and compliance measures in line ministries and autonomous public authorities.	<ul style="list-style-type: none"> • Reports are timely and accurate • Targets and compliance measures are understood • Monitoring processes are effective and linked to corrective action where appropriate

Section 3: Implementing Key Improvements

Below are the Key Improvements that will be implemented to strengthen the performance of the Core Functions and the major steps needed to achieve them.

Performance indicators identify the level of improvement to be achieved and the contribution (where applicable) to the Government's Strategic Development Plan (SDP)

Key Improvements	Major Steps	Performance Indicator and Contribution to SDP
1. Finalise changes to the decree law with respect to the procurement commission and decentralisation of procurement to districts and sub-districts	<ul style="list-style-type: none"> Change the decree law with respect to the procurement commission and decentralisation of procurement to districts and sub-districts Establish cohesive legislative, regulatory and procedural framework Establish the policy/framework, laws or regulations for autonomous public authorities 	Decree law and associated regulations drafted, approved, steered through National Parliament and successfully socialised.
2. Improve overall fiscal management processes across all government agencies	<ul style="list-style-type: none"> Strengthen the analysis of the fiscal position and construct fiscal envelopes Improve budget submissions to align better with government priorities and improve analysis Improve accounting and fiscal reporting Upgrade the procedural manuals 	<ul style="list-style-type: none"> Fiscal analysis is timely and accurate Variances are reported and corrective action take where necessary Budget submissions reflect RDTL priorities Manuals reflect current policies and procedures and are understood by all users
3. Strengthen systems for the procurement and management of state assets	<ul style="list-style-type: none"> Improve monitoring, supervision and assistance to line ministries in the process of implementing decentralised asset management Provide training to the different ministries and institution in the procedures and regulation for asset management 	<ul style="list-style-type: none"> Procurement processes are correctly followed by all government agencies User staff can understand and comply with all Ministry of Finance requirements
4. Improve financial monitoring and reporting by all government agencies	<ul style="list-style-type: none"> Strengthen capacity of internal audit Implement improved financial reporting systems 	

NATIONAL DIRECTORATE OF INFORMATION SYSTEMS AND TECHNOLOGY

Section 1: Vision

By 2015 the National Directorate of Information Systems and Technology will provide effective and appropriate information systems to strengthen financial controls and promote accountability, including

- Performance and program or output based budgeting to ensure sound financial management
- Decentralisation to line ministries, autonomous public agencies and the districts
- Development of customised reports for internal and external use and to make available both financial and non-financial information to stakeholder, and
- Improve financial transparency and reporting through internet portal.

Section 2: Strengthening Core Functions

Below are the Core Functions that National Directorate of Information Systems and Technology will be performing in 2015 together with the standards to which those functions will be performed.

National Directorate of Information Systems and Technology will progressively improve its capacity to perform these functions to the standard specified by implementing the Key Improvements listed in Section 3 below. Performance of the Core Functions will be monitored through the activities of the Annual Action Plan.

Core Function	Performance Standard
1. Ensure the availability of a comprehensive FMIS strategy	<ul style="list-style-type: none"> An FMIS strategy is available which meets business needs and government priorities
2. Develop integrated country systems and facilitate their adoption by government and development partners	<ul style="list-style-type: none"> A suite of integrated FMIS IT products are available to meet Public Financial requirement of key stakeholders All systems have been designed and developed on the basis of "best fit" to Timor-Leste's requirements
3. Establish and monitor standards for the use of the integrated financial management systems and applications	<ul style="list-style-type: none"> FMIS standards are developed and implemented across all government sectors Standards are understood by all key stakeholders and users
4. Provide network administration, backup and disaster recovery services	<ul style="list-style-type: none"> Provide network administration, including maintenance, support and security in relation to hardware and software, as well as controlling access by users and installing, configuring, managing and maintaining network applications. Establish Data Management, backup and Security Policies in order to ensure business continuity
5. Provide a helpdesk service to achieve efficient trouble shooting and support implementation of systems and enhancements	<ul style="list-style-type: none"> Provide end-user support and facilitate an acceptable solution User concerns and issues are reported on a timely basis All issues are followed up to ensure a satisfactory outcome for the user. Performance measures are developed for Customer Service
6. In collaboration with the National Directorate of Governance and Institutional Strengthening, provide training to support financial management information systems	<ul style="list-style-type: none"> Training programs meets good training practices A training calendar is published annually Training is effective in meeting user requirement in relation to budget, treasury, assets, procurement and financial systems.

Section 3: Implementing Key Improvements

Below are the Key Improvements that will be implemented to strengthen the performance of the Core Functions and the major steps needed to achieve them. Performance indicators identify the level of improvement to be achieved and the contribution (where applicable) to the Government's Strategic Development Plan (SDP).

Key Improvements	Major Steps	Performance Indicator and Contribution to SDP
6. Develop FMIS strategy for whole of government	<ul style="list-style-type: none"> • Conduct an analysis of critical issues impacting Financial systems across the Government • Identify options to meet critical issues • Develop and promulgate strategy 	<ul style="list-style-type: none"> • FMIS strategy is published and understood by all key stakeholders • Strategy addresses all key issues
7. Strengthen priority systems	<ul style="list-style-type: none"> • Develop an FMIS implementation plan • Identify systems and resources • Mobilise resources • Implement solutions/enhancements • Evaluate outcomes 	<ul style="list-style-type: none"> • Systems meet both user and government reporting requirements • Systems implemented on time and within budget • Provide seamless integration of all FMIS systems
8. Develop and promulgate FMIS standards,	<ul style="list-style-type: none"> • Draft FMIS standards • Present a discussion paper to key stakeholders • Finalise and publish standards 	<ul style="list-style-type: none"> • Standards are available and understood by all key stakeholders
9. Develop network administration, backup and disaster recovery strategy and policies	<ul style="list-style-type: none"> • Review and update IT and system backup policies • Draft disaster recover strategy • Promulgate, publish and implement the strategy and policies 	<ul style="list-style-type: none"> • Safeguard business continuity of all FMIS and network resources • Protect all financial data of the Government of Timor-Leste
10. Implement a Help Desk	<ul style="list-style-type: none"> • Staff the Help Desk unit • Train Help Desk staff • Implement and monitor issues and user responses 	<ul style="list-style-type: none"> • Log of user complaints and issues • Time taken to resolve logged issues
11. Develop training to support decentralisation priorities	<ul style="list-style-type: none"> • Develop training programs • Train trainers • Develop training calendar • Implement training activities • Monitor impact to training 	<ul style="list-style-type: none"> • Training programs comply with good training practices • A training calendar is published annually • Training is effective in meeting user requirement in relation to budget, treasury, assets, procurement and financial systems.

NATIONAL DIRECTORATE OF AUTONOMOUS PUBLIC AUTHORITIES

Section 1: Vision

By 2015 the National Directorate of Autonomous Public Authorities provides financial direction, control and support to autonomous public authorities in Timor-Leste.

Section 2: Strengthening Core Functions

Below are the Core Functions that National Directorate of Autonomous Public Authorities will be performing in 2015 together with the standards to which those functions will be performed. National Directorate of Autonomous Public Authorities will progressively improve its capacity to perform these functions to the standard specified by implementing the Key Improvements listed in Section 3 below. All roles of the National Directorate of Autonomous Public Authorities will be incorporated into the National Directorate of Governance and Institutional Strengthening once it is established. However, because the TLIC will be a holding company for shares in the commercial autonomous public authorities the Ministry of Finance's role will be in relation to any that require the attention and oversight of the Ministry because they draw on budget funds or create liabilities that may require future funding. Performance of the Core Functions will be monitored through the activities of the Annual Action Plan.

Core Function	Performance Standard
1. Develop operational procedures and regulations for autonomous public authorities	Operational procedures and regulations collaboratively prepared with autonomous public authorities and accepted and adopted by them
2. Monitor autonomous public authorities' activities	Ongoing periodic monitoring of autonomous public authorities is used to inform Government as appropriate
3. Estimating, monitoring and assessing revenues from autonomous public authorities to enable drafting of the State Budget	Monitoring of autonomous public authorities' revenues and their projections feed into the General Budget of the State
4. Report on activities, revenues and expenses by autonomous public authorities	Reports on autonomous public authorities monitoring presented to government

Section 3: Implementing Key Improvements

Below are the Key Improvements that will be implemented to strengthen the performance of the Core Functions and the major steps needed to achieve them. Performance indicators identify the level of improvement to be achieved and the contribution (where applicable) to the Government's Strategic Development Plan (SDP).

Key Improvements	Major Steps	Performance Indicator and Contribution to SDP
1. Establish the policy/ framework, laws or regulations for autonomous public authorities	<ul style="list-style-type: none"> Define objectives of National Directorate of Autonomous Public Authorities' governance, in consultation with autonomous public authorities Develop policy and regulatory framework 	<ul style="list-style-type: none"> Policy elaborated, regulations promulgated Policy and regulations socialised and accepted by autonomous public authorities
2. Establish systems and work procedures of the National Directorate as well as the systems and work procedures for the autonomous public authorities	<ul style="list-style-type: none"> Define procedures and systems objectives Develop procedures and systems Implement procedures and systems 	<ul style="list-style-type: none"> Procedures and systems for National Directorate of Autonomous Public Authorities implemented
3. Establish infrastructures of the autonomous agencies as well as infrastructure (office) of the National Directorate of Autonomous Public Authorities	<ul style="list-style-type: none"> Assess infrastructure business requirements for autonomous public authorities and National Directorate of Autonomous Public Authorities Procure infrastructure 	<ul style="list-style-type: none"> Infrastructure requirements of autonomous public authorities and National Directorate of Autonomous Public Authorities met to an appropriate level to undertake their business and core functions.
4. Recruit employees that have the background, experience and technical training needed. For current employees, prepare scholarships for those who have potential to guarantee the continuity of work in the future.	<ul style="list-style-type: none"> Identify skill requirements of National Directorate of Autonomous Public Authorities and associated skill gaps, based on the detailed strategic plan Recruit suitably qualified staff Develop current staff 	<ul style="list-style-type: none"> Skill levels in National Directorate of Autonomous Public Authorities appropriate to their core function

OFFICE OF THE DIRECTOR GENERAL REVENUE AND CUSTOMS

Section 1: Vision

By 2015 the Office of the Director General Revenue and Customs provides executive direction to the revenue and customs directorates to ensure the government's revenue and border protection objectives are met.

Section 2: Strengthening Core Functions

Below are the Core Functions that the Office of the Director General Revenue and Customs will be performing in 2015 together with the standards to which those functions will be performed. Office of the Director General Revenue and Customs will progressively improve its capacity to perform these functions to the standard specified by implementing the Key Improvements listed in Section 3 below. Performance of the Core Functions will be monitored through the activities of the Annual Action Plan.

Core Function	Performance Standard
6. Strategic direction for government's Revenue and Customs objectives	<ul style="list-style-type: none"> Timely policy advice is provided Integrated Border Posts built and inaugurated New structure endorsed by Minister
7. Legal advice for Revenue and Customs functions	<ul style="list-style-type: none"> Appeals outcomes provided on time Advice is timely and accurate Tax and Customs Laws presented to Parliament Revenue and Customs Appeals Board established
8. Administration of Revenue and Customs	<ul style="list-style-type: none"> National Directorates provide improved performance perception outcomes
9. Ethical Standards of Revenue and Customs	<ul style="list-style-type: none"> Public perception of Corruption is improved Code of Conduct published Reports prepared in a timely manner
10. Internal Audit of Revenue and Customs	<ul style="list-style-type: none"> Integrity of Revenue Collections is maintained through sample auditing FreeBalance and ASYCUDA/SIGTAS collections figures are aligned

Section 3: Implementing Key Improvements

Below are the Key Improvements that will be implemented to strengthen the performance of the Core Functions and the major steps needed to achieve them. Performance indicators identify the level of improvement to be achieved and the contribution (where applicable) to the Strategic Development Plan (SDP).

Key Improvements	Major Steps	Performance Indicator and Contribution to SDP
1. New Laws enacted	<ol style="list-style-type: none"> Taxes and Duties Procedures Law prepared in Portuguese Taxes and Duties Offences Law prepared in Portuguese Customs Consolidated Law prepared in Portuguese Amendments to the Taxes and Duties Law 8/2008 prepared in Portuguese Laws presented to COM and where necessary Parliament Revenue and Customs Appeals Board established 	Laws enacted by Parliament or COM Appeals Board operating
2. Infrastructure improvements	<ol style="list-style-type: none"> New accommodation prepared at Border Posts, Dili Port and the Central Office compound in Dili 	New or refurbished accommodation in place
3. Procedural changes based on risk identification	<ol style="list-style-type: none"> New Data Warehouse purchased and commissioned ASYCUDA Phase 2 work plan introduced and functioning New National and International Advisors agreed in SDP procured Engineering Firm procured to assist Petroleum Audits 	Data Warehouse purchased and operational ASYCUDA work Plan completed Necessary Advisors in place Engineering Firm procured
4. Introduction of a VAT and increases in excise rates	<ol style="list-style-type: none"> Tax Policy Team established All preparatory work concluded Briefing prepared for new Government Taxes and Duties Act amended 	Team in place Law changes, consultation and government briefing concluded Amended Laws enacted

NATIONAL DIRECTORATE OF CUSTOMS

(See Page 35 of Consolidated Working Papers for further detail)

Section 1: Vision

By 2015 the National Directorate of Customs will be a world class Customs Administrative agency leading the border areas with professional service delivery.

Section 2: Strengthening Core Functions

Below are the Core Functions that National Directorate of Customs will be performing in 2015 together with the standards to which those functions will be performed.

National Directorate of Customs will progressively improve its capacity to perform these functions to the standard specified by implementing the Key Improvements listed in Section 3 below. Performance of the Core Functions will be monitored through the activities of the Annual Action Plan.

Core Function	Performance Standard
1. Revenue Collection	<ul style="list-style-type: none"> • Average Assessment time of 48 hours • 100% collection rate • Reconciliation with Treasury, Central Bank, BNU and ASYCUDA is undertaken monthly • Quick release goods are duty paid in the required time • Valuation database established
2. Control movement of International Goods	<ul style="list-style-type: none"> • Manifest module operating for all major shipping companies • HSC 2007 introduced • New procedure published and implemented
3. Protection from Illegal drugs, goods and weapons	<ul style="list-style-type: none"> • Selectivity module is operating fully • Customs marine unit operating effectively • Intelligence Unit operating effectively
4. Facilitate trade and commerce	<ul style="list-style-type: none"> • Implemented selectivity module for inspection of goods • Manufacturing Warehouse system operating • Perception Survey sees more positive comments • Industry Consultative Forum established
5. Promote and facilitate internal and external investment	<ul style="list-style-type: none"> • Exempted for capital goods with propose for investment
6. Protection from goods dangerous to health of the people	<ul style="list-style-type: none"> • Access to Laboratory is achieved.

Section 3: Implementing Key Improvements

Below are the Key Improvements that will be implemented to strengthen the performance of the Core Functions and the major steps needed to achieve them. Performance indicators identify the level of improvement to be achieved and the contribution (where applicable) to the Government's Strategic Development Plan (SDP).

Key Improvements	Major Steps	Performance Indicator and Contribution to SDP
1. Improve the collection of revenue from import duty, excise tax and sales tax	<ul style="list-style-type: none"> Assessment and reconciliations of collection revenue with BNU, Central Bank, Treasury Implementation of ASYCUDA Phase 2 Work Plan Setup post clearance audit (PCA) regime Undertake a reform of warehousing system Make recommendation on excise duties Implement Customs Brokers reforms 	<ul style="list-style-type: none"> Average Assessment time of 48 hours 100% collection rate Reconciliation with Treasury, Central Bank, BNU and ASYCUDA is undertaken monthly Quick release goods are duty paid in the required time Valuation database established
2. Improve the control, movement and circulation international goods	<ul style="list-style-type: none"> Set up the coordination system between customs relevant divisions Implementation of ASYCUDA Phase 2 Work Plan Setup a Customs Training Centre with an agreed training and development framework, a curriculum framework and training courses Study tour to other countries regarding to the customs control procedures 	<ul style="list-style-type: none"> Manifest module operating for all major shipping companies HSC 2007 introduced New procedure published and implemented
3. Improve the protection of the community from illegal goods and illegal trafficking of drugs and weapons	<ul style="list-style-type: none"> Set up the coordination system between customs relevant divisions Cooperation with national security and other relevant Border agencies Develop a Dog Detector program Established X-ray machine in airport (arrival) Develop a drug identification course 	<ul style="list-style-type: none"> Selectivity module is operating fully Customs marine unit operating effectively Intelligence Unit operating effectively
4. Improve the facilitation of trade and commerce	<ul style="list-style-type: none"> Prepare Customs procedure guidelines for importer, exporter and other business agent Setup the customs website Customs help desk Implemented ASYCUDA phase 2 work plan 	<ul style="list-style-type: none"> Implemented selectivity module for inspection of goods Manufacturing Warehouse system operating Perception Survey sees more positive comments Industry Consultative Forum established
5. Maintain the promotion and facilitation of internal and external investment	<ul style="list-style-type: none"> Prepare Customs procedural guidelines for brokers, importers and exporter and other business agents Setup the Customs website Customs help desk 	<ul style="list-style-type: none"> Exempted for capital goods with propose for investment
6. Improve the protection public health for consumers	<ul style="list-style-type: none"> Coordination with department of health and quarantine department Identification course for dangerous goods Obtain access to laboratory 	<ul style="list-style-type: none"> Access to Laboratory is achieved.

NATIONAL DIRECTORATE OF DOMESTIC REVENUE

(See Page 44 of Consolidated Working Papers for further detail)

Section 1: Vision

By 2015 the National Directorate of Domestic Revenue will become a highly professional organisation, trusted by the community to equitably raise revenue to support the development of Timor-Leste and its people

Section 2: Strengthening Core Functions

Below are the Core Functions that National Directorate of Domestic Revenue will be performing in 2015 together with the standards to which those functions will be performed

National Directorate of Domestic Revenue will progressively improve its capacity to perform these functions to the standard specified by implementing the Key Improvements listed in Section 3 below. Performance of the Core Functions will be monitored through the activities of the Annual Action Plan.

Core Function	Performance Standard
1. Taxpayer Education Providing taxpayer education so that taxpayers understand their rights and obligations	<ul style="list-style-type: none"> • Website information comprehensive and up to date • Publicity campaigns undertaken • Content of brochures and pamphlets is current and informative • Taxpayer Service Charter endorsed and implemented • Quarterly and Annual Reports prepared detailing achievements against plan • Audit Program endorsed and published on website
2. Registering taxpayers Registering taxpayers and maintaining an up-to-date taxpayer client register	<ul style="list-style-type: none"> • Taxpayer Register current and cleansed annually • Registration "Re-Verification Project" completed and results reported • Procedures Manuals produced
3. Collecting Revenue Processing tax forms and collecting the revenue	<ul style="list-style-type: none"> • SIGTAS "E" lodgment facility installed and operational • SIGTAS Refund Module fully operational • Simplified tax forms and instructions – less taxpayer and processing errors • Uncollectable debt cancelled • Procedural manuals produced • Collection Enforcement Training Program developed and documented
4. Tax Audits Conducting audits and other compliance activities to ensure that taxpayers are correctly complying with the law	<ul style="list-style-type: none"> • Annual "Non-Lodger" Project undertaken with outcomes reported • Audit Strategy and Plan in place • Procedures Manuals produced • Audit Training Program and Curriculum developed and available • Training Modules produced • Recruitment of new auditors
5. Risk Assessment Gathering information and intelligence for risk assessing the level of voluntary compliance with the tax laws.	<ul style="list-style-type: none"> • Intelligence cooperation through liaison with other institutions / stakeholders • Intelligence data available • Investigation Manual produced

Section 3: Implementing Key Improvements

Below are the Key Improvements that will be implemented to strengthen the performance of the Core Functions and the major steps needed to achieve them.

Performance indicators identify the level of improvement to be achieved and the contribution (where applicable) to the Government’s Strategic Development Plan (SDP).

Key Improvements	Major Steps	Performance Indicator and Contribution to SDP
<p>1. Providing taxpayer education so that taxpayers understand their rights and obligations</p>	<ul style="list-style-type: none"> • Develop and implement Taxpayer Service Charter • Review effectiveness of our website • Provide best education to “large taxpayers” • Review all tax brochures and pamphlets produced and determine if more targeted materials are needed • Determine additional human and financial resources needed to expand level of education. 	<ul style="list-style-type: none"> • Website information comprehensive and up to date • Publicity campaigns undertaken • Content of brochures and pamphlets is current and informative • Taxpayer Service Charter endorsed and implemented • Quarterly and Annual Reports prepared detailing achievements against plan • Audit Program endorsed and published on website
<p>2. Registering taxpayers and maintaining an up-to-date taxpayer client register</p>	<ul style="list-style-type: none"> • Review taxpayer register and ensure information for taxpayer is correct and up to date • Eliminate duplicate registrations • Conduct Registration Re-verification Project in Dili and the districts • Develop procedures manual to guide staff • Continue to improve use of third-party data to detect unregistered taxpayers. • Enhance SIGTAS to provide management information reports to monitor registration activities. 	<ul style="list-style-type: none"> • Taxpayer Register current and cleansed annually • Registration “Re-Verification Project” completed and results reported • Procedures Manuals produced
<p>3. Processing tax forms and collecting the revenue</p>	<ul style="list-style-type: none"> • Clean-up classification of current arrears (Cancellation of irrecoverable debt to enable focus on collectable debt). • Develop an Enforcement Program after conducting a comprehensive review of collection enforcement policies and procedures • Develop a comprehensive collection enforcement training program and procedures manual • Identify and implement changes to SIGTAS to ensure full support of collection enforcement • Simplify tax forms and instructions 	<ul style="list-style-type: none"> • SIGTAS “E” lodgment facility installed and operational • SIGTAS Refund Module fully operational • Simplified tax forms and instructions – less taxpayer and processing errors • Uncollectable debt cancelled • Procedural manuals produced • Collection Enforcement Training Program developed and documented

Key Improvements	Major Steps	Performance Indicator and Contribution to SDP
4. Conducting audits and other compliance activities to ensure that taxpayers are correctly complying with the law	<ul style="list-style-type: none"> • Annually undertake a “non-lodger” project • Review Audit procedures manual and update • Develop technical reference manual developed for auditors • Conduct audit training workshops in conjunction with OJT • Recruitment and selection of new auditors • Improve interconnectivity between Ministry of Finance IT systems (SIGTAS, ASYCUDA, FREEBALANCE) to enhance risk assessment activities 	<ul style="list-style-type: none"> • Annual “Non-Lodger” Project undertaken with outcomes reported • Audit Strategy and Plan in place • Procedures Manuals produced • Audit Training Program and Curriculum developed and available • Training Modules produced • Recruitment of new auditors
5. Gathering information and intelligence for risk assessing the level of voluntary compliance with the tax laws.	<ul style="list-style-type: none"> • Develop inter-institutional intelligence cooperation • Develop method and technique for intelligence data and information collection • Develop cooperation with other law enforcement institutions • Develop an investigation manual describing actions to be taken when tax fraud is detected 	<ul style="list-style-type: none"> • Intelligence cooperation through liaison with other institutions / stakeholders • Intelligence data available • Investigation Manual produced

NATIONAL DIRECTORATE OF PETROLEUM REVENUE

(See Page 53 of Consolidated Working Papers for further detail)

Section 1: Vision

By 2015 the National Directorate of Petroleum Revenue will be a world class tax administrative agency with a global knowledge of the oil and gas industry and the applicable tax laws, providing excellent services to the taxpayers, disseminating timely tax information to the public, and managed by competent national staff with the required ability to deliver excellently on all of the core functions.

Section 2: Strengthening Core Functions

Below are the Core Functions that National Directorate of Petroleum Revenue will be performing in 2015 together with the standards to which those functions will be performed

National Directorate of Petroleum Revenue will progressively improve its capacity to perform these functions to the standard specified by implementing the Key Improvements listed in Section 3 below. Performance of the Core Functions will be monitored through the activities of the Annual Action Plan.

Core Function	Performance Standard
1. Assessment and collection of Petroleum Revenue	<ul style="list-style-type: none"> • Website information comprehensive and up to date • Publicity campaigns undertaken • Content of brochures and pamphlets is current and informative • Taxpayer Service Charter endorsed and implemented • Quarterly and Annual Reports prepared detailing achievements against plan • Audit Program endorsed and published on website
2. Monitoring and audit of petroleum taxpayers	<ul style="list-style-type: none"> • Taxpayer Register current and cleansed annually • Registration "Re-Verification Project" completed and results reported • Procedures Manuals produced
3. Issuance of both Public and Private Ruling (Including User Guidelines)	<ul style="list-style-type: none"> • SIGTAS "E" lodgment facility installed and operational • SIGTAS Refund Module fully operational • Simplified tax forms and instructions – less taxpayer and processing errors • Uncollectable debt cancelled • Procedural manuals produced • Collection Enforcement Training Program developed and documented
4. Interface with other Industry stakeholders (ANP, Central Banks, General Directorate of Policy, Analysis and Research, and oil and gas operators)	<ul style="list-style-type: none"> • Annual "Non-Lodger" Project undertaken with outcomes reported • Audit Strategy and Plan in place • Procedures Manuals produced • Audit training program and curriculum developed and available • Training modules produced • Recruitment of new auditors
5. Management reporting	<ul style="list-style-type: none"> • Accuracy and timeliness of management reports
6. Tax research and intelligence	<ul style="list-style-type: none"> • Intelligence cooperation through liaison with other institutions / stakeholders • Intelligence data available • Investigation Manual produced

Section 3: Implementing Key Improvements

Below are the Key Improvements that will be implemented to strengthen the performance of the Core Functions and the major steps needed to achieve them.

Performance indicators identify the level of improvement to be achieved and the contribution (where applicable) to the Government's Strategic Development Plan (SDP).

Key Improvements	Major Steps	Performance Indicator and Contribution to SDP
1. Monitoring and auditing of Petroleum taxpayers by timely review of monthly and yearly returns and resolution of disputed issues	<ul style="list-style-type: none"> • Employment of two international tax auditors with at least Masters Degree in Accounting/Tax coupled with at least 10 years experience • Employ three (3) national consultants with oil and gas tax experience or appoint coachable Grade A officers with accounting background as tax auditors. Such local officers/consultants must have at least a Masters degree in a numerical subject • Rigorous formal and informal accounting and tax training for the national consultants by the international advisors • Develop audit matrix for timely identification and resolution of disputed tax items with the taxpayers • Develop a preventative intelligence matrix for early detection of tax avoidance or tax evasion schemes 	<ul style="list-style-type: none"> • Timely detection of problems • Timely resolution of tax audits • Ability of staff to understand and resolve complicated tax issues
2. Issuance of both Public and Private Rulings as well as user guidelines	<ul style="list-style-type: none"> • Acquisition of tax research software • Set up a tax library with relevant petroleum tax and accounting books • Identification of problematic areas of the tax laws requiring Public Rulings • Training for national staff on how to conduct effective tax research • Training national staff on drafting skills • Develop User Guidelines for all tax forms • Issue Public Rulings and respond and respond to all outstanding private ruling applications. 	<ul style="list-style-type: none"> • Issuance of Public Rulings on all outstanding matters • Identification of “controversial” areas of the tax laws requiring clarifications • Design and publication of User Guidelines for both the staff and the petroleum taxpayers • Timely response to taxpayers’ request for Private Rulings
3. Improve tax research and intelligence	<ul style="list-style-type: none"> • Acquisition of tax research software • Set up a tax library • Set up a dedicated intelligence unit for information gathering on taxpayers • Dedicated research unit in the NDPR 	<ul style="list-style-type: none"> • Capacity to answer complicated tax questions on a timely basis • Early detection and prevention of any tax schemes to defeat the purpose of the tax laws

NATIONAL DIRECTORATE OF MACROECONOMICS

(See Page 61 of Consolidated Working Papers for further detail)

Section 1: Vision

By 2015 the National Directorate of Macroeconomics will carry out comprehensive research, economic analysis and advise the government, on all issues that will impact the Timorese economy, be they current or future government policy, changes in the international economic environment, or internal sectoral issues.

Section 2: Strengthening Core Functions

Below are the Core Functions that National Directorate of Macroeconomics will be performing in 2015 together with the standards to which those functions will be performed. National Directorate of Macroeconomics will progressively improve its capacity to perform these functions to the standard specified by implementing the Key Improvements listed in Section 3 below.

Performance of the Core Functions will be monitored through the activities of the Annual Action Plan.

Core Function	Performance Standard
<p>Macroeconomic analysis Analysing and recommending policies for the promotion of economic growth and the reduction of poverty</p>	<ul style="list-style-type: none"> • Macroeconomic analysis takes account of all relevant trends and data • Projections are made through a prudent, logical and formulaic process. Recommendations aim to promote development, growth and reduce poverty in Timor-Leste
<p>Reporting of economic trends Issuing opinions and studies in relation to public and private sectors, structural reforms, salaries, financial markets, monopolies, investment and capital formation</p>	<ul style="list-style-type: none"> • Opinions and studies taking into account the prevailing domestic socio-economic conditions and international economic environment, particularly as it relates to Timor-Leste. • They are provided in a timely manner, in accordance with set processes and procedures.
<p>Assist in developing RDTL policies Measuring growth in Timor-Leste's economy.</p>	<ul style="list-style-type: none"> • Estimates of growth and other macroeconomic related variables are accurate and prepared in accordance with international best practice.

Section 3: Implementing Key Improvements

Below are the Key Improvements that will be implemented to strengthen the performance of the Core Functions and the major steps needed to achieve them.

Performance indicators identify the level of improvement to be achieved and the contribution (where applicable) to the Government's Strategic Development Plan (SDP).

Key Improvements	Major Steps	Performance Indicator and Contribution to SDP
1. Expansion of and complete handover of Macroeconomic Framework from international staff to national staff.	<ul style="list-style-type: none"> • International staff to create user guide (and engage in on-the-job training with national staff. • Improve Wage inflation survey, expand and make an annual or twice annual event in order to supplement CPI data in forming the deflator in GDP estimation. • Expansion of the Ministry of Finance requires more (accurate) data on donor funding, monetary aggregates, private investments and private construction works. • Train newly recruited staff 	National Staff independently updating the Macroeconomic Framework, for all variables
2. Provide useful policy analysis to assist the Ministry of Finance decision-making across departments.	<ul style="list-style-type: none"> • Establish the needs of other areas of Ministry of Finance in terms of policy recommendations, economic studies and data analysis. • Ensure good quality data is in place to facilitate the formation of accurate and sound reports and analyses. • Able staff must work alongside staff who requires training in analysing data to produce outputs. 	Increased number of high quality policy papers or economic studies submitted to Minister and relevant Directorates.
3. Faster and more efficient data collection. More quality data through systems that create streamlined databases on economic and fiscal variables to facilitate accurate policy recommendations and studies.	<ul style="list-style-type: none"> • Develop staff capacity in understanding data requirements and sourcing good quality data. • Recruit staff to seek data from many sectors of the economy, trained on-the-job by existing staff, unless qualified staff can be recruited. 	Expansion of the Macro Framework to include more variables. More staff engaging in data collection Economic outputs from NDME focusing on a broader range of economic variables.
4. A budget process better informed by macroeconomic analysis.	<ul style="list-style-type: none"> • Align Directorate's analysis with inputs that will benefit and enrich the work of the Budget Directorate. • Increase cooperation with Budget Directorate during the budget process to ensure that all their outputs are consistent with our Directorate's economic analysis. 	Analysis and recommendations from NDME are clearly reflected in the budget design.
5. Increased analytical output regarding tax structure and economically optimal rates.	<ul style="list-style-type: none"> • Increased cooperation with General Directorate Revenue and Customs to ensure that a holistic analysis of optimal taxation design is being carried out on an ongoing basis. • Establish joint working committees with General Directorate Revenue and Customs, and others as required in order to ensure taxation policy and other crossover issues are managed in a economically logical and practical fashion. 	Well-informed papers reaching General Directorate Revenue and Customs from NDME by deadlines set internally.
6. Improve capacity to make projections and forecasts of various economic variables.	<ul style="list-style-type: none"> • Increase staff capacity to utilise data and past trends to predict future outcomes. This would involve a combination of hiring qualified candidates and providing training and capacity building to existing staff. 	Forecasts of GDP and projected revenue streams being produced by national staff, as well as other variables such as inflation being forecast and published, together with sound assumptions.

NATIONAL DIRECTORATE OF STATISTICS

(See Page 69 of Consolidated Working Papers for further detail)

Section 1: Vision

By 2015 the National Directorate of Statistics will be recognised as a responsible organisation that provides good quality, timely and reliable data about Timor-Leste.

Section 2: Strengthening Core Functions

Below are the Core Functions that National Directorate of Statistics will be performing in 2015 together with the standards to which those functions will be performed. National Directorate of Statistics will progressively improve its capacity to perform these functions to the standard specified by implementing the Key Improvements listed in Section 3 below.

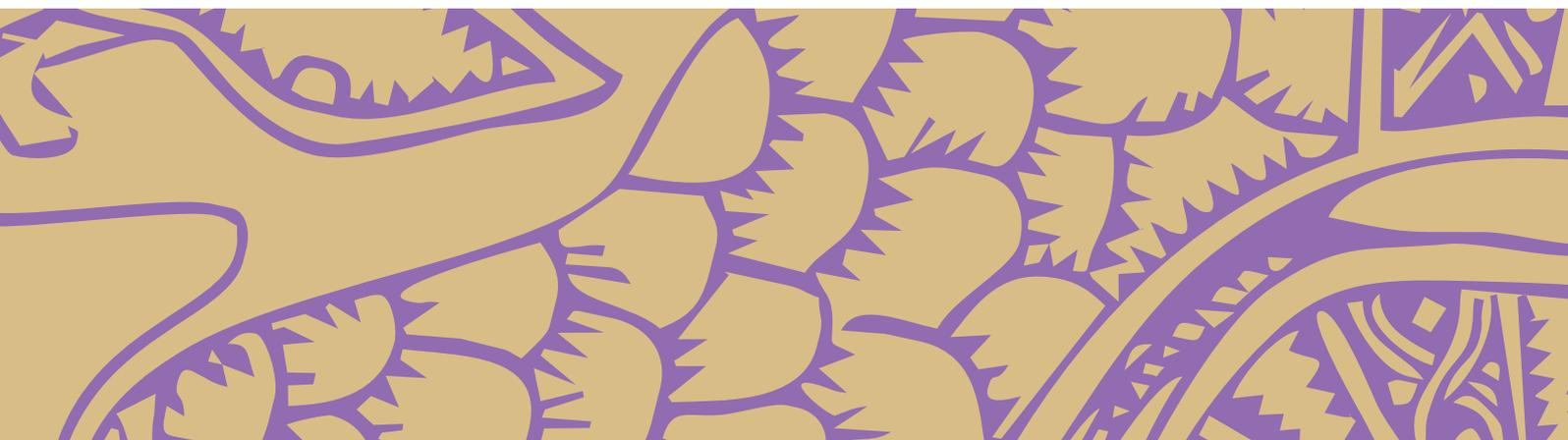
Performance of the Core Functions will be monitored through the activities of the Annual Action Plan.

Core Function	Performance Standard
Provide a framework for the collection and analysis of official statistics for RDTL	Procedures and documentation for framework reflect international standards for collecting and maintaining statistics
Producing statistical data to meet RDTL requirements	Data is timely, accurate and up to date
Disseminate data to principal users in a format that meets user requirements	Data is available and understood by principal users

Section 3: Implementing Key Improvements

Below are the Key Improvements that will be implemented to strengthen the performance of the Core Functions and the major steps needed to achieve them.

Performance indicators identify the level of improvement to be achieved and the contribution (where applicable) to the Government's Strategic Development Plan (SDP).



Key Improvements	Major Steps	Performance Indicator and Contribution to SDP
1. New and strengthened Statistics Law for Timor-Leste.	<ul style="list-style-type: none"> • Consult with stakeholders/draft new law • Pass new law • Train staff in new law and their obligations • Hold public seminars/other promotion for new law 	New Statistics Law in place.
2. Competent and sustainable independent national statistics office.	<ul style="list-style-type: none"> • Learn from 'twinning' national offices about all aspects of official statistics • Establish track record of effective delivery of work plan • Build management/staff capacity • Independent national statistics office established 	Independent national statistics office by 2015.
3. Effective medium term planning processes in place, supported by program/project budgeting and monitoring processes.	<ul style="list-style-type: none"> • Introduce user consultation committees • Introduce program/project budget monitoring • Introduce annual rolling three-year plans • Ongoing planning, monitoring, evaluation 	Processes in place and working well.
4. A knowledgeable and competent workforce capable of successfully delivering the medium term work plan.	<ul style="list-style-type: none"> • Provide English language training for staff • Develop comprehensive training development and performance/management scheme • Ongoing delivery/monitoring/adaptation as required 	Upgraded recruitment, training and development of staff. Effective performance management scheme in place.
5. Effective statistical coordination arrangements in place.	<ul style="list-style-type: none"> • Finalise and promulgate register of Technical Assistance Activities • Introduce Memoranda of Understanding with Ministries compiling statistics • Ongoing monitoring/adaptation of above 	Coordination processes working well.
6. An expanded statistical work program, with regular production of highest priority statistics.	<ul style="list-style-type: none"> • Compile/disseminate regular estimated resident population statistics • Compile/disseminate regular national accounts • Conduct/disseminate household income and expenditure statistics • Compile/disseminate regular business activity statistics • Compile/disseminate regular agricultural production statistics • Establish a system of district statistics 	High priority statistics produced in accordance with frequency, timeliness and quality standards agreed.
7. Strengthen the role of District Offices.	<ul style="list-style-type: none"> • Establish the role/modus operandi for District Offices • Recruit and train staff • Establish work programs for District Offices • Ongoing monitoring/evaluation/adaptation 	District Offices working effectively.

NATIONAL DIRECTORATE OF PETROLEUM FUND

(See Page 79 of Consolidated Working Papers for further detail)

Section 1: Vision

By 2015 the National Directorate of Petroleum Fund will be fully operated by national staff, supported where necessary by specialised technical advisors who provide impartial policy analysis and advice on fiscal policy and contribute to prudent management of the Petroleum Fund to the benefit of all citizens of Timor-Leste. Given the scale of its activities and the size of the fund it will always receive close attention directly from the Minister of Finance and other ministers at times. It will stand alone therefore within the structure of the Ministry and may involve into a specialised investment agency rather than be a standard unit within the structure of the Ministry.

Section 2: Strengthening Core Functions

Below are the Core Functions that National Directorate of Petroleum Fund will be performing in 2015 together with the standards to which those functions will be performed. National Directorate of Petroleum Fund will progressively improve its capacity to perform these functions to the standard specified by implementing the Key Improvements listed in Section 3 below.

Core Function	Performance Standard
<p>Monitor performance and sound investment policy of Petroleum Fund</p> <p>Monitor the performance and the operational management of the petroleum fund and provide advice on prudent management of the Petroleum Fund and sound investment policy while recognising that building this capability locally will take time and require specialist staff to get international experience. Some expert external advice will always be needed for the most technical analysis.</p>	<ul style="list-style-type: none"> Monitoring procedures are in place and up to date Petroleum Fund investment policy advice is sound and in accordance with the Petroleum Fund law
<p>Advise on fiscal policy</p> <p>Provide advice on fiscal policy implications of various investment strategies to be incorporated in budget and macroeconomic planning</p>	<ul style="list-style-type: none"> Advice on fiscal policy is in accordance with international best practice Extrapolations can be independently verified
<p>Provide recommendations and opinions to RDTL on petroleum issues</p> <p>Support and liaise with relevant State departments in drafting of analysis, studies, documents and proposal of recommendations and opinions on issues concerning petroleum issues</p>	<ul style="list-style-type: none"> Formal communication protocols are established with all key stakeholders Recommendations reflect the best interest of Timor-Leste
<p>Provide public information on the Petroleum Fund</p> <p>Provide public information in accordance with transparency requirements in the petroleum fund law, EITI Principles and to contribute to capacity building to key stakeholders and the society at large on petroleum fund issues</p>	<ul style="list-style-type: none"> Public information is accurate and up to date Information meets all standards for transparency, accuracy and timeliness

Section 3: Implementing Key Improvements

Below are the Key Improvements that will be implemented to strengthen the performance of the Core Functions and the major steps needed to achieve them.

Performance indicators identify the level of improvement to be achieved and the contribution (where applicable) to the Government's Strategic Development Plan (SDP).

Key Improvements	Major Steps	Performance Indicator and Contribution to SDP
1. Knowledgeable and competent national staff are able to provide high quality products in a timely manner	<ul style="list-style-type: none"> • Merit based recruitment, supported by "trainee development programme" to develop qualified candidate for government staff position. • Recruit national consultants to serve as intermediary staff while increasing the (will be) national staff capacity • Training on English language and computer skill • Training on report writing and presentation skill • Enhance the capabilities in the staff to efficient and effectively interact with Operational Manager of the Petroleum Fund 	National staff are able and independently producing high quality products and increase ownership for the Petroleum Fund management
2. Establishing in-house ownership of Petroleum Wealth and ESI calculation	<ul style="list-style-type: none"> • Standardise process of the estimation of Petroleum Wealth and ESI calculation • Transfer of knowledge to local staff and local consultants, • Liaise with relevant parties to understand the recent development in the petroleum sector 	National Directorate Petroleum Fund able to estimate reliable Petroleum Wealth and ESI independently
3. Establish Department of Petroleum Fund Management and Petroleum Revenue Management	<ul style="list-style-type: none"> • Establish work-plan for Department of Petroleum Fund Management and Petroleum Revenue Management • Divide tasks and channel the current staff (when recruited) to specific works/tasks related to the respective department responsibilities and duties 	National Directorate of Petroleum Fund fully operated with clear division of duties and responsibilities
4. Effective and efficient coordination with relevant State institutions and key stakeholders on management of Petroleum Fund and other petroleum issues	<ul style="list-style-type: none"> • Map activities and information needed from or to relevant State institutions • Support and actively participate in discussions, workshops and seminars, analysis, and studies • Produce and disseminate of information about Petroleum Fund management and petroleum sector 	Relevant parties contribute to prudent management of the Petroleum Fund and promote transparency and accountability

FINANCIAL SUPPORT SERVICES DEPARTMENT

(See Page 87 of Consolidated Working Papers for further detail)

Section 1: Strengthening Core Functions

Below are the Core Functions that Financial Support Services Department will be performing in 2015 together with the standards to which those functions will be performed. Financial Services Department will progressively improve its capacity to perform these functions to the standard specified by implementing the Key Improvements listed in Section 3 below.

Performance of the Core Functions will be monitored through the activities of the Annual Action Plan.

Core Function	Performance Standard
Budget preparation for Ministry of Finance	<ul style="list-style-type: none"> • Budget prepared on time • Budget meets RDTL standards • Reports are accurate and on time
Budget execution for Ministry of Finance	<ul style="list-style-type: none"> • Ministry of Finance executes budget correctly • Monitor budget execution and report variance correctly
Manage the cash flow for Ministry of Finance	<ul style="list-style-type: none"> • Ministry funds are dispersed according to Ministry of Finance Guidelines
Process payment of goods, services and works for Ministry of Finance	<ul style="list-style-type: none"> • Procurement procedures are followed correctly
Disburse travel allowance funds for Ministry of Finance	<ul style="list-style-type: none"> • Treasury guidelines are followed correctly
Support Financial Management across Ministry of Finance	<ul style="list-style-type: none"> • Support and advice is timely and accurate

Section 2: Implementing Key Improvements

Below are the Key Improvements that will be implemented to strengthen the performance of the Core Functions and the major steps needed to achieve them.

Performance indicators identify the level of improvement to be achieved and the contribution (where applicable) to the Government's Strategic Development Plan (SDP).

Key Improvements	Major Steps	Performance Indicator and Contribution to SDP
1. Adequate coordination during the preparation of Ministry of Finance Annual Action Plans and Budget submission.	<ul style="list-style-type: none"> Recruit a Budget Officer (Grade B) and Budget analyst (Grade C). Prepare internal guidelines for Annual Action Plans and Budget preparation. Ensure wide dissemination of those guidelines within relevant staff at each Directorate. 	Annual action plans and Budget submitted on time and with good quality.
2. Ministry of Finance's budget well executed monitored, analysed and reported.	<ul style="list-style-type: none"> Define standard procedures and reporting format. Ensure that departmental staff working on this core function is well trained to do the job. 	Report on quarterly budget execution with good quality in the analysis.
3. Adequate management of the cash flow of Ministry of Finance funds allocated through the General State Budget.	<ul style="list-style-type: none"> Design user-friendly systems. Assign the task of using the system within departmental staff. Ensure that departmental staff working on this core function is well trained to do the job. 	Cash flow properly managed.
4. Adequate coordination with the Department of Human Resources Management in disbursing and monitoring travel allowances and scholarship funds.	<ul style="list-style-type: none"> Assign staff to be responsible for this core function. Define procedures for coordination. Ensure that staff assigned to this core function is adhering to the procedures agreed upon. 	Timely disbursement of travel allowances. Updated information on staff participation in trainings.
5. Adequate technical support and supervision of financial management undertaken by other Directorates.	<ul style="list-style-type: none"> Recruit one more staff Grade C. Define procedures for technical support and supervision. Ensure wide dissemination of existing guidelines on financial management to all relevant staff at Directorates. 	Adherence to rules and procedures on financial management throughout all Directorates within Ministry of Finance.
6. Good quality reports produced in relation to departmental core functions.	<ul style="list-style-type: none"> Design format for regular reports Train assigned staff to prepare those reports. 	Reports with good quality.

GENERAL ADMINISTRATION DEPARTMENT

(See Page 95 of Consolidated Working Papers for further detail)

Section 1: Strengthening Core Functions

Below are the Core Functions that General Administration Department will be performing in 2015 together with the standards to which those functions will be performed.

General Administration Department will progressively improve its capacity to perform these functions to the standard specified by implementing the Key Improvements listed in Section 2 below.

Performance of the Core Functions will be monitored through the activities of the Annual Action Plan.

FINANCIAL SUPPORT SERVICES DEPARTMENT

(See Page 87 of Consolidated Working Papers for further detail)

Section 1: Strengthening Core Functions

Below are the Core Functions that Financial Support Services Department will be performing in 2015 together with the standards to which those functions will be performed. Financial Services Department will progressively improve its capacity to perform these functions to the standard specified by implementing the Key Improvements listed in Section 3 below.

Performance of the Core Functions will be monitored through the activities of the Annual Action Plan.

Core Function	Performance Standard
Executive support to the Director General Corporate Services	<ul style="list-style-type: none"> • Communications, prioritising and follow up from Office of General Directorate Corporate Services is timely and effective
Procurement of goods and services	<ul style="list-style-type: none"> • All procurement is according to RDTL regulations
	<ul style="list-style-type: none"> • Maintenance schedules established and implemented
Logistic support to Ministry of Finance	<ul style="list-style-type: none"> • All correspondence is tracked effectively • Ministry of Finance registry and archives are accurate and up to date
Management correspondence and record keeping	<ul style="list-style-type: none"> • Treasury guidelines are followed correctly
Asset management	<ul style="list-style-type: none"> • Assets are all accounted for correctly • Proper amortisation and disposal procedures are in place and adhered to.

Section 2: Implementing Key Improvements

Below are the Key Improvements that will be implemented to strengthen the performance of the Core Functions and the major steps needed to achieve them.

Performance indicators identify the level of improvement to be achieved and the contribution (where applicable) to the Government's Strategic Development Plan (SDP).

Key Improvements	Major Steps	Performance Indicator and Contribution to SDP
1. Improved support to the Officer of General Directorate Corporate Services	<ul style="list-style-type: none"> Establish suitable executive support to the Director General Corporate Services Appoint a suitably trained Executive Assistant 	<ul style="list-style-type: none"> Corporate Services systems and processes are timely and effective
2. Improve procurement of goods, services and works	<ul style="list-style-type: none"> Appoint Contract Coordinator Improve knowledge of existing legislation, procedures and manuals. Improve the understanding of CM of legal relationships with contractors Improve the skills to define specification of goods, services and works both at General Administration Department and other Ministry of Finance working units. 	<ul style="list-style-type: none"> All Ministry contract comply with RDTL regulations and good business practice Good procurement plan for delivery of goods Good management of contract
3. Ensure logistic support to Ministry of Finance	<ul style="list-style-type: none"> Clarify roles and functions of General Directorate Corporate Services C/G General Administration Department as compared to logistics of each working unit Increase storage capacity at General Administration Department Improve manager skills of General Administration Department staff 	<ul style="list-style-type: none"> Maintenance schedules established and implemented Storage is secure and safe
4. Ensure proper management of office correspondence and record keeping	<ul style="list-style-type: none"> Enforce the systems and procedures of office correspondence and record keeping. Monitor, supervise and evaluate the results. 	<ul style="list-style-type: none"> Rules and procedures implemented
5. Ensure management of assets (movable and immovable) of Ministry of Finance	<ul style="list-style-type: none"> Improve skills of General Administration Department staff to better manage the workload <ul style="list-style-type: none"> Enforce the quantity and quality of existing systems and procedures of asset management Increase available the availability of office space Contracting out cleaning and maintenance tasks 	<ul style="list-style-type: none"> Adherence to rules and procedures on supply of consumable goods and management of movable and immovable patrimony
6. Manage translation services	<ul style="list-style-type: none"> Improve quality and quantity of General Administration Department staff Establish a proof reading service Define the translation standard 	<ul style="list-style-type: none"> Translations are accurate Translation are completed within agreed timeframe

HUMAN RESOURCES MANAGEMENT DEPARTMENT

(See Page 102 of Consolidated Working Papers for further detail)

Section 1: Strengthening Core Functions

Below are the Core Functions that Human Resources Department will be performing in 2015 together with the standards to which those functions will be performed.

Human Resources Department will progressively improve its capacity to perform these functions to the standard specified by implementing the Key Improvements listed in Section 2 below.

Performance of the Core Functions will be monitored through the activities of the Annual Action Plan.

Core Function	Performance Standard
1. Recruitment and staff placement	<ul style="list-style-type: none"> All Ministry of Finance recruitment is undertaken in accordance with approved RDTL processes
2. Performance management	<ul style="list-style-type: none"> Staff performance is evaluated annually against job descriptions and work outcomes RDTL discipline and complaint procedures are rigorously applied
3. Training and capacity building	<ul style="list-style-type: none"> Staff development plans are available for all National Directorates
4. Personnel records and reporting	<ul style="list-style-type: none"> Staff development plans are available for all National Directorates Training programs and activities are delivered on-time and meet Ministry of Finance requirements Effectively managing the Ministry of Finance scholarship program to ensure availability of appropriate professional skills in the Ministry
5. Human Resource administration	<ul style="list-style-type: none"> Personnel records are accurate and up to date All staff movement and human resource systems are implemented in accordance with RDTL regulations

Section 2: Implementing Key Improvements

Below are the Key Improvements that will be implemented to strengthen the performance of the Core Functions and the major steps needed to achieve them.

Performance indicators identify the level of improvement to be achieved and the contribution (where applicable) to the Government's Strategic Development Plan (SDP).

Key Improvements	Major Steps	Performance Indicator and Contribution to SDP
1. All staff in the Ministry of Finance have clearly defined duties and responsibilities	<ul style="list-style-type: none"> • Guidelines for preparing job descriptions are finalised and distributed to National Directorates • Program for drafting job descriptions is agreed and implemented • A registry of all approved job descriptions is established in Human Resources Department • All staff of Ministry of Finance are provided with a copy of their job descriptions in an appropriate format and language 	All staff have an approved job descriptions for their position
2. Each General Directorate has an effective human resources staffing plan to meet existing and projected workload requirements	<ul style="list-style-type: none"> • Procedures for Human Resources staff planning are developed and all managers are trained in using them • Staff maps are developed against core functions for all National Directorates (as reflected in the Strategic Plan for the National Directorates) • Recruitment priorities are identified against clear priorities identified in the Strategic Plan • Training needs for staff are identified against competency profiles contained in the job descriptions • All approved positions are staffed (both short and long term) with suitable qualified and experienced staff • Effective annual review of Human Resources staff plans as part of review of Strategic Plan 	Staff planning is reflected in Strategic Plan and Annual Plan for each National and General Directorate
3. Key staff in each General Directorate are competent and motivated to perform the duties of their positions	<ul style="list-style-type: none"> • Appoint and train suitably qualified staff to the positions of: <ul style="list-style-type: none"> – Chief Human Resources Officer – Recruitment Officer – Training and Development Officer • Contract the services of a suitably qualified Human Resources specialist • Develop training and development procedures • Establish a competency based professional development program for all key staff • Train all National Directorates and General Directorates in managing training and development of their staff • Organise and deliver an annual program of training and development activities against capacity building priorities identified in the Strategic Plan for the Ministry of Finance 	Core training programs are delivered against annual training plans for each General Directorate
4. Staff performance is managed against clear performance criteria	<ul style="list-style-type: none"> • A Code of Management Practice is established across the Ministry of Finance • Staff performance is evaluated against the duties and responsibilities in their job descriptions • The RDTL Code of Conduct is applied and (where necessary) discipline procedures are invoked • All managers are required to report on staff discipline and attendance 	Managers conduct an effective appraisal of all staff under their control
5. All National Directorate and General Directorates have access to accurate and up-to-date data on their staff	<ul style="list-style-type: none"> • Identify HRIS user needs of General Directorates and National Directorates • Liaise with IT on developing a simple HRIS platform • Integrate and consolidate human resources related data into a database for use by General Directorates and National Directorates • Develop guidelines, manuals and user support systems 	Staff records are accurate, up to date and contain all relevant information for staff planning at the level of the General Directorate

INTERNAL AUDIT UNIT

(See Page 112 of Consolidated Working Papers for further detail)

Section 1: Strengthening Core Functions

Below are the Core Functions that Internal Audit Unit will be performing in 2015 together with the standards to which those functions will be performed

Internal Audit Department will progressively improve its capacity to perform these functions to the standard specified by implementing the Key Improvements listed in Section 3 below.

Performance of the Core Functions will be monitored through the activities of the Annual Action Plan.

Core Function	Performance Standard
Identifying risks in the management of public finance in the ministry and recommend strategies to manage and mitigate risk	<ul style="list-style-type: none"> • Report on risks produced annually • Risks management strategies develop regularly
Plan and organise internal audits including Issuing audit reports and recommend corrective action	<ul style="list-style-type: none"> • Availability of an Annual Audit Plan • Annual Audit Calendar established • Audit report produced with recommendations for corrective action
Monitoring the implementation of the recommendation	<ul style="list-style-type: none"> • Regular monitoring on the implementation of the Audit recommendations

Section 2: Implementing Key Improvements

Below are the Key Improvements that will be implemented to strengthen the performance of the Core Functions and the major steps needed to achieve them.

Performance indicators identify the level of improvement to be achieved and the contribution (where applicable) to the Government’s Strategic Development Plan (SDP).

Key Improvements	Major Steps	Performance Indicator and Contribution to SDP
1. Identifying risks in the management of public finance in the ministry and recommend strategies to manage and mitigate risk	<ul style="list-style-type: none"> • Appoint a Senior Advisor Internal Audit • Identify the risk area within Ministry of Finance in management of public Finance (3) • Develop standard Operation Procedure for internal Audit (2) • Develop strategies to manage and mitigate the risk 	<ul style="list-style-type: none"> • Framework and business plan to establish audit function and plan in the Ministry of Finance • Effective liaison with Audit Inspectorates and key audit stakeholders • Report on risks produced annually • Risks management strategies develop regularly
2. Plan and organise internal audits including issuing audit reports and recommend corrective action	<ul style="list-style-type: none"> • Train staff in conducting audit and analyse risk in PFM • Establish calendar for audit with Directorate • Carry out and write audit report 	<ul style="list-style-type: none"> • Annual Audit Calendar established • Audit report produce with recommendation for corrective action
3. Monitoring the implementation of the recommendations	<ul style="list-style-type: none"> • Produce the report for the implementation of the recommendation from previous audit 	<ul style="list-style-type: none"> • Regular monitoring on the implementation of the audit recommendations

INFORMATION AND TECHNOLOGY DEPARTMENT

(See Page 116 of Consolidated Working Papers for further detail)

Section 1: Strengthening Core Functions

Below are the Core Functions that Information Technology Department will be performing in 2015 together with the standards to which those functions will be performed.

Information and Technology Department will progressively improve its capacity to perform these functions to the standard specified by implementing the Key Improvements listed in Section 3 below.

Performance of the Core Functions will be monitored through the activities of the Annual Action Plan.

Core Function	Performance Standard
Database Administration	Database management and administration, development and database reporting
Application Management	<ul style="list-style-type: none"> • Manage and maintain Ministry's mission critical applications • Providing analytical support and guidance for all technical, infrastructure and desk-top applications using either their own or outsourced resources
Website content management	<ul style="list-style-type: none"> • Manage Ministry official website/ content management and portals
System Administration	<ul style="list-style-type: none"> • Network operating system administration, design and configuration, support systems level, application, network and server monitoring • Ensuring quality software, reliable databases, and stable applications for Ministry functions
Network Administration	Ministry's computer network system up time and better network management
Helpdesk	<ol style="list-style-type: none"> 1. Provide end-user support and facilitate an acceptable solution 2. User concerns and issues are reported on a timely basis 3. All issues are followed up to ensure a satisfactory outcome for the user. 4. Performance measures are developed for Customer Service
IT Management	Coordinate all IT core functions including managing, planning, design, selection, implementation, use, and administration of emerging and converging information and communications technologies

Section 2: Implementing Key Improvements

Below are the Key Improvements that will be implemented to strengthen the performance of the Core Functions and the major steps needed to achieve them.

Performance indicators identify the level of improvement to be achieved and the contribution (where applicable) to the Government's Strategic Development Plan (SDP).

Key Improvements	Major Steps	Performance Indicator and Contribution to SDP
1. To improve database administration, development and database reporting	<ul style="list-style-type: none"> Informal and short term training, certification: Oracle Certified Associate (OCA), MCDBA or equivalent Attend undergraduate university programs in computer science major database design, administration and development Staff promotion to grade C 	85% complete on preventive maintenance and data migration of Ministry's operational databases
2. To better manage and maintain Ministry's mission critical applications	<ul style="list-style-type: none"> Informal and short-term training, certification: MCSD or equivalent Attend post graduate university programs in computer science major software engineering Staff promotion to grade B 	90% regular adaptive and perfective maintenances of Ministry's mission critical applications (SIGTAS system)
3. To better manage website/content management and portals	<ul style="list-style-type: none"> Certification on web design/multi-media/content management, CIW 	80% of Ministry's current web content has been migrated to the new Word Press content management platform
4. To enhance system administration	<ul style="list-style-type: none"> Informal and short-term training, certification: MCITP, Linux+ Attend undergraduate university programs in computer science major system management and administration System administrator 	90% of Ministry network operating systems have been upgraded from Windows server 2003 to Windows Server 2008 R2. This includes also IT core services such as new level of Ministry messaging system, office communicator 2007 R2 and System Centre Configuration Manager 2007 R2
5. To increase Ministry's computer network system up time and better network management	<ul style="list-style-type: none"> Informal and short-term training, certification: MCTS Attend post graduate university programs in computer science major network engineering Network administrator position 	75% of Ministry core network infrastructures included Ethernet switch, UTP, and Fiber Optical cables have been replaced successfully
6. To better provide first level end-user support and acceptable solution	<ul style="list-style-type: none"> Computer certification such as A+, Net+, MCP, MCTS, CCNA or CCNP Appoint a Help Desk Specialist Helpdesk position 	85% IT helpdesk cases have been resolved
7. To better coordinate all IT core functions including managing, planning, design, selection, implementation, use, and administration of emerging and converging information and communications technologies	<ul style="list-style-type: none"> Informal and short-term training, certification: CCNA, MCTS Attend post graduate university programs in computer science major IT management IT chief position, Grade B 	<ul style="list-style-type: none"> Good feedback from the end-user Most of IT services are recognised and accepted all stakeholder within the Ministry's directorates and department staff

LEGAL UNIT

(See Page 124 of Consolidated Working Papers for further detail)

Section 1: Strengthening Core Functions

Below are the Core Functions that Legal Unit will be performing in 2015 together with the standards to which those functions will be performed.

Legal Unit will progressively improve its capacity to perform these functions to the standard specified by implementing the Key Improvements listed in Section 2 below.

Performance of the Core Functions will be monitored through the activities of the Annual Action Plan.

Core Function	Performance Standard
Coordinate and oversee legal aid to Directorates of the Ministry	<ul style="list-style-type: none"> • Legal aid is prompt • Legal assistance meets needs of Directorates • Legal assistance is professional and appropriate
Draft laws and legislative acts within the competence of the Ministry of Finance.	<ul style="list-style-type: none"> • Legal drafts accurately reflect Ministry of Finance and RDTL policy • Laws and legislation is available to users in a format that is understandable and useful
Issue legal opinions on matters arising	<ul style="list-style-type: none"> • Opinions are accurate and reflect good international legal practice • All legal matters concerning Ministry of Finance or matters of public finance are referred to Ministry of Finance for confirmation and validation
Advise on contractual disputes	<ul style="list-style-type: none"> • Advise is accurate and reflects and timely • Interests of Ministry of Finance and RDTL are properly protected
Report on legal activities across Ministry of Finance	<ul style="list-style-type: none"> • Reports are timely and accurate

Section 2: Implementing Key Improvements

Below are the Key Improvements that will be implemented to strengthen the performance of the Core Functions and the major steps needed to achieve them.

Performance indicators identify the level of improvement to be achieved and the contribution (where applicable) to the Government's Strategic Development Plan (SDP)

Key Improvements	Major Steps	Performance Indicator and Contribution to SDP
1. Improve coordination of legal matters in Ministry of Finance	<ul style="list-style-type: none"> Development of legal unit procedures (external and internal advice) Education of Ministry of Finance units Establishment of legal panel Introduction of document management system 	<ul style="list-style-type: none"> Unit procedures approved by General Director or Minister 80% of senior Ministry staff briefed on procedures. Establishment of legal panel for external advice.
2. Improve Staffing (legal)	<ul style="list-style-type: none"> Appoint additional international legal advisors (one to support legislative drafting function and one to support Ministry of Finance's business operations) Appoint two National Legal Officers Increase leveraging, by having senior lawyers review the work of junior lawyers Broaden skills base of national staff (Professional development programs) 	<ul style="list-style-type: none"> Employment of additional legal staff (UNTL graduate). Completed gap analysis of skills. Appropriate courses identified and budgeted for in 2012.
3. Improve Administrative support	<ul style="list-style-type: none"> Improve admin support Improve filing and storage of files 	<ul style="list-style-type: none"> Administrative support meets Department operating needs Legal files are stored securely Archiving and electronic filing meets Unit needs

CORPORATE SUPPORT TO MINISTERIAL OFFICE

(See Page 129 of Consolidated Working Papers for further detail)

Section 1: Strengthening Core Functions

Below are the Core Functions that the Unit of Support to Minister's Office will be performing in 2015 together with the standards to which those functions will be performed.

The Unit of Support to Minister's Office will progressively improve its capacity to perform these functions to the standard specified by implementing the Key Improvements listed in Section 2 below.

Performance of the Core Functions will be monitored through the activities of the Annual Action Plan.

Core Function	Performance Standard
Media relations and corporate communications	<ul style="list-style-type: none"> All media relations is handled smoothly and promptly Corporate communications are in accordance with Ministry of Finance and RDTL policy and operating requirements
Management of Ministerial Plans (SDP, strategic and annual)	<ul style="list-style-type: none"> Ministry of Finance plans are accurate and up to date Plans reflect short, medium and long-term priorities of the Ministry and RDTL
Support to the Minister and Vice-Minister	<ul style="list-style-type: none"> Administrative and secretarial services meet ministerial expectations
Government reporting	<ul style="list-style-type: none"> All reports are made on time and according to RDTL requirements

Section 2: Implementing Key Improvements

Below are the Key Improvements that will be implemented to strengthen the performance of the Core Functions and the major steps needed to achieve them.

Performance indicators identify the level of improvement to be achieved and the contribution (where applicable) to the Government’s Strategic Development Plan (SDP).

Key Improvements	Major Steps	Performance Indicator and Contribution to SDP
1. Establish a corporate system for monitoring, evaluating and updating the Ministries plans and links to the SDP	<ul style="list-style-type: none"> • Develop standard operating procedures for planning processes within the Ministry of Finance • Appoint and train Planning Manager and focal points in the offices of General Directorates • Appoint a Web Communications Officer • Develop and update plans in accordance with agreed schedule and RDTL requirements • Provide support in monitoring and evaluating progress against all Ministry of Finance plans 	<ul style="list-style-type: none"> • Strategic Plan reflects both government and ministerial development priorities • All programs and activities under annual actions plan are linked to core functions or key improvements in Strategic Plan
2. Establish a public relations and corporate communication system to meet stakeholder communication expectations	<ul style="list-style-type: none"> • Develop and promulgate communication guidelines for Ministry of Finance • Recruit and train PR and corporate communication staff 	<ul style="list-style-type: none"> • Communication and PR protocols are understood at all levels • Ministry of Finance communications meet stakeholder information requirements within RDTL guidelines
3. Provide secretarial and administrative support to the Office of the Vice-Minister	<ul style="list-style-type: none"> • Review administrative and secretarial support requirements for Office of the Vice-Minister • Develop budget and operating plan for Office of the Vice-Minister • Recruit and train staff 	<ul style="list-style-type: none"> • Administrative functions meet Vice-Minister’s operating requirements
4. Strengthen support to Minister’s governance role on multi-donor agencies, like IMF, World Bank and ADB)	<ul style="list-style-type: none"> • Agree structure and organisation required to support this function • Recruit and retain suitably qualified executive support 	<ul style="list-style-type: none"> • All multi donor governance functions are effectively managed
5. Strengthen executive management functions of the Consultative Council on Financial Management (CCFM)	<ul style="list-style-type: none"> • Appoint suitable secretarial support for the CCFM • Establish and maintain CCFM registry and follow up to ensure all decisions are recorded and followed up 	<ul style="list-style-type: none"> • CCFM functions as effective executive management body to Ministry of Finance. • All decisions are documented, followed up and reported.
6. Improve whole of government and public transfer accounting and reporting	<ul style="list-style-type: none"> • Appoint a suitable qualified professional to manage statutory reporting and other whole of government reporting requirements 	<ul style="list-style-type: none"> • Whole of government funds reported accurately • Public transfers, ex-titulares, contingencies are reported accurately

NATIONAL DIRECTORATE FOR AID EFFECTIVENESS

(See Page 134 of Consolidated Working Papers for further detail)

Section 1: Vision

By 2015 the National Directorate for Aid Effectiveness (NDAE) will provide results focused data covering the use of official development assistance from development partners based upon the Paris Declaration, Accra Agenda for Action, Dili Declaration and g7+ Statement and other relevant documents and effectively promote the alignment of ODA in accordance with Timor-Leste's Strategic Development Plan 2011 – 2030.

Section 2: Strengthening Core Functions

Below are the Core Functions that National Directorate for Aid Effectiveness will be performing in 2015 together with the standards to which those functions will be performed.

National Directorate for Aid Effectiveness will progressively improve its capacity to perform these functions to the standard specified by implementing the Key Improvements listed in Section 3 below.

Performance of the Core Functions will be monitored through the activities of the Annual Action Plan.

Core Function	Performance Standard
Manage reporting on external aid and donor support activities	<ul style="list-style-type: none"> A clear set of policy and procedures is established to support donor and aid related activity in Timor-Leste Reporting is prompt, accurate and meets stakeholder requirements
Support Government's planning efforts by providing information supporting the further coordination of aid funding provided to Timor-Leste	<ul style="list-style-type: none"> Advice to relevant stakeholders is timely and accurate
Maintain a comprehensive database on aid programs and development partner support	<ul style="list-style-type: none"> Database is accurate and up to date
Provide secretarial support to RDTL in areas relevant to National Directorate for Aid Effectiveness' legal mandate.	<ul style="list-style-type: none"> All RDTL-development partner interactions are managed effectively and in accordance with accepted protocols
Support Timor-Leste's participation in international forums (g7+, International Dialogue on Peace building and State building, WP-EFF)	<ul style="list-style-type: none"> Treasury guidelines are followed correctly
Support Financial Management across Ministry of Finance	<ul style="list-style-type: none"> Timor-Leste's international obligations are discharged effectively and to the satisfaction of all parties

Section 3: Implementing Key Improvements

Below are the Key Improvements that will be implemented to strengthen the performance of the Core Functions and the major steps needed to achieve them.

Performance indicators identify the level of improvement to be achieved and the contribution (where applicable) to the Government's Strategic Development Plan (SDP)

Key Improvements	Major Steps	Performance Indicator and Contribution to SDP
1. Strengthen leadership and Directorate overall	<ul style="list-style-type: none"> • Appoint dedicated Director for National Directorate for Aid Effectiveness • Integrate and synchronise work into other areas of the Ministry of Finance and government • Recruitment of new staff (chief of department, program officers, national consultants and temporary staff where needed) • Training, study tours made available to current staff • Internships/exchange visits offered to University students 	<ul style="list-style-type: none"> • National Directorate for Aid Effectiveness staffed by competent, well motivated staff
2. Policy, Tools and Systems Strengthening	<ul style="list-style-type: none"> • Aid Policy for Timor-Leste approved • The development of systems, manuals, guidelines, policies and other instruction tools to support the continuation of aid coordination • Strengthened Aid Information Management Systems (AIMS) • Improved access to resources and facilities to support office work 	<ul style="list-style-type: none"> • Timor-Leste has a clear national policy on aid and development partner support • Aid management systems in place and functioning to meet stakeholder requirements
3. Improved Engagement with External Stakeholders	<ul style="list-style-type: none"> • Position itself as a one-stop-shop for aid information related to Timor-Leste • Maintain its current position as a key voice internationally and locally regarding the promotion of aid effectiveness • Regular donor interaction and coordination (TLDPM, QDPM and other events) • Active participation and representation in regional and international events (e.g. NAO, g7+, IDPBSB, RAO/PIFs, WP-EFF, HLF4, MDG Review Summit, PALOP) 	<ul style="list-style-type: none"> • National Directorate for Aid Effectiveness is the acknowledged focal point for all donor and aid related activity in Timor-Leste
4. Improve integration of development partner support into Ministry planning, budgeting and reporting systems	<ul style="list-style-type: none"> • Focal points are established budget offices of both the Ministry of Finance and line ministries • Development partner funds reported and accounted under government systems 	<ul style="list-style-type: none"> • All development partner funds reported accurately and in a timely fashion using RDTL systems and processes

ATTACHMENT 3: OUTLINE OF REQUIREMENTS FOR A FISCAL FRAMEWORK

This is a sample outline of a generic fiscal framework in legislation. It would need to account for the specific conditions in Timor-Leste. In particular the framework for fiscal principles described would be largely driven by the sustainability rules for the Petroleum Fund.

Core Function	Performance Standard
Definitions	Important to define technical terms like the budget balance, such as primary balance and overall balance
Coverage	Should be general government (central, state and local) and not just central government. Should therefore include the special funds. Some laws have extensive provisions for local government if it has considerable revenue raising, spending and borrowing powers.
Roles and responsibilities, and corresponding powers	Include requirement to act and manage in accordance with the fiscal responsibility provisions for cabinet, PM, Minister of Finance, Portfolio Ministers, PSs, CEOs, others. Set out specific roles of particular entities.
Principles and objectives	<p>Defines a set of fiscal principles. For example:</p> <ul style="list-style-type: none"> (a) Maintaining prudent levels of public debt and managing fiscal risks so as to maintain fiscal sustainability and avoid burdening future generations; (b) Achieving a consolidated general government balanced budget over the economic cycle with fiscal policy contributing to moderating cyclical fluctuations in economic activity, as appropriate, taking account of the economic risks facing the nation and the impact of those risks on the Government's fiscal position; (c) Maintaining an adequate level of fiscal reserves to service the external debt; and (d) Following any periods of tax reform, ensuring predictability in the level of tax rates and bases for future years. <p>These principles are firm, set in the law and form the bedrock for the fiscal responsibility framework. Can provide for government to set long and short term objectives in the Fiscal Strategy (with measurable indicators) that it measures its progress against and reports on. If it goes off track, it has to say what actions it is taking to get back on track. Long-term objectives are important in many countries given the impact of ageing populations and should not be overlooked.</p> <p>Another option is to put firm quantitative fiscal rules in the law, such as a debt ceiling. Other rules can relate to the level of deficit and size of government as a percentage of GDP. Some countries use rules in the law to force changes that might not otherwise be made, for example, specifying a maximum level of government spending as a percentage of GDP to force a reduction in the size of government. Whether to use objectives or firm quantitative fiscal rules depends on the situation of each country.</p> <p>Care needs to be taken in designing the set of fiscal principles/rules. They need to be workable as a set and too many rules can make it very difficult for the government to manage the finances. Some countries design fiscal rules that are pro cyclical which can cause longer-term economic and fiscal problems.</p>
Fiscal Strategy or other key document(s)	Some countries have complex and numerous fiscal responsibility documents and have the systems and personnel to produce these without difficulty. For countries starting on this work, documents must reflect what can be realistically produced to a reasonable quality, taking account of the possibilities for upgrading capability. An option of having a Fiscal Strategy document produced before the budget instructions go out and having an annual report against this has been set out in the material on the draft law provided by the mission. The Fiscal Strategy would contain the macroeconomic and fiscal forecasts; the fiscal framework including the forecasts and high level policies on revenue, debt, deficit, expenditure aggregates and management of fiscal risks; a medium term budget framework that has information on expenditure priorities and allocations to ministries and other budgetary entities; and a statement of responsibility about the accuracy of the information.

Core Function	Performance Standard
Reporting	There can be periodic reports to cabinet and the Parliament on progress against the Fiscal Strategy including the objectives and principles. This should be at least annually. Some countries report on aspects of the Fiscal Strategy more frequently, especially updating the macroeconomic and fiscal position.
Escape provisions	Some countries provide for circumstances when it is permissible to break the fiscal responsibility provisions. These circumstances are usually limited to significant fiscal impacts relating to (a) national security requirements; (b) natural disasters; (c) a change of government; (d) a material change in the macroeconomic indicators or assumptions underpinning the macroeconomic and fiscal forecasts.
Enforcement	<p>Credibility can be enhanced when sanctions are:</p> <ol style="list-style-type: none"> 1) Clearly specified as to the breach and the person or legal entity the sanctions apply to; 2) Commensurate to the offence; and 3) Non-discretionary in defined circumstances. <p>Consideration could be given to using automatic institutional sanctions as these may have the potential to be cost effective means of changing behaviours.</p> <p>Personal:</p> <ul style="list-style-type: none"> • Triggers criminal proceedings for specified alleged breaches- could include a requirement on a specified authority to lay the complaint with the prosecutor and no discretion about this. This approach is useful if there is a problem with a reluctance to lay complaints • Triggers disciplinary procedures that can lead to pay reductions, dismissal and other consequences, with no discretion about whether to commence these proceedings for specified alleged breaches • Personal liability for financial consequences of specified breaches that are proved through due process proceedings • Publication of violation once proved through due process proceedings <p>Institutional:</p> <ul style="list-style-type: none"> • Suspension of local government transfers or budget payments to other spending authorities until the breach situation is rectified • Denial of rights to borrow or issue guarantees until the breach situation is rectified • Adjustment program for government: requirement to follow an adjustment program that is automatically triggered by specified breaches of fiscal rules • Adjustment program for a local government or other government entity: requirement to enter an adjustment program with tight conditions if fails to perform, then triggers process of restructuring to assess merger and other options- this could apply to state enterprises, local government, other semi-autonomous institutions that are not under direct administrative control • Requirement to run surpluses for a specified period if the balanced budget rule is broken, for example by a local government • Publication of violation once proved through due process
Transition provisions, consequential amendments	These provisions can be included with other enforcement provisions in the Act.

ATTACHMENT 4: METHODOLOGY USED IN DEVELOPING THE STRATEGIC PLAN

The purpose of this section is to describe the complementary processes and documents used in the strategic planning process for the Ministry of Finance of Timor–Leste. More specifically it is intended to show the interrelationships between the overall Ministry Strategic Plan, directorate/departmental level strategic plans, Directorate-General (D-G) level summaries and the Institutional Strengthening and Capacity Development Plan.

THE MINISTERIAL PLANNING PROCESS AND OUTPUT

The Draft Ministry Strategic Plan (MSP), completed in 2010, is for the period 2010 to 2020 but can be extended to 2030. It was based on workshops and responses by Directorates to a questionnaire asking for information on the major functions, achievements, contributions to public financial management, inputs for achieving operational goals, and requirements of human resources and capital expenditure to implement the Plan. The Plan is also based on a background paper on strategic planning produced in February 2010 and workshops held with senior staff. The MSP was drafted prior to the release of the Government of Timor-Leste’s Strategic Development Plan that was initially presented in mid-2010 for discussion and eventually released in mid 2011.

THE DIRECTORATE LEVEL PLANNING PROCESS

A Mid-Term Review of the Planning and Financial Management Capacity Building Program (PFMCBP) was held 24 May – 4 June 2010. One of the mission objectives was to explore ways to support Ministry of Finance efforts to finalise its Strategic Plan. During the mission, the Minister of Finance requested direct assistance from the World Bank to help finalise the Strategic Plan, and also to help operationalise it through strategies and plans at the Directorate-level.¹² The Minister and senior managers agreed that the next step would be to prepare strategies and plans for the Directorates so that they could make the high level directions of the Strategic Plan a reality. The Directorate level strategies and plans would spell out the practicalities for the first level of management and the front line staff, for performance management and capacity development. It was envisaged that a brief strategy would be prepared for each Directorate that looks ahead to 2015. These in turn would be linked to the Annual Action Plans. The intention was that the directorate level plans would help to integrate the top down and bottom up processes of strategic planning.

It was also recommended by General Directorate of Corporate Services that a “Strategic Planning Group” be established to assist senior management in the development and implementation of the Strategic Plan and to assist in making capacity development a central focus of Strategic Plan implementation.

Finally, the Mid-Term Review recommended that the Strategic Plan should have a clear M&E framework to measure progress, adjust support, and report on impact and achievements so that specific targets could underpin higher-level objectives and indicators for each Directorate.

¹² Concept Note: Timor-Leste Ministry of Finance Technical Assistance with Strategic Plan 2010 – 2020 (condensed)

THE DIRECTORATE LEVEL STRATEGIC PLANNING PROCESS¹³

The directorate level planning process was designed to link with several key aspects of the Ministerial Strategic Plan, as well as recommendations of the mid-term review. The focus of the directorate level plans was on the performance of core functions, improvements needed and the specific institutional and capacity measures need to support those improvements.¹⁴ Institutional and capacity measures were organised the same way in both the ministerial and directorate plans. During the preparatory briefings for planning, DGs and Directors were asked to refer to specific items related to their D-G or Directorate which had been identified in the Ministerial Plan and the mid-term review. The template provided to each Directorate included an extract from the Ministerial Plan and the mid-term review, as relevant.

The purpose of the directorate level planning process, the proposed process and the draft template were introduced and discussed with the Consultative Council on Financial Management (CCFM) in October 2010. It was suggested that the use of facilitators from each of the General Directorates could be useful in clarifying the purpose and intent of the approach within the directorates, as well as providing a communications bridge with General Directorate of Corporate Services. It was also felt that this would assist to build capacity for facilitating planning and that the model of using facilitators as focal points might be useful for other work. The idea was approved and four facilitators were appointed. Following the CCFM meeting, a series of meetings and workshops were organised to provide a more detailed briefing to general directors, directors and their staff.

The original design of the directorate level planning process envisioned a series of workshops with each directorate. Each workshop was to be linked to a series of key steps that would generate the information needed to complete a template that would, in effect, become the strategic plan. One of the important purposes of the workshops was to encourage broad staff participation and to facilitate communication in the workshops through the use of Tetum or Indonesian as much as possible.

The key steps mentioned above, involved a review of core functions, a SWOT analysis, a self-assessment of the extent to which core functions were being carried out as well as the quality of their implementation. This was then to be followed by the identification of key areas for performance improvement (based on the SWOT analysis and self assessment), in some cases a GAP analysis and then the major steps needed to achieve these performance improvements. The logic was based on the premise that weaknesses identified in the SWOT analysis and the self-assessment should provide the basis for identifying areas for improving performance. Once areas for improvement and key steps had been identified, Directorates were asked to consider staffing, advisory and training requirements that were to be linked specifically to each of the areas of performance improvement. There was recognition that staffing and training requirements, as well as other institutional improvements would not be met in the short run but that an estimate was needed to determine the requirements to meet objectives at the end of five years.

¹³ The process also included the Department of DG Corporate Services. There was also discussion of the value of slightly scaled down plans for the office of each of the operational DGs which cover a number of functions such as Human Resource Planning and Management, coordination of IT functions within DGs, as well as issues such as decentralisation.

¹⁴ Institutional and capacity improvements in the Ministry Strategic Plan were organised according to: management capacity, policy and legal framework, organisational structure, systems and procedures, physical infrastructure, and human resources. The same format was followed in the directorate level plans.

In short, National Directorates were asked to identify:

- What core functions or services would the National Directorate be providing in five years time,
- What key improvements needed to be made to deliver these services and
- What additional support or resources were needed to achieve these outcomes?

OUTPUTS

Two outputs were intended. The first was a brief directorate/departmental strategic plan based on a template provided. The second was an analysis of “overarching” issues related to institutional and capacity improvements that had been identified in both the Ministerial Strategic Plans and the directorate level plans. This would become the basis for the Institutional Strengthening and Capacity Development Plan.

THE GENERAL DIRECTORATE LEVEL SUMMARY

In order to provide coherence at the General Directorate level, summaries of the Directorate or Department plans were prepared which included a description of the process followed, a statement of the General Directorate level core functions, a summary of the areas for improvement as well as a summary of the institutional and capacity improvements needed to fulfill the plans.

General Directors were also asked to identify issues or General Directorate level functions that were not explicitly addressed at the National Directorate level. These included matters such as

- Coordination and integration of management functions such as capacity building, planning, performance management, communications, and IT, and
- Cross-cutting issues such as decentralisation and introduction of VAT.

COMPARISON OF RESULTS OF THE MINISTRY AND DIRECTORATE PLANNING PROCESSES

There is, not surprisingly, a high degree of congruence between the Ministerial Strategic Plan and the Directorate Strategic Plans. The major similarity between the Ministry Strategic Plan and the Directorate level plans is the importance attached to human resource and training needs.

At the same time there were differences.

- Decentralisation is clearly an issue that has significant implications for Treasury, Procurement, Statistics and IT functions – to name some. The Ministry Strategic Plan gave considerable emphasis to this topic. Much less attention was given in the Directorate level plans.
- Strengthening human resource management was a major theme running through both plans and was approached primarily in terms of needs and the creation of a Professional Development Centre. The need for improved management practices, particularly within operational National Directorates and Directorates General, including job descriptions, staffing and training plans, appraisals and discipline, and complementary strengthening of General Directorate of Corporate Services - overall capacity for human resource management and training - to provide services to operational directorates was not explicitly discussed. This will be discussed further in the Institutional Strengthening and capacity development plan.

THE INSTITUTIONAL STRENGTHENING AND CAPACITY DEVELOPMENT PLAN

The purpose of the Institutional Strengthening and Capacity Development Plan (ISCDP) is to make the links between improving the performance of core functions of directorates, institutional strengthening requirements and capacity development issues more explicit. More specifically, it analyses issues coming out of the Directorate Level Plans and the Ministerial Strategic Plan and makes a number of recommendations as to how to sharpen the focus of improvements needed, how these can be sequenced and made more operational.

Issues addressed by the ISCDP include:

- Management and coordination of capacity building
 - Development priorities
 - Incentives and rewards for development/improved capacity
 - Responsibility for training and staff development–
 - Delivering the capacity development program
- Stabilisation and clear understanding of operating systems
- Link between core functions, operating systems, organisation and allocation of work
- Clarification of roles and responsibilities
- Managing for results against agreed work priorities (plan/do/check/act)
 - Ongoing responsibilities
 - Improvement or development priorities
- Integration of planning at strategic (20 year), operational (five year) and annual planning levels
- Performance management (work unit and individual levels)





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