



**CONSOLIDATION
OF
CAPACITY BUILDING
NEEDS ASSESSMENT**

PUBLIC FINANCIAL MANAGEMENT

Observations and Proposals for the Way Ahead

MINISTRY OF PLANNING AND FINANCE

REPÚBLICA DEMOCRÁTICA DE TIMOR-LESTE

April 2005

Abbreviations

A&B	Attitudes & Behaviors
AAP	Annual Action Plan
AAP	Annual Action Plan
AMDP	Accelerated Management Development Program
ASYCUDA	Automated System Customs Data
AusAID	Australia Agency for International Development
CB	Capacity Building
CBT	Competency Based Training
CDCU	Capacity Development Coordination Unit
CFET	Consolidated Fund for East Timor
CHRIS	Consolidated Human Resources Information System
CPV	Commitment and Payment Voucher
FMIS	Financial Management Information System
FP	Focal Point
GPSM	Governance and Public Sector Management
GRIMS	Government's Reporting and Information Management System
GTL	Government of Timor-Leste
HR	Human Resources
HR&CB	Human Resources & Capacity Building
HRMIS	Human Resources Management Information System
IMF	International Monetary Fund
INAP	Instituto Nacional da Administração Pública
KPI	Key Performance Indicators
MCDAP	Ministerial Capacity Development Action Plan
MoPF	Ministry of Planning and Finance
NGO	Non Governmental Organisation
OGPSIM	Office Government Procurement Supply and Inventory Management
PFM	Public Finance Management
PFMCBP	Planning and Financial Management Capacity Building Program
PMIS	Public Management Information System
PSM	Public Sector Management
QRM	Quarterly Report Matrices
REA	Registry of External Assistance
REM	Registry of External Management
S&K	Skills & Knowledge
S&P	Systems & Processes
SIGTAS	Système Informatique de Gestion des Taxes et Assimilés
SIP	Sector Investment Program
TFET	Transitional Fund for East Timor
TSA	Treasury Single Account
UNDP	United Nations Development Program
UNMISSET	United Nation Mission in Support of East Timor
ETDA	East Timor Transitional Administration
NDPA	National Development Planning Agency

Executive Summary

A number of significant studies have been undertaken into Capacity Building in Timor-Leste since 2001, in particular and these studies have, by and large, directed activities within Government of Timor-Leste (GTL) and, in particular, in Public Finance Management and Ministry of Planning and Finance (MoPF).

Most of these studies have focused on the 3 pillar approach of 'Skills and Knowledge', 'Systems and Processes' and 'Attitudes and Behaviors'. Those studies which have looked outside that approach have, correctly, identified other factors influencing capacity building not covered by the 3 pillars. These other factors consider 'Organization' and 'Resources'.

Capacity Building is seen as the improvement of GTL to improve its capability to deliver services to the nation. It relies on its civil service to undertake Government functions and deliver Government services. Starting from a base of largely unskilled and inadequately educated local staff, with some exceptional Timorese and supported by a large number of foreign advisors and staff. GTL has succeeded in functioning as a Government since full Independence in 2002. This has been a remarkable achievement, as has been the building of an ever stronger local civil service. Within Public Finance Management (PFM), recent focus on capacity building has been on training.

It is contended that the 3 pillar approach, while contributing to some significant successes, is nevertheless a limited philosophy with a somewhat flawed interpretation. Over the past 2 years, in particular, the 3 pillar approach has focused more and more on training as its major manifestation but training focuses on skills enhancement, ignoring to a considerable extent the other 5 factors involved in the philosophy. The 3 pillars also do not take account of the other two important factors, organization and resources.

Training has been somewhat uncontrolled. There is, in PFM, little assessment of needs and little assessment of training effectiveness and both these factors must be taken into consideration in future training strategies. Organizational issues include determination of the manner of managing the Ministry and its many directorates, flowing down to detailed and concise definitions of roles and responsibilities of staff to allow for adequate human resource planning and budgeting as well as skills definition and competency assessments as the prime director for training definition.

There is a pressing need to review all systems with a financial component to establish standards for functionality, data integrity, information sharing and risk management and control over both revenue and spending activities of Government, irrespective of funds source. The growing investment in diverse systems with data duplication, lack of reconciliation and different data focuses all add to the risk of information failure. Processes which were established during UNMISSET controls and modified on an ad hoc basis since, if at all, need to be subject to detailed reviews, together with any possible systems support, to streamline revenue and expenditure processes.

MoPF's focus has largely been on central control in a unidirectional environment where MoPF controls but offers restricted concepts of service in return. The Ministry is seen as bureaucratic centralist and authoritarian, not, as it should be, a service provider assisting line agencies in the conduct of administering Government policy. While this is not to state MoPF does nothing for others (certainly not the case), the perception is that service is only provided when and where each complex MoPF determined rule has been satisfied. Developing a customer service focus is essential to overcoming antagonism to MoPF and establishing a cooperative, although adequately controlled, environment for GTL.

All aspects of capacity building are interrelated and when addressing capacity building issues, all factors need to be considered equally to achieve the desired outcome of improving capability in PFM.

The Report identifies a number of Components (16) required to be considered as part of the overall capacity building strategy. Where there is current pressure to enhance training programs to improve local staff capabilities and to develop more capacity to replace foreign advisors, the Report suggests a 12 month program of identifying real parameters and agreeing implementation of any such recommendations prior to any major refocus of capacity building programs, while concurrently continuing enhanced current programs. Many recommendations may have implementation times of many months or even years but the framework that can be developed for MoPF and its view of the future, is needed to guide development of an effective capacity building strategy and delivery program.

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Introduction¹

For the purpose of this Report, Capacity Building (CB) is viewed as increasing the capability of Government and its agencies to deliver improved service to domestic and external parties. There is a need to take a very broad view of CB in this context as it extends beyond the bounds of current organizational and other structures, staff, systems and behavior in the areas of Public Finance Management (PFM). It must, to be functional, address any and all matters that might restrict the capacity of Government to deliver improving services.

For an organization to deliver service to the best of its capacity, the organization must have:

- a structure that supports its activities to the full;
- a structure that manages, controls and defines its responsibilities;
- the volume of resources available to undertake those tasks;
- the people resources skilled and with adequate knowledge of their tasks and responsibilities;
- support from appropriate systems and processes; and
- staff who bring the right attitudes and behaviors to their tasks and their relationships with their colleagues and their customers.

Shortcomings in any of these areas are most likely to limit the capability to deliver desired service or may even be counterproductive to that goal.

Since 2002, many external organizations have conducted appraisals of the need for capacity building within the Government of Timor-Leste (GTL). A recent study, under the guidance and leadership of the World Bank, the Planning and Financial Management Capacity Building Program (PFMCBP), has completed 2 of its 3 stages, the second in November 2004, the third scheduled for May 2005. The thrust of the draft Aide Memoire has been accepted by the Government. Just available is Capacity Development Coordination Unit's (CDCU) Draft Report Medium Term Capacity Development Strategy, a document that has not yet been subject to review but contains data important to understanding the CB approaches and requests in GTL generally and in Public Sector Management (PSM) in particular. It is intended only to refer to data and approach as CDCU itself have not had the opportunity to analyze the content or make any edits to the document.

These various studies have identified many needs, some of which have been taken up by Government and the resultant level of training and training course development has been considerable.

The framework in which most of these studies have been undertaken is based on the 3 pillar concept, namely:

- Skills and Knowledge
- Systems and Processes

¹ This study was undertaken in March and April 2005 for the Human Resource and Capacity Building Division of MoPF, by Bruce Pollock, Consultant. The study benefited greatly from the assistance of staff and advisors in MoPF and line Ministries, CDCU, and staff of HR&CB, in particular, Maria Braz and Joao Camilo de Oliveira.

- Attitudes and Behaviors

The 3 pillar approach has provided the framework in which much of the important training programs have been developed and structured in GTL. It forms the backbone of much of the ongoing needs analysis for CB. As an approach, however, the 3 pillars have limitations in that they cover the components of a capacity building program within a particular context, usually the status quo. Organizational structures and resource levels are also important components that must be considered in developing a capacity building strategy or plan.

There is another danger in using the 3 pillar approach too literally in that it can start to be viewed as a compartmentalized process where issues etc are placed in one or other of the pillars without fully recognizing the interrelatedness of many of the CB issues that confront GTL. Analysis of CB is relatively complex and presentation difficulties almost impose compartmentalization quite unintentionally. Where implicit or explicit compartmentalization occurs, the result on various areas of CB studies can lead to programs without clear identification of the ramifications of this interrelatedness. This issue will be discussed further. There is another danger in that the approach can also encourage a focus too much on the 'current' situation of staff and staff improvement and therefore overlook the 'wider picture'. Where resource levels are insufficient under almost any circumstances to undertake desired activities, skills enhancement, while potentially improving the situation, cannot address the problem entirely and may even have little effect unless the root cause is addressed.

Notwithstanding these very real risks, the approach is sound within its slightly limited context and as a result, considerable and impressive progress has been made using the approach. It has also led to very real benefits in the encouragement of training programs within Government generally and in PFM in particular. The purpose of the more recent studies has been to further refine CB requirements with the view to forming a comprehensive strategy for addressing the real but outstanding needs of the GTL.

This Report is a component of that effort with a focus on PFM, concentrating on the Ministry of Planning and Finance (MoPF) and the finance areas of line Ministries. It seeks to take the previous material of the various CB studies undertaken in PFM and develop those into a series of recommendations on how CB can be further developed to continue the enhancement of the governance of public monies and the efficient and effective use of those monies according to the wishes of GTL.

Summary of Previous Capacity Building Studies

This section takes the form of a very high level summary of a number of these reports. Where specific material or details is relevant to later discussion, the specific report is referred to in that detail.

Government of Timor-Leste

2003 – The Road Map

This important and, particularly for a new Government, groundbreaking document outlined the priorities and sequencing of those priorities of the National Development Plan. It formed the framework for the first budget for independent Timor-Leste and was effectively a forerunner of the Sector Investment Program (SIP) development. This document also identified the need for the annual action plans (AAPs) and quarterly reporting matrices (QRMs) A Priority and Sequencing exercise provided the initial agency-by-agency 5 year program and priority structure (Part 2 of the Report) to permit the Government to determine overall plans for the first 5 years of Government.

2003 – Poverty Reduction and Economic Growth, Background Document, Timor-Leste and Development Partners Meeting, December 2003

This background document makes specific reference to capacity building as well as containing many implications for the CB process. On p31, the Report states:

‘Some of the more crucial aspects include the need for improving capacity for service delivery in the National Public Administration Institute (INAP), improving human resource skills and capacity for the development of policies, legal and regulatory frameworks for civil service personnel management, and for servicing the government with cost-effective, efficient human resource systems. Support for these, and for other areas such as policies, regulations, guidelines and procedures development; legislative review; planning and budgeting; operation, maintenance and management of information technology; and records management have been considered important for strengthening governance and public sector management capacities’.

Many of those issues are still under development and, where appropriate for a discussion of PFM, are discussed in some detail below.

2005 – Public Sector Management Sector Investment Program (Interim Draft February 2005)

The draft Public Sector management SIP contains much information and details about the proposed Sector program. It is important to separate PSM and PFM in analyzing the SIP. There are useful discussions about many aspects of PFM within the SIP and, where pertinent to this Report, these are quoted in more detail below. Because of the many major and minor PSM programs and sub-programs identified in the SIP, they are not included in the programs recommended in this Report but are referred to where appropriate.

2005 – Medium Term Capacity Building Strategy (Preliminary Draft, CDCU)

In referring to this document and its comprehensive appendices, it is important to note that this is the preliminary Consultant's report and has not at this time, been subject to any scrutiny or comment from CDCU itself.

The report focuses specifically on foreign advisors and staff training, being based on an update of the CDCU Baseline and the Ministerial Capacity Development Action Plan (MCDAP) initially prepared in 2004. These documents were completed by all but 2 of the agencies of Government. The Baseline compiles foreign held positions, numbers of staff, and functions of the agency and the major tasks with indicators of the agency's own judgement of its ability to undertake those tasks. The MCDAP seeks numbers and types (modes) of training (only) as required by each agency based on its own judgement. The training responses contain a number of breakdowns by the pillar, mode, location (on or off shore) and nature (formal, on-the-job, specialized etc), allowing cross referencing and analysis of the results. These responses were also cross checked with the Sector Investment Program drafts for consistency of numbers and types of training.

While the MCDAP returns use the 3 pillars, the result is purely focussed on training under the 3 pillar headings. Systems and Processes, for example, do not address either the need for or deficiency of, S&P but only training on systems and processes. While this is clearly the scope of the Strategy, it is important that, particularly with S&P, the systems and processes themselves should not be overlooked in capacity building.

A number of important issues come out of the preliminary statistics provided by this detailed study and they are discussed in various following sections of this report.

UNDP

2003 – Strategy for Strengthening the Public Service

This report, produced in November 2003, is a review based on diagnostic clinics over the whole civil service and, for the purposes of this Report, pays particular attention to the MoPF (see Appendices E and, particularly, F page 83) where a Plan for the Ministry accompanies a strategic analysis. The main findings for MoPF are on page 83 of the Report with the balance of the appendix mapping out a range of issues needed to be addressed. A number of suggested course units listed in Appendix J refer explicitly to units of particular interest to MoPF and the finance areas of line Ministries.

This UNDP Report discusses and builds upon the framework of the 3 pillars but also discusses institutional weaknesses (p19), many of which are being overcome or currently addressed. The proposal to link job descriptions to key performance indicators (KPIs) and annual action plans (AAPs) has been only partially addressed. KPIs and performance management concepts are still in their infancy in GTL and the AAPs are not yet in a comprehensive planning structure (for example, no comprehensive budget figures are contained in the AAPs and as a consequence, financial performance measurement is not effectively addressed and the plans may bear little resemblance to reality where insufficient budget is available to undertake the actions planned for).

2004 – Preliminary Findings on the Institutional Capacity Development Action Plans – Exit Strategies for International Advisors

This document is a record of the proceedings of a Workshop held in Dili in February 2004 and chaired by the Prime Minister, the document released in May of that year. As a record of proceedings, it does not contain analytical data but rather focuses on the weaknesses of agencies of Government as indicators of the need for ongoing, though reducing, levels of international staff. CDCU were at that time undertaking a baseline study of capability in agencies (this data is currently being updated - April 2005. Some preliminary results of the current update process are discussed later in this Report). Ministry specific needs assessments were not included in the 2004 document but across-Ministry (generic) training needs were summarized under the 3 pillar approach as:

1st Pillar – Skills and Knowledge

- Language Training
 - Portuguese
 - English
- Computer Training (Word, Excel, PowerPoint, Access, web design)
- Training of Trainers
- Presentational Skills (public speaking/communications skills)

2nd Pillar

- Human Resource Management
- Civil Service Act
- PMIS (Personnel Management Information System)

- Operations (Admin/Financial management)
- Project Management

3rd Pillar – Attitudes and Behaviors

- Code of Conduct
- Leadership Training

ETTA/NPDA

2001 – Capacity Development for Governance and Public Sector Management

This important preliminary document was prepared by the Transitional Administrator's Office with support from UNDP. This Report, now superseded by more recent studies, laid the foundation for capacity building prior to and immediately after, independence. It identified 75 capacity development programs then operating in Timor-Leste, offered by various donors and NGOs. It also divided the Governance and Public Sector Management Program (GPSM) into 6 areas:

- Senior and middle management (including Executive Management at the Cabinet level)
- Supervisory Skill Development
- Office Management and Administration Skills Development
- Common and Central Services
- Local Governance and Administration
- Cross-cutting issues of the UN (gender equity, human rights, environment protection and cultural protection).

In this document, under the heading (p14) of Capacity Development Design Features, the Timorization of Capacity Development formed a significant component of the strategy.

On page 21 of the Report, language complexity was discussed as a particularly important component of open and democratic government in Timor-Leste given the diverse language skills of its people and the potential civil service population, in particular. Language is, and will probably continue to be, an issue in CB for some years as language skills develop from a very diverse base. This particularly comes through in the frequent references to report writing skills development requests and the need for ongoing language training. Contracted foreign staff and advisors who are required to work and communicate with a counterpart, can have difficulty in communicating, particularly with technical issues, where language difficulties form at least partial barriers in the relationships. This becomes a particular problem where on-the-job training forms a significant part of their responsibilities for CB.

AusAID

2004 – Australia - Timor-Leste Ministry of Planning and Finance Capacity Building Project Report of Technical Advisory Group

This Report of AusAID is focused primarily on the performance of their 6 funded advisors in MoPF. The Report refers to the success in transferring knowledge and skills to the local staff, particularly in the Budget Department and revenue services. This process of reviewing the performance and outcomes of foreign staff provides one of the few monitoring functions of foreign staff and advisors in GTL. While it is useful for the donor agency's internal processes, to provide an objective performance assessment, such reviews are better undertaken by Government and should be undertaken across all foreign staff and advisors, as a measure of the success of at least one mode of CB, namely on-the-job training.

The Report also recommends a more coordinated approach by development partners to support MoPF in capacity building. The application of AusAID's review process, better undertaken by MoPF itself (if practicable) than the donor, would enhance the understanding of the benefits that can be derived from foreign staff. It would also provide a more uniform basis for assessing foreign staff support and achieving more uniform skills enhancement and knowledge transfer to local staff as a result of the foreign staff's activities. Of course, to make this work uniformly, there needs to be a counterpart to all foreign-staffed positions, a point made forcefully in the Webber Report (see below).

IMF/World Bank

2002 – Capacity Building Strategy

This joint study conducted by the IMF's Steven Symansky and The World Bank's David Webber in October 2002 set out the directions and strategies for building managerial, technical and administrative skills within MoPF. One particularly important, but often overlooked, aspect of the Report is its inclusion of issues outside the 3 pillars approach but that significantly influence CB in its broader context. Reference is made below of the update of the recommendations made by Webber in his 2004 Report but it is important to note they recommended a number of structural issues that MoPF should consider. The other important factor they stressed (p19) was that there should be an avoidance of over-sophistication that would pose problems for a potentially under-skilled workforce. Aspects of this Report are further discussed under the heading 'Limitations of the Three Pillars', and elsewhere.

World Bank

2004 – Assessment of Institutional Effectiveness, Technical Assistance Requirements and Capacity Building Issues

Referred to later as the 'Webber Report', this study coincided with the workshop on exit strategies for foreign advisors. A significant component of the Report was a detailed review of the status of the various areas of MoPF and a risk assessment of capability with and without foreign advisors and staff in place. This assessment clearly indicated the need for ongoing foreign staff assistance and therefore focused on the areas of greatest local staff weaknesses.

The Report also updated the 2002 IMF/World Bank study referred to above and this is discussed in more detail below.

Other observations made by Webber are also particularly relevant and include:

- Accelerated Management Development Program (AMDP) within MoPF to select and groom, through focused training, a small group of outstanding local staff. The training would cover the range of MoPF activities so that this small group become the potential future leaders of the Ministry
- Management problems with OGPISM where three divisions are functioning as autonomous rather than cooperative and coordinated units of the Department
- Development of individual staff development programs (rather than the current dependence on general training and on-the-job for specifics) and is based on the 2002 recommendation
- Development and use of the competency-based model across the Ministry to determine individual staff development programs in conjunction with Ministry-wide programs for common needs training
- An Administrative College for Government training.

A number of these issues raised by Webber are discussed in more detail below.

2004 – Public Financial Management Capacity Building Program – Draft Aide Memoire

The draft of the November mission contains a number of issues extracted from a series of workshops and interviews, the issues seen as important by senior officials of MoPF, District Finance and line Ministry staff who attended. Many of these issues related to processes and systems, as well as the need for training, criticism of some foreign staff and their involvement in CB and a number of other matters. These issues will be discussed in more detail later in this Report.

Common Themes in CB Studies

The studies into, and recommendations on, CB needs in GTL have varied from overview to highly detailed lists of identified issues, but there are important themes that do come through. This section of the Report looks at the more important and recurring themes and provides comment on what some of the ramifications and impacts on a Capacity Building Strategy might be.

This list of issues in no way suggests the rights and wrongs of particular cases, only that these issues are believed to exist and cause concerns to good PSM.

The list of issues can be traced back directly to these Reports. Where possible, this Report's explanation and development of each issue is also referred to the source but in many cases, this development has derived from personal interviews and discussions with many staff in MoPF and line Ministries.

The major themes as identified include:

1. The need for, and reliance upon, foreign Staff and Advisors
2. Support in line ministries for budgeting, planning and budget execution
3. Requests for, or implied need for, training programs
4. Trust and attitude
5. Monitoring both extent and success of training
6. Knowledge and Information Sharing
7. Language as ongoing problem
8. Off shore vs. local training
9. Defining the customer base
10. Individual Roles and Responsibilities
11. Organization of MoPF
12. Systems integration
13. Very long term CB strategy
14. Changing environment
15. Resource restrictions

1. The need for, and reliance upon, foreign staff and advisors

Since the UN took control of Timor-Leste in 1999 following the referendum on independence and the ending of the troubles, foreign advisors and staff have provided essential support, both in line positions and as advisors, to the new civil service and then to the Government through independence in 2002. These positions have varied in number from the time of their introduction and generally the numbers have dwindled. They have been funded by the UN or through development partners in the donor community. Current contracts are expected to expire generally in July 2005 and the position with respect to these foreign staff and advisors is as yet undetermined. However, it is expected that foreign staff will be retained but the numbers and positions of those staff have still to be determined. The Baseline study of CDCU reveal most agencies of Government are seeking increases, some significant, in numbers. Final analysis assessment

has to occur and funding found before final numbers can be determined but it is likely to remain a substantial number of foreign staff.

From the earliest CB studies, there has been an urging for the localization of these foreign positions and reduction of foreign advisors as a component of empowering local Timor-Leste nationals to take on greater responsibility for the execution of civil service responsibilities. One focus of CB has been on devising strategies to encourage more localization. There has been some success in PSM in the replacement of foreigners and a number of Directors are now nationals, although in the main they are still supported by foreign advisors. There have been varying assessments made by a number of studies and through comments provided to members of study groups, of different foreigners in these positions. The workshops which formed part of the World Bank's mission on CB in November 2004 (see Annex B, p32) contains a number of comments adverse to 'some' foreigners and lists the workshop's views of the characteristics of an effective advisor.

Many of these foreigners undertake tasks of a technical nature that local staff is, as yet, unable to perform, tasks that require a particular educational and experience background that it will take a considerable time for GTL to build up full replacement resources. Notwithstanding this, the reported experiences on advisor performance suggests widely variant levels of satisfaction, ranging from satisfied and reliable to particularly negative opinions on the disruptive and/or non-cooperative activities of others. There has not been any formal process to assess the performance of these foreigners and this has allowed, together with what appears to be a reluctance to 'rock the boat', a variable performance level and little effective control over contract performance as a consequence. A change in this situation is being developed by CDCU and hopefully this will both recognize the good advisors and allow action to be taken with respect to under performers.

Capacity building focus on localization processes has, like much of CB, focused on training. This is an essential element in some form or combination of forms of CB, the main methods including 'on-the-job' (where counterparts have been identified)² and formal local and overseas courses. As these are senior and often technical/professional positions, both skills and knowledge must form integral parts of that training program. They also need serious exposure to all processes they would have to follow and the main processes they would be responsible to administer so they would understand how the processes of their responsibility area function and where and why they might need to change. Similarly with systems, systematized activities need to be understood so that maximum use can be extracted from them, particularly control, accountability and decision support information. National staff need to be either selected (recruited or promoted) for, or groomed in, leadership capabilities and be capable of leading their team, reflecting integrity, honesty and professionalism as a means of building trust. They must also be encouraged to understand their customer service obligations,

² Regarding on-the-job training by advisors, it needs to be understood that skills in training and knowledge transfer has not been a component of a technical selection process for advisors. To expect too much from advisors with technical, not educational skills to provide training without themselves having training skills support, is quite an optimistic expectation, particularly where language plays an important part.

governance and public accountability and to impart these obligation concepts to their staff. Their and their staff's position in the organization, their obligations to that organization and the roles and responsibilities of the other components of the organization must be understood. Until they have reached a high proficiency in these areas, local staff will continue to need the support of foreign technical support staff.

Training, therefore, is a broad canvas in the case of counterparts. The concept of a staff college proposed by the Webber Report, and probably serviced by INAP³, once their own capacity has reached the required level, under the general direction of CDCU would seem a sound basis for instigating a structured counterpart and management preparation and training program. These training courses and many others currently offered to or by GTL, need to comprise mainly small group sessions focused on customized, agency- and role-specific needs rather than generic training. The advisors would then provide on-the-job supervision, supporting and monitoring the application of skills gained, assessing competency and performance and career prospects and further needs in conjunction with the directions laid down by CDCU. Guidelines and approval by CDCU should itself be based on international standards. The guidelines should include practical assessment of skills held and gained and whether these skills are adequately underpinned by sufficient knowledge to support the skills base. The focus of training should be on needs assessed for operations within the Workplace. Local coursework would also be provided or arranged through INAP or the local universities and appropriate (and approved) NGOs. CDCU would coordinate any off-shore education. All such training would be certified against internationally accepted standards.

Recruitment of staff at all levels, but particularly staff taking more senior positions, need to be selected on the basis of merit and ability and their suitability to take on, when required, the full responsibilities of their position without the support of long term, full time advisors. Recruitment processes should, like training, focus on position needs to ensure the best people are appointed to these positions.

This process still looks at the problem from within current confines. Consideration of the Webber recommendation of AMDP as a means to develop the medium term strengthening of MoPF and expanding it further to look at encouraging appropriate tertiary recruitment and even course development focused on PFM requirements. Human resource planning for future managers needs to look at a recruitment strategy that may focus as early in a person's education as late secondary performance and build through tertiary studies, to broadening the future base for graduate recruitment and civil service development.

The survey update of skills development needs currently being assembled and analyzed by CDCU contains some conflicting messages in that there is an expansion of foreign staff positions requested by Ministries generally and even by MoPF (3). In terms of capacity building, the increases in numbers of requested

³ INAP is building its resources and developing its capability but is not generally considered to be sufficiently developed at this time, to focus on much other than coordinating external trainers and programs to address demand. They should be capable of taking over progressively greater responsibilities as their capability builds.

advisors suggests that either the work demands have changed and increased or that current advisors and the CB 'program' for localization might be failing. This will become clearer when final assessment of these requests has been undertaken by CDCU. However, the requirement now, for advisors to prepare work plans, should emphasize measurement of performance in capacity building achievement to allow performance to be monitored regularly.

In summary, training is generally seen as the end, rather than the beginning, of the process of skills raising. It is essential that training is seen as a focused means to an end and not the end in itself. In the case of foreign staff, the end is the eventual replacement of foreign staff with knowledgeable and professional Nationals.

2. Support in line ministries for budgeting, planning and budget execution

To some extent, this issue has been addressed with the development of the Focal Point (FP) positions in the line Ministries. This, however, has addressed some of the issues from the perspective of MoPF but not necessarily for the line Ministries themselves. Anecdotal evidence suggests that many of the line Ministries have as their FPs, the more able people taking on these roles and being even more burdened by the additional workload. The relationship between MoPF and the FPs has been relatively successful for MoPF and, while FPs are seen as a variable quality resource, varying from good to marginal. The relationship uses mainly local staff in those communications, with reducing reliance on foreign staff. This is a strong positive for the manner of using the FP concept.

An issue that MoPF could consider is to provide a single counterpart to each line Ministry within MoPF, to provide the same service level to the line Ministries that MoPF requires from those line Ministries. Should MoPF consider the possible future investment in AMDP or even a graduate recruitment programs, AMDP or second year graduates in a graduate recruitment program could take the role as MoPF's focal point for line Ministries. This process would give the MoPF FP a view into the activities and problems of the line Ministry and help further the relationship into one of mutual trust. A graduate recruitment program for the longer term is further discussed below.

An issue that is often raised in discussion and was referred to in the workshops of the November 2004 World Bank mission is the separation of the budget and the planning processes. It is a source of confusion in many line Ministries that the two directly related processes are conducted separately and seem to have little to do with each other. Some parts of the AAPs have financial estimates in them while others do not. The budget, notwithstanding the differences between CFET, TFET and donor funds has, in their view, little to do with the plans and little input to the document. Finalization of the budget is seen as a bottom line focus that takes limited consideration of the contents of the AAPs or the case for those activities. While this may not be the case, the appearance of the budget process from the perspective of the line Ministries would suggest this situation. Likewise, the final budget process can leave the AAPs unable to complete what line Ministries see as important components of their plans. This separation of planning and budget

creates unfortunate impressions of MoPF among line Ministries and cannot be conducive to capability development. SIPs, too, have been somewhat divorced from both the budget process and even the AAPs but the current focus is on drawing these closer. Closeness, in this context, may mean merging the areas into one unit or at least physical proximity to ensure a greater interaction between the two. Intuitively, the merging of the two units would suggest the greater chance of realizing synergies and creating consistency with planning and budget, but this organizational issue is discussed in greater detail below.

3. Requests for, or implied need for, training programs

A common theme throughout this Report has been the emphasis that seems to be placed on training as the main CB need in GTL and particularly in PFM. The need for training is not disputed but needs to be qualified and expanded upon. Training cannot, for example, address organizational or structural, systematic or behavioral issues at other than the perimeter of those issues.

As has been discussed elsewhere in this Report, training is not the only component of CB and there is a danger that when asked, staff can indicate the belief in the need for training when other components of CB may be either a partial or even major component of the problem. Where, for example, processes and/or systems are dysfunctional or function poorly, staff can readily develop the view that their need for training is the shortcoming rather than improving the underlying systems and processes. The difficulty is in identifying these underlying causes as being involved in the problem.

Most of the processes in use in GTL are those inherited from UNMISSET. When these processes were developed, it was in the context of a fragmented and poorly prepared civil service and, in general, without the support of any technology. Products like Freebalance, SIGTAS and CHRIS were installed to provide basic financial, taxation and payroll services but the processes around them were designed to ensure minimum risk of things going wrong rather than assuming things might go right. They were also focused on control rather than information, and not a great deal has changed since those early days. This was an understandable approach at that time. While the capability of the civil service is still developing, there has been a great deal of positive progress since UNMISSET and it is an appropriate time to review all those processes and bring them up-to-date with the current capacity of the GTL civil service, and concurrently bring the supporting systems up-to-date at the same time. Payroll is to be upgraded with the PMIS project but little has been done with Freebalance, that system even being circumvented to some extent by the development of GRIMS and even REM and REA before that. While it has been fully understandable why these products were developed to address shortcomings in the way in which Freebalance was being used, the core FMIS is capable of delivering most of the support processing and information needs that applications like REA, REM and GRIMS were developed for.

The danger comes from addressing the wrong problem. Straight-out training may not resolve the problems facing budget development or execution. A complete

review of all major financial processes in Government, supported by a Government-wide user information review and documentation, would identify where systems and procedures are in need of change or modification and where they can be shown to be a significant contributor to the problems facing the civil service, a program of correction can be developed. This exercise is of value as an efficiency measure irrespective of pressure for training. With training demands potentially masking these underlying problems of poor support from systems and processes, undertaking streamlining studies can do little harm. Indeed, they may reveal that training is not, in some cases, the problem at all! Where the 3 pillars are concerned, as has been stressed previously, all 3 components must be assessed and addressed concurrently. Reviewing major systems and processes must be an essential component of capacity building and training should be based on the best fit models of systems and processes. While training in its own right can seldom be wasted, it can, in the environment of poor support, be far less useful than it might. This is not a case, in the short to medium term, for world's best practice. As Webber pointed out in 2002 and 2004, systems and processes must be focused at a level where local staff can manage and understand. The evidence for staff surpassing current processes and system complexity is revealed by the level of criticism leveled at those features both by foreign and local staff.

One process that highlights the potential for significant process and systems related sources of problems is the CPV process. This process has been subject to recent review and report with the report currently under consideration by the Minister. CPVs have seen considerable focus on training in the past and there are still substantial requests for more. However, this has not really solved the problems that are being reported. The Prime Minister has instructed a review of the process and it is hoped a process review, if not also a system review, will start to make inroads into a solution.

Other processes also create considerable difficulties for the execution of Government policies. Expenditure on both minor and major capital fall far behind budget across most agencies, a problem caused either by a lack of skill in forming works programs or an inability to generate the required responsiveness from others in the expenditure process. Cash distribution to Districts and distribution within districts, banking of revenues and reconciling to debts and financial systems are all examples of process problems that have been reported. Because CPVs have been such a common and all-pervading problem, it provides a well known example to use but should not be the only focus of concern.

4. Trust and attitude

As discussed in the Training item above, the development of processes under the UNMISSET management approach was based on risk minimization and, hence, 'over' control of processes. This reflected the necessary conservative approach required for an unknown and untested civil service as at 1999, immediately post conflict. Risk minimization and over control breeds a system essentially founded on mistrust. As the skills and capability of the civil service increase, trust and risk management can reduce the need for over control of processes, approvals and documentation. The PFM processes in force in GTL for spending, for example, are

still heavily based on control but without such an obvious need for this level of control as was understood in 1999.

Risk management can be supported by sound systems with security points that both restrict unlawful access to those systems and concurrently control over-expenditure and to some extent miscoding. The systems can also concurrently provide an audit trail of who has done what on the system, providing a form of pre-audit that allows relaxation of the controls imposed in a paper environment. As an example, and using procurement as the model, setting Freebalance access to certain approved users in line Ministries could allow them to enter on line, the system equivalent of a CPV. With the procurement module fully integrated with the ledger, automatic commitment can real-time check for available funds against the line item or item group. The CPV, in passing this test, would then be 'posted' in a pending status and budget reserved (this latter controls overspend). Reviews of these system-recorded CPVs by Procurement Division would either: confirm, and hence issue, the purchase order; or it would be processed as a Supply CPV; or be subject to bidding processes as required. As budget checking is automatic, Treasury at this stage need not be involved. It is even possible to set the system to pass the procurement by the line Ministry with a different person to that raising the CPV, confirming the order on line (system security can set the approval limit for individual users). The remaining control processes are then limited to post transaction audit, with both internal and external audit having unrestricted but read-only access to all transactions in the system and therefore able to conduct their processes as per their procedures manuals and audit standards.

In this and any other context referring to 'control', it is important that the reasons for the current focus on central control be established and analyzed. Control is not, and should not be, sacrificed lightly. The Component 1 issue of defining the senior organizational structure, as described below, should establish the roles and responsibilities of Ministers and Managers in MoPF and as part of that process, reasons and reasonableness of controls can be better determined.

This is but one example where systems can allow a reduction in overt control while maintaining, using system capabilities, and a 'normal' level of control over transactions as they are processed. Treasury's role is then focused on approving payment once the transaction has been updated with goods or services received (on line again) by either MoPF or the line Ministry. At this stage, Treasury checks the coding, checks cash availability and either reschedules payment or releases payment for immediate check printing or electronic transfer release for payment through the Banking and Payment Authority. Risk management has a basis in trust but with carefully defined system and process controls. The level of freedom provided to staff to conduct their affairs on behalf of Government under their delegated limits can be increased but still using system-based controls to maintain a close control and monitoring of the processes.

Another area of trust materializes in Delegations. Where trust exists in a workplace relationship and skills are adequate (another area of trust as well as judgment/assessment), responsibility can be delegated to others to enable them to approve more transactions and reduce the workload of the people who delegate. This also puts more real control in the hands of staff who should be better qualified

to understand the purchase orders more than central agencies, those central agencies mainly being responsible to set policies for procurement, negotiate contracts for supply and to assist larger procurements where, for example, line Ministry staff would otherwise exceed their delegations to spend.

Risk management focuses scrutiny on areas where materiality is a factor. As the material nature of the transaction increases, the scrutiny increases. Through adequate internal audit procedures, every transaction is liable to be scrutinized but the larger the value; the more likely scrutiny will be applied, focusing on the important and allowing the minor transactions to proceed with less control.

5. Monitoring both extent and success of training

Training can be categorized as being of two basic types, generic skills development and technical skills development.

Under generic skills, capacity in language, general computer use, filing, basic communications (telephone manner, email formats), writing and other such workplace understanding would be included. Training in these areas is largely classroom training in GTL (and in MoPF).

Technical skills focus more on task focus and would range from development of Excel workbooks for specific purposes (e.g. budget development), structuring and operating a tender process, managing a workplace, economic forecasting, developing AAPs, preparing Standard Operating Procedures (SOPs) etc.

Different training needs require different training methodologies. Professional education (graduate or post graduate studies), as part of the 'umbrella' technical training classification clearly requires university class work or supervision while sub-professional training or training in the application of professional skills would use a more job-focused training environment. There needs to be some analysis of these specific training methods developed for specific types of training needs. For the purpose of this Report, it is assumed that the upcoming World Bank 3rd mission will address these specifics. If it does not fall within that scope, it would be desirable for MoPF to seek consulting advice, in combination with the advisors having training experience and skills, to define and relate specific training requirements to training methodologies⁴

Training, while only one aspect, is nevertheless an extremely important component of CB. Good training is targeted on an outcome. To know whether it was 'good', some form of assessment of the outcomes would be needed. With the considerable investment in training conducted in GTL, there is currently no central database of who has undertaken what training and what the outcome has been. While CDCU is planning to start collecting historic data, a good start to correct this

⁴ In the World Bank's 2nd Mission in November 2004, 'modalities' were discussed in the context of training generally but its needs to be taken to a more detailed level. Where, for example, the Distance Learning Centre was not well regarded by staff, that could indicate an inappropriate use of the facility rather than a failure of the facility.

deficiency, the backlog of data and the ability to use that data for human resource planning could make even this process a very long one.

The Budget area has introduced Competency Based Training (CBT) while using adult learning techniques as the delivery mechanism, as one component of its capacity building. CBT is a way of approaching vocational training that places primary emphasis on what a person can actually do as a result of training (the outcome). It is therefore personal in its approach and has an assessment component that incorporates the level of a person's existing skills and their own pace of learning. Formal assessment, where included in CBT, is undertaken when the participant believes they are ready, that is, understand what they have been trained on. Much of the training currently undertaken in PFM is classroom or on-the-job. CBT offers another and possibly more suitable method, for many people, if the training facilities (staff, space and equipment) can support the process.

Monitoring and Evaluation of training is always challenging as the benefits of the training itself may not be realized for some time after the program, when job performance can be assessed. Where external organizations are involved (including INAP), they should be asked how they assess their course outcomes and these assessments should be approved by CDCU. Most international course programs have a form of assessment and the new policy of having all overseas course attendees present on their learning is a good start. Formal programs without assessment should be viewed with some mistrust by training organizers unless they are very general local units of training more on the general awareness basis that anything of a technical nature.

INAP has the potential to be a major provider of PFM training services to GTL but is not developed enough to provide those services. Development of INAPs capacity to deliver more direct and better focussed training and coursework services would, of itself, assist CB in MoPF. There would be scope to engage senior technical staff of MoPF as instructors in those programs or units, benefiting all concerned and providing a more open forum to discuss and disseminate ideas across a wider audience. Currently, INAP is mainly concerned with arranging training providers but ongoing development of its own capacity to train could improve training from both the relevance and cultural perspectives.

There is an understandable demand for overseas training. Justification for overseas training, probably the most expensive form of training available, should be supported by individual work plans that show, as part of a study application, the reasons for the program and the expected outcome. By the end of the training program, the staff member will almost certainly need to modify their work plan and the final version submitted, in MoPF, to HR&CB Division, copied to CDCU. This would then form the basis for evaluation of the training program success outcome evaluation at some suitable time (3 months to 1 year) after return to normal duties. It might be considered a prima facie case of training program failure if there was no need for a variation to the 'student's work plan based on what they gained from the training.

Once PMIS is fully functional, the HRMIS capacity to record course work programs and outcomes should be enabled to assist the type of record keeping CDCU are

seeking and also to improve human resource budgeting. In most HR systems, there is also a capability to record course deliverers and an assessment, by staff, of the course effectiveness so that both sides of the training program can be analysed. The use of a HR system to support training and monitoring of training outcomes is a rather technical requirement and would need expertise to establish the system processes to achieve a successful support process, but the benefits from the use of such a database can be considerable.

One area commonly mentioned by advisors and even by local staff where capabilities of local staff are low, is in the ability of many Timorese civil servants to undertake data or situation analysis. While this is true of many people, irrespective of their nationality, it would appear to be of particular concern in GTL. It is likely that this low skill level is caused by the relatively low level of education or the nature of education most civil servants have achieved prior to joining the workforce, a situation contributed to by the occupation and troubles prior to independence⁵. Notwithstanding the cause, the effect is a greater reliance on the people who do possess these faculties, namely some of the foreign advisors. Addressing this shortcoming is essentially a longer term problem as teaching analytical ability is often an implicit component in tertiary coursework programs, the general approach being one of challenging students with situations or problems that requires, among other knowledge, the ability to analyze. While not all graduates of tertiary programs have effective analytical skills at the end of their courses, many do, and by encouraging a greater number of staff or potential future staff (through a graduate recruitment program) to undertake tertiary education, this important skill can be enhanced. At a sub-professional level, adult education training methods also focus on situation analysis that can help address this shortcoming much more than classroom training, for example.

6. Knowledge and information sharing

A common problem raised both within MoPF and between agencies and MoPF is the information sharing issue. From many comments made at various meetings and implicit in World Bank workshops during November 2004, retention of information is seen as an individual's right rather than being seen as a custodian of information. Information, within the limits of 'need-to-know' and confidentiality, is a common good within an organization (e.g., GTL) and must be made available to whomever can justify the need for that information (for monitoring, control, decision making and accountability reporting, for example). Careful mapping of information availability to information needs can identify quite precisely the quantity and level of detail really required.

This problem also relates to trust and attitude but would appear to be a problem stemming from the base level workplace. Staff meetings appear the exception

⁵ Many studies were and still are, undertaken in Indonesia, where there has been a greater focus on conformity and repetition in education than many other countries. This does not encourage individuality or analytical skills. This should be a consideration in selecting locations for off shore programs but not ignoring Indonesia's advantages, either. The format and focus of education as emphasised in Indonesia is a particularly good match for much of the training required within Government.

rather than the rule and meetings between staff and advisors are uncommon. During the SIP process, it was common to hear from an agency that because the advisor was not available, no-one else knew anything about the SIP. Meetings of staff and staff briefings of important Divisional, Directorate or Ministry issues and decisions are not commonplace. As a result, matters are not openly discussed at any level of the bureaucracy and information is power. This is a particularly negative approach to developing a service ethic. It also leads to an order based culture within work areas with staff being instructed on what to do but without the ability to participate in discussions on the matters at hand. Comments have also indicated that allocation of non-standard tasks is not recorded in any formal manner and responsibility can not, therefore, be either established or monitored.

This attitude seems endemic to the workplace and manifests itself in disputes over information sharing at Director level and between MoPF and its customers. Access to systems-based information is patchy. The intention to roll out GRIMS to agencies was one attempt to overcome some higher level information sharing but, because of other concerns about that product, agency access has not progressed. Frequent complaints are made about access to Freebalance and other central databases.

7. Language as ongoing problem

The diverse language skills of staff in GTL and the diverse language skills of advisors, trainers and other communicators, when combined with different cultural backgrounds, create problems frequently raised by advisors and local staff alike. There is a clear need to continue language training in GTL but, like all training, needs to be assessed for its effectiveness in delivering the outcomes desired by Government. Differences in cultural background are often overlooked by advisors when trying to communicate with local staff that have neither the language nor technical skills to comprehend the communication at the same pace or with the same rate of absorption that the advisor may be used to in their home country.

Writing skills are often mentioned as problem areas, both with local staff and advisors. Training in MS Word, for example, might give staff the tool by which to write but not the skill to compose or edit documents ranging from policy proposals and instructions to emails. Use by advisors on technical matters using technical terms or jargon complicate understanding and translation, potentially adding to confusion. This is a particular problem with Tetum, a language deficient in technical terminology. Staffs, who mentally translate from the spoken language into Tetum, will struggle with technical terms and jargon, slowing their rate of comprehension.

A further area where language presents real problems is in the dissemination of both historical and new material prepared for Government by advisors, consultants etc. This material is presented or exists in the language of the author, in almost all situations. To make this material available to a wider audience, it must be translated into perhaps, 3 other languages. This has 2 major negative effects on this knowledge base. It slows the pace of dissemination until translation is

complete and it costs money and the use of scarce translation services, slowing other work at the same time.

As the problem of dissemination, storage, translation and cost is growing, Government should review their language policies and lay down requirements for language presentation of material.

8. Off shore vs. local training

There has been a high level of interest in offshore training among local staff. While there might be an element of people wishing to travel, it is also obvious that some training material is more readily available overseas than in Dili. There are concerns with both onshore and offshore training courses that need to be considered in setting any policy or strategy for technical training.

Sending staff offshore, where a number of participants will be involved, can be more costly than bringing a trainer into Timor-Leste. Overseas trainers may not be sufficiently aware of Timorese character to focus training in the best cultural setting or be aware of local variations to international attitudes. At the same time, overseas trainers bring other cultural values to the local staff that expands their horizons and allows them to see how issues are addressed in other places.

Use of the Distance Learning Centre is one method of combining both attributes but was an option ranked as largely unsuccessful in the November World Bank workshop on 'modalities'. Local educational institutes such as INAP, the university and NGO training organizations, while currently low in capability for many services, should all be encouraged to take on more courses to build the necessary basis for sustainable training in Timor-Leste. The concept of a specific Finance training academy, either as part of INAP or the university campuses would encourage these institutions to build their capacity to offer and support PFM, even to the extent of potentially providing consulting services to MoPF and line Ministries as a longer term replacement for foreign advisors. As these institution's capacity builds to a capability to replace foreign (and expensive) consulting services, the potential for revenue raising by those institutions increases and thereby enhance even further their capability to service government needs.

Where local training offerings can be assessed and approved for their performance, the country is enhanced by the ongoing development of their service offerings. It is important, though, that the best value-for-money options are considered. Approval itself should be based on a set of international standards such as the International Labor Organizations (ILO) model of competency standards, modified as necessary to best fit local conditions. CDCU would appear to be the agency best placed to establish and monitor these standards.

9. Customer service

Understanding and development of customer service in GTL is evident but in a very patchy manner. Within PFM, there is a clear but particularly limited perspective of customer service in the areas of establishing the focal point people

in line Ministries but the converse has not been true, namely that MoPF has not established the equivalent in MoPF for line Ministries to associate with it. There is no identification within MoPF of who make up customers and what the products they are entitled to receive are. MoPF has been clear in its demands on other agencies but has not responded in kind. Information (discussed above) is a clear example of a lack of customer focus.

Other areas where customer service is lacking is in the very slow processing times within MoPF involved in many financial transactions, claims by line agencies of short lead times before responses are due to be submitted to MoPF and in the manner in which some matters are raised with line Ministries. For example, even in the knowledge of low skills and understanding in some line Ministries, questions are posed to them in technical terms rather than in a more sympathetic manner that allows the respondent to understand more clearly what is required. Asking a person for changes to a ledger is less user friendly than asking whether they wish for more detailed information or changes to their information (from which ledger changes can be made). Pay dates force employees to queue for long periods for their cash salaries whereas staggering paydays can reduce the inconvenience and indignity of standing in long queues in the heat waiting to get to the payment window.

Many areas where customer service is lacking are more underlying than a couple of external examples would appear. The focus on compliance with rigid rules and processes delays procurement from and payment to, external suppliers and not just the inconvenience to internal customers such as procurers. Agencies struggle with understanding why, for example, budget and planning are not closely linked and why they are asked essentially the same thing by each Department. Comments seem to them to fall on deaf ears. The line Ministries were not, according to them, involved in discussion and agreement about the abolishing of petty cash and they have no input to frequently changing policies and directions but are ordered to comply, even where they worsen their work environment. Whether this problem could be addressed by a more active involvement in day-to-day operations of the Ministry through either Webber's Director General or through a different mechanism, if customer service as part of A&B is important, there needs to be a process established to address these issues.

Another area of expressed concern relates to the fragmentation of information coming from MoPF. Information about budget, commitment and actual expenses comes from different Departments (and their systems). CFET and TFET are on different ledgers. Bilateral and multilateral funding is recorded separately again. This complexity adds to the difficulties in extracting financial information for management and control. It also makes it particularly difficult for advisors to train counterparts where information is uncoordinated, non standard in format or structure and where there are limitations on basic financial understanding among those staff. With the added complexity of different data sources that need to be merged to present a comprehensive picture of finances to Management, the challenges for all concerned mount alarmingly.

Line Ministries also have customer service obligations that are made more complex than necessary where central agencies such as MoPF themselves do not

support these notions. The concept of customer service affects almost all aspects of public service and it should be viewed as a comprehensive philosophy across Government, obviously with the necessary, but no more than the necessary, checks and balances.

10. Individual and organizational roles and responsibilities

From the earliest report from the UNDP, there has been expressed concern about the understanding of individual roles and responsibilities in MoPF, the individual's position and how that position 'fits' within the Ministry's Vision. While the situation has improved considerable in the understanding of what staff should be responsible for, as a basic set of tasks, there is still a gap in the knowledge of how the Ministry fits together. The organizational structure is not a unifying whole, but rather a collection of individual units often seen to be unrelated and having different objectives.

A central Ministry such as MoPF needs to be a cooperative body focused on delivering its services. Where cooperation is lacking in the organization, it cannot be expected to operate in the individual work units.

Further, without a clearly defined understanding of where an individual fits in the organization and what their roles and responsibilities are, there is no clear framework to focus on individual work plans and capacity building. The lack of a structure from the bottom of the organization up through its hierarchy creates a potentially dysfunctional organization that cannot deliver customer service. A number of references have been made to the need for individual work plans as the basis for developing focused CB and enabling CB to form a part of human resource planning but individual work plans only have structure and context where the organization is well structured and its own roles and responsibilities defined.

11. Organization of MoPF

The suggestions (see in particular, the Webber Report) that MoPF requires a full time administrator in the form of a Director General (or Secretary General) is, as has been discussed earlier, a political decision although some organizational charts show such a position. The position is not as important as the functions it would serve and the various dysfunctions in MoPF filter through the entire debate about capacity building. The suggested role for a Director (or Secretary) General is to establish a guiding administrative control over the Ministry and to provide direction for developing strategies, consistency in approach, addressing customer concerns, setting administrative priorities, overcoming internal MoPF disputes over responsibilities and/or control (or the lack of it) etc. The position can also coordinate approaches to the Minister, Vice Minister and Government about resources, internal development and investment (in training, systems, processes etc) and providing a single point of approach for higher level issues raised by, or escalated to, senior management in the customer agencies without having to involve, initially at least, the Minister.

Another important aspect of Organization is to have an internal structure throughout the Departments and Divisions that streamlines the management process, clusters like areas under a common management and improves internal communications. A well structured organization would also have clearly defined job descriptions for all staff and have their roles and responsibilities defined within the Annual Action Plans or their sub-components. The AAPs are also where the concept of customer service is best revealed and understood, particularly where supported by customer service performance indicators.

12. Systems integration

The problems associated with many processes in GTL and in particular with PFM, may well be exacerbated by the fragmentation of systems across the Ministry. This issue is discussed in some detail in Annex C of the November 2004 World Bank Aide Memoire and in previous World Bank specific studies of the functionality of the Freebalance systems, in particular. The perspective taken has been in user services possible, but not serviced, by Treasury. These various studies have provided analyses and strategies for the approach that should be considered and may be summarized as requiring:

- Integration with all other financially related systems in MoPF, including payroll, budget development, ASYCUDA, SIGTAS, REA, REM and GRIMS, Catapult Inventory
- Integration of the Freebalance modules of General Ledger, Procurement and Asset Management
- Assessment of all user information needs as a precursor to redesigning the chart of accounts into a useful structure
- Possible procurement of additional Freebalance modules to increase the usability of the system
- Review of all related processes that involve Freebalance, to ensure those processes and the system configuration operate efficiently and in concert with each other.

Freebalance is mentioned in somewhat negative terms, almost as often as CPVs as one of the problems facing effective public finance management and budget execution in GTL. The problem appears not to be with Freebalance as much as it is with the manner of its use and the limitations imposed on its functionality.

13. Very long term strategy

It is easy for a relatively new Government in a very young country, to focus on the driving needs of the moment. Within GTL's planning horizon, though, are the 2020 'Our Nation, Our Future' statement, National Development Plans and the Millennium Development Goals. All these consist of a future view and all emphasize, in one or other form, capacity building. There are considerable challenges addressing the current state of the civil service and work loads. Day-to-day concerns limit the time and focus available to plan well ahead. However, the

serious structural issues confronting the development of a long term and viable public service require that these issues be addressed.

Planning for a better qualified and better performing public service requires consideration of the population from which the future staff are drawn, the educational base and the likely future qualities and qualifications the future civil servant can be expected to need. Human Resource planning must, in a country as new and underdeveloped as Timor-Leste, develop the strategies for this future vision of its public service. By reviewing its current Directorates and assessing the limitations facing the Government, weaknesses and shortages identified now, can assist with remedial processes established for the future. An obvious case in point is the reliance on foreign staff.

14. Changing environment

Two aspects of the changing environment are of particular relevance to CB in PSM. One is the changing face of support and the second, the changing nature of financial environments for operations and reporting.

The support provided to GTL is, and has been since independence, changing. The current review by the United Nations of their ongoing support to Timor-Leste in all its various forms may have significant impact on the nation's security and the number and position of both foreign staff and advisors. As the foreign staff numbers reduce, there is a growing responsibility shifted to local staff and in some instances, there seems to be a struggle on the part of local staff to cope, notwithstanding their best efforts. The request for more advisors, as reflected in the initial requests made in response to the CDCU template for training and support indicates the concern in Ministries about the level of confidence local staff have. This request for greater support may just indicate a lack of confidence but may also indicate a real concern in their own ability to take full responsibilities of their positions.

The financial environment changes are more subtle but, nevertheless, of consequence and has the potential for considerable impact on the systems and processes pillar. Changes made and foreshadowed in the area of international public sector accounting standards will introduce significant changes in reporting. This, in turn, can affect particularly the way in which Freebalance, in particular, is used in Timor-Leste. The main change is the introduction, foreshadowed, of the obligation (if GTL intends to comply with these standards) to report on all activities undertaken by or on behalf of Government. This would include CFET, TFET, donor funded activities and even NGO activities on behalf of Government. In response to this changing environment, donor organizations are changing their manner of interacting financially with Government. Use of the Treasury Single Account (TSA) to collect all donor funds and the use of FMIS (Freebalance in GTL) would be accepted as the effective means of protecting those funds currently protected by separate bank accounts, with reliance on the FMIS to provide reporting and control under the internal FMIS security structures.

Within GTL, this can affect the manner in which Freebalance is configured and operated, the role or possible elimination of products like REA, GRIMS etc or parts thereof, and the greater need for fully integrated or properly interfaced corporate financial and associated systems, including HR and Payroll (PMIS), Budgeting, ASYCUDA, Taxation etc. To cater the environment suggested by these changes, a detailed review of the use of financial and related systems would be required. Combined with a project to investigate and analyze financial processes and management information required at all levels of Government, incorporating these emerging requirements can convert a somewhat dysfunctional set of financially related systems into a structured, useful and controllable financial environment for PFM.

15. Resource restrictions

The structure of human resource capability and distribution in MoPF would appear to be unbalanced in a number of areas. Rules laid down for the size of the civil service may no longer be relevant as management and performance demands change as the service changes

Resource restrictions in a static environment can generate considerable problems but in an organization as new and changeable as GTL, resource restrictions can create major problems for service delivery and product mix. A difficulty in assessing adequate resources is determining whether existing resources are wasted on activities they are unable to perform or are wasted on processes that are dysfunctional. The changing environment creates demands for new and expanded resources in the emerging areas and may or may not free resources in other areas. While it is impossible for GTL to endlessly recruit, human resource planning, reviews of systems and processes, individual activity plans etc, can all assist in identifying skills that may be redirected without creating unbearable stresses elsewhere.

Allocation of particularly human resource capacity is an ongoing task that demands, as part of its requirements:

- Human resource mapping
- Recruitment strategies that are mapped to real and emerging needs
- Recruitment processes that encourage rapid recruitment and engagement of resources as needed
- Flexible employment conditions to permit the right mix of skills mapped to reward.

Other resource requests, identified in the World Bank's November 2004 Aide Memoire, such as the request by Customs for more land posts to support their work of controlling contraband and smuggling across land borders⁶ also fits within the resource constraint area of CB and are as worthy of consideration as other CB requests.

⁶ This is another example of a capacity building requirement that does not fit within the 3 pillar structure.

The Three Pillars

The 3 pillars approach to capacity building is an approach that focuses on 3 basic structures supporting the whole CB process, namely Skills and Knowledge, Systems and Processes and Attitudes and Behaviors. This approach has general applicability that is particularly useful in the GTL context but it also is an approach that is itself founded on some basic assumptions that may not be fully realized in the context of Timor-Leste. While the dividing these basic assumptions as separate from the 3 pillars may be semantic in nature, they do emphasize that a strict focus on the 3 pillars may deflect consideration of these 'external' or basic factors.

One of these factors is Organization. MoPF has a position created for a Secretary General or Director General, a position designated as the senior civil servant placed directly under the authority of the Vice Minister, MoPF but this position has not been filled. While the merits of having and filling such a position can be debated, it is ultimately a political decision whether an appointment is made (assuming a suitable candidate is available) or whether the function continues with the Vice Minister managing her time between political and administrative duties.

The important point is that the largely implicitly defined role of a DG is not filled or an alternative structure found, certain dysfunctions that appear, and are generally believed to exist in MoPF, will continue. These dysfunctions create effects that act to the detriment of building capacity as they allow problems to develop and thrive.

Lack of cooperation, trust and risk taking as well as blame shifting and fragmented approaches to common problems arise from the uncoordinated management of the Ministry by Directors where they are allowed possibly too much leeway in developing policies and procedures and where a significant lack of customer focus is evident. There is also the current lack of an Organic Law that can provide clearer direction to senior staff about their roles and responsibilities and to which, directions from the Minister and Vice Minister can add specific focus through interpretation of the Organic Law, should such direction be required. The Law has been drafted but not enacted, the Government having determined that they will standardize all such agency organic laws into a common format before enacting any more.

The 3 pillars approach to CB is the approach underlying much of the capacity building studies undertaken in Timor-Leste. Notwithstanding there are 3 pillars in this model, much of the emphasis has been on two pillars, or parts thereof, in PFM, namely the Skills and Knowledge and Systems and Processes. In areas of MoPF, including Taxation and Customs, there has been a development of a number of systems and associated processes including the current project to select and implement a PMIS. Some specific systems work has also been undertaken in desktop developments in Budget, Statistics and Revenue Forecasting and both REA and the partial development of GRIMS (now on hold) have sought to overcome some of the financial information deficiencies experienced in mainly non-CFET funded activities.

However, little has been done in developing the core CFET systems and processes or integrating systems with the result that there has been some breakdown of relationships between core aspects of MoPF and line Ministries as well as internal breakdowns within MoPF itself. There have been a number of causes of this situation but one of the causes is undoubtedly the lack of serious attempts to integrate the systems.

Skills and Knowledge Pillar

The Skills and Knowledge (S&K) pillar refers to the personal skills and knowledge a member of staff needs to undertake their duties and to prepare them for promotion. The pillar refers to both skills and knowledge and the difference needs to be understood. If knowledge is the 'Why', skills must be about the 'How' of doing things. As S&K often are merged into one concept, training, then training must include both the 'How' and 'Why'. It is not always clear, in discussing training, that the 'why' component is explicitly included. To allow the knowledge component to slip from, or be downgraded in importance, in discussing training, the pillar will not be comprehensively addressed. It also can give the impression that training is an end in itself. Training is only an end point when it has delivered what was expected of it. To do that, it has to be related to need and competence, be successfully delivered and to achieve the outcome. It has to be in context to be of any real use. It has to change capability to do and understand tasks and if not followed up and assessed, performance that is enhanced initially can quickly slip back and all benefits lost.

Training has been a major focus of attention and understandably and justifiably so. Training has been seen as the means of addressing the S&K pillar and while there is ad hoc evidence for successes, there is little direct evidence that the resources devoted to training has actually repaid the investment. This is not to say that it hasn't provided a return, only that it is unsubstantiated and this leaves open a number of questions about the effectiveness of past and even current, training regimes and approaches.

The pillar is for Skills and Knowledge, not for their own sake but to enable staff to improve their job performance and their promotion prospects. Training, per se, may not provide these outcomes unless it is focused, well received and understood and is successful. There is currently no record generally available to assess the success either of individuals who have undertaken training or of the training programs themselves. CDCU is retrospectively undertaking a survey of training programs to attempt to build a database of training units, who attended and any assessment of 'passing or failing' the units and this will provide some essential information. S&K, however, needs to be assessed as much after staff have returned to their workplace and their normal duties, to establish whether they can undertake their duties 'better', as at the completion of a training unit. It is only in the conduct of their duties that a real assessment of the success of training in the fulfillment of S&K can be recognized.

To achieve focused and successful improvements in S&K, the process should be constructed round identifying skills shortages. Then, focus on the appropriate

means of addressing those shortages, to focus specifically on the identifiable and justifiable need of the individual staff member or, less frequently, a team. To achieve this targeting, the management of the unit concerned must be able to identify the current level of skills, the shortcomings of staff in those needed skills, have the capacity to prioritize the required training and to arrange for the necessary back-filling of positions where necessary. Where positions are vacated for any considerable period of time, due to course duration, backfilling becomes a necessity. In the Budget Department of MoPF, for example, they are now using competency-based training as their approach and this appears to be showing signs of success, to the extent that localization is improving (one outcome check on the return from the investment).

In a well developed systems environment, targeted training would be managed, position by position, using a fully integrated HRMIS where skills requirements, occupant's actual skills and their performance would be stored and made available on line (to those with appropriate security access) for detailed human resource budgeting and planning. This use of a HRMIS is one example of how systems and processes can directly support the skills and knowledge requirements. While this may be a desirable end point for GTL, it will only be practicable when there is a system and staff data where job definitions and skills requirements have been gathered and stored in a readily recoverable system. A project currently underway to review and update all civil service staff files and the efforts to procure a HRMIS (PMIS) opens this form of system use for the near future. Without a clear focus, training can take on a justification in its own right but this may be inefficient and ineffective. Uncoordinated training, at one end of the scale, can lead to waste of both scarce staff resources and budget as staffs undertake training courses of little or no use to the conduct of their duties. Introducing a 'success' assessment helps to ensure the training process can and does produce meaningful returns for capacity building. The recent introduction, by MoPF and supported by CDCU, where all staff attending training overseas are required to give a presentation to any interested staff on what they gained and learned from their offshore training, is a clear step in the right direction⁷. It is, however, a preliminary step in assessment as it is really only in increased capacity to undertake their normal duties that real benefit from training can be assessed. At this stage, no formal assessment process at this level has been designed or attempted but should be considered as a future development.

Establishing Focused Training Needs

Where skills and employee databases are not available and cannot therefore be combined into a staff development program, there are restricted options for training program development. These have largely been confined to one or a combination of:

- Asking staff what training they want

⁷ A recent MoPF session presented by 3 staff who attended different training overseas in January and February 2005, was attended by the Vice Minister, giving a clear signal that these sessions are considered very important. The presentations were well developed and were taken seriously with many questions from the audience (about 18 people). It might be useful to consider the wider dissemination of these reports to others in MoPF, possibly through publication in newsletters or on the Ministry's intranet site.

- Asking managers what training their staff need
- Asking Ministries what training their staff need
- A 'central' agency decides who needs what training (using, for example, a fully functioning PMIS)

None of these approaches are really suitable, yet, to some considerable extent, one or more of these approaches have determined training programs in GTL. These approaches have potentially severe flaws. People may seek training as a means of changing jobs; they may have an interest quite outside their current responsibilities, may see training as a means of simply avoiding work or may be seeking any sustenance payments that accompany some training programs. Managers have been known to send people they can't be bothered with, to training just to get them away from the workplace. Where Ministry wide responses are compiled, there is no real way of establishing if the results are reflective of need or just the view of the compiler. There would be a tendency for people to seek overseas training as much to enjoy travel and gain financial rewards as to really learn. Finally, and most importantly, training requests may cloak the real problem of, for example, dysfunctional systems and processes that are the real cause of what manifests as training requests ('I can't make this work so I need training'). The evidence for an underlying cause of the problem can be deduced from what appear excessively large requests for training in particular topics as a manifestation of a systems and/or processes failure. This concern is discussed in greater detail later in this Report.

If S&K is to be approached in a meaningful way, the current approaches to establishing training needs are unlikely to be overly successful. Competency assessments and focused training needs assessment linked to performance is a better way forward, particularly where this is framed in work plans and a clear understanding of the individual's roles and responsibilities.

Systems and Processes Pillar

Systems and Processes (S&P) refer to the tools that are available to staff to help them undertake their responsibilities. Systems may be electronic or paper based, corporate (operated for Government) or 'private' (built by individuals or small groups to help), where no corporate systems are available. In the PFM area, there are a number of disparate and unconnected corporate systems and a large and growing number of private systems. Processes are the methods used to conduct activities in Government and usually refer specifically to the processes surrounding systems but this is not always the case. Every system has processes but, for the sake of simplification, we refer to systems as the creation of a 'permanent' record, processes are all the stages leading to the creation of, or amending of, those records. Much of the focus on processes has surrounded the vexing issue of CPVs (Commitment and Payment Vouchers) as these have been seen as one of the major process problems in budget execution. Arguments have continued over a long period as to what exactly has caused the problem with CPVs. The Government commissioned a study into CPV processing and the report is now with Government for consideration and decision. Historically, the matter has resulted in what amounts to accusations of cause and responsibility being tossed round the

Government Ministries, to the detriment of good business processes, confidence, customer service philosophy and trust. CPVs are a useful example but only one of a large number of processes that function at various levels of success and efficiency in PFM. Other areas of Government processes are also referred to as sources of inefficiency and these also need to be addressed, particularly in the light of systems support and the S&K required to overcome the understanding, but not necessarily correcting the problem, of these processes.

Expenditure on capital has also been reported as a process that seems to be malfunctioning and causing considerable delay in executing capital programs. Distributing cash to Districts to enable payment of local staff and suppliers is another process reported to be creating delays and concern among staff. In addition, all these process problems need to be reviewed for any system support that may help reduce the problem and whether S&K is also a factor. In the area of CPVs, training is often seen as the method of correction, particularly by those with systems responsibilities while systems and processes are seen to be the problem by those involved in the creation of these transactions.

Improving S&P

What ever is the case with CPVs, as an example, the solution does not lie in finger pointing but in a detailed study of this and all other major processes with the view to establishing where and why there are bottlenecks and whether systems and process reviews may assist in the overcoming of at least part of the problem, together with establishing the training needs for improving staff capabilities to undertake these processes. To achieve this, the following approaches can be considered:

- Identification of the major processes that seem to cause bottlenecks in PFM
- A detailed study of the current processes and systems support with the view to re-engineering any clearly inefficient components of the process
- A parallel review of the skills and knowledge, both required and existing, at each key stage of the process
- As part of the revue, an assessment of delegations, controls and risk points and mitigation along the transaction pathway.

There is, because of the irritation felt by many staff at the ongoing nature of many of these process difficulties, an already established negative attitude to those processes in particular and to MoPF in general.

Attitudes and Behavior Pillar

Attitudes and Behaviors (A&B) refers to way in which staff undertakes their duties. Their work ethic, dedication, cooperation and approach to others, their concept of public service, the serving of an identified customer base (whether within the civil service or with external parties) all form part of this pillar. While this pillar is a complex area (dealing, as it does, with the nature of people), there are aspects which can be subject to capacity building activities.

A&B can be directly related to the notion of customer service, a desire to support the nation through support of Government policies and the execution of their responsibilities in an 'efficient and effective' manner. 'Customer', in the civil service environment, is a broad and multi-faceted concept that needs to be understood before 'service' can be provided.

The 'customer' in public service terms can be viewed as so broad a concept that it becomes meaningless. Focus can, however, place more emphasis on the key customers of the general area of PFM. Customers are, effectively, any other staff or members of the public with whom direct contact or communication is held. This therefore includes people in other parts of one Ministry, people in other Ministries, Ministers and Government and suppliers or payers of Government invoices (debtor or creditor).

For a line Ministry involved in PFM, customers would include external parties from whom goods and services are procured, staff of the Ministry who have requested those goods and services and staff of MoPF who participate in the procurement and payment processes. MoPF have similar customers in that they are part of the transaction process and have the same customers as the procurer. This concept seems to be understood in an abstract way in GTL but does not seem to be a driver for A&B as it should be. The basis of serving a customer is that of developing consideration, professionalism in activities and mutual trust. From a variety of different but largely anecdotal sources, trust is seriously missing in many of the relationships that should be driven by a concept of customer service, one of the most obvious in PFM being the budget execution procedures. The lack of goodwill and trust would appear to be undermining the efficiency of transaction processing and therefore at the least, contributes to the poor performance of budget execution.

Trust is another facet of A&B, and a very important one. Trust, wrongly placed, can create risks but well placed and earned trust is an essential component of streamlining transaction processing. It allows some risk management into the control process to reduce the level of frequently duplicative oversight of someone's activities, reliance on multiple signatures before any approval is finalized ('if everyone else signs this, it is less likely I'll be held responsible if something goes wrong'). Trust is based on professionalism and confidence in a series of checks and balances rather than on rigid controls. Organic law and clear understanding and compliance with roles and responsibilities lead to trust as does the knowledge that some checks are in place (for example, transparency of data, internal audit, bank account reconciliations etc) that are designed not to detect every flaw but provide overall control mechanisms that 'keep people honest'. A close analysis of the outputs from the November 2004 World Bank mission clearly indicates, although not explicitly stated, that trust among Ministries and between Departments in PFM is not high and underlies many of the difficulties experienced in budget development and execution.

Trust is based on communications, honesty and integrity and clear demarcation of boundaries in roles and responsibilities. Mutual expectations are known and are met and respect is evident. Without these features, the elements of trust and the

attitudes and behaviors of staff and organizational units will be uneven and fragmentary.

The two related aspects of A&B are the internal or organizational unit situation (personal and interpersonal in the workplace, mutual respect, cooperation, honesty and integrity, operating within a code of ethics) and the external situation (integrity, accountability, customer orientation and service, information sharing, delegation).

Improving Attitudes and Behavior

Much of A&B is interpersonal and intrapersonal and capacity building is limited to external factors that affect a staffer's performance and understanding of their responsibilities. These include:

- Clearly defined roles and responsibilities
- Training that brings staff up to the desired and necessary level of professionalism
- Understanding of individual roles and the interaction in processes that they serve and that others serve
- Clearly defined responsibilities of other staff in (their or other) Ministries
- Code of Ethics and processes of performance reviews, assessments and incentives to 'do a good job'
- Sanctions and penalties equitably applied across the work place and the civil service
- Democratic management practices, information sharing and mutual respect
- Processes available for complaint procedures and redress for injustice.

Good customer relationships depend heavily on ensuring the right people are placed in the right positions. Staff having contact with the public require a type of personality and the right training to deal with a range of human emotions, ranging from hostility to pathos. They also must be able to deal with covert or overt offers of bribery and corruption, threats and promises inappropriate for a civil servant to contemplate. While these emotions can form part of the 'internal' customer relationships in daily dealings with other civil servants, it would not normally be as frequent or extreme as experienced with dealings with some members of the public at large.

Open government comes from the right to information and the honoring of that right. Information sharing, within Government imposed constraints (whether or not there is a 'freedom of information' statute), is essential for the belief in honesty and integrity. The right to information should support just claims for information, for staff, line agencies and for the general public.

However, similar understanding of the roles of each are central to delivering customer service and need to be understood, at different levels of intensity, by all staff.

Another aspect of developing the correct A&B is by example. Senior management and foreign advisors are central to sending the 'right signals' to other staff with whom they have contact and whom they should lead by example.

Interrelationships Between the Three Pillars

It is important not only to see the 3 pillars as functioning within a particular environment but to avoid treating the 3 pillars as separate compartments rather than as different aspects of the one concept. Separating the factors into compartments carry the risk that each might be seen as independent of the others. This then may result in activities that, for example, approach skills understanding through training without considering knowledge, systems, processes, attitudes and behavior. The result may even conflict with those other aspects of capacity.

At a simple level, skills and knowledge is required to interact with systems and processes with the right attitudes and behavior. Each are intertwined and interlinked and cannot be readily separated conceptually although it is possible but risky, practicably. Every task involves a process and every process should be systematized (not in most cases using a computer, a common misinterpretation of 'system'). The level of interaction will vary with the environment and the environment comprises organizational structures, defined roles and responsibilities, adequate resources etc.

A heavy focus has centered throughout many of the Reports, on training only, without much consideration of the other factors. Further, training is seen as synonymous with S&K but this is not necessarily the case. Skills can be developed with little knowledge of what and why tasks are undertaken. The result is slavish adherence to task processes and no ability or incentive for the person to question the process in terms of either its relevance or its senselessness. Ingraining unsuitable or unnecessary processes through pure routine does nothing to enhance capacity building and improvement of services. The dominance of 'training' in the thinking of many staff is particularly evident in the November 2004 World Bank Aide Memoire reports of the workshops (Annex B, Workshop 2) where a number of references under the heading of S&P refer to training, not systems and processes themselves. Terms such as training, advice, support, clarify, guidance etc are a common feature in the S&P columns, indicating a number of people thought in terms of training only. The workshop reports are a particularly useful record of those interesting and revealing sessions but the content reveals some underlying conceptual issues that can affect the entire approach to capacity building strategy.

Another common reference was to the need to increase staff or facilities in certain areas and this was frequently listed under S&P whereas in the literal sense, these requirements, possibly essential for CB, fall under the Organization or Resource headings not effectively covered by the 3 pillar approach.

Limitations of the Three Pillars

A heavy emphasis is being placed on the 3 pillars approach for capacity building assessments in GTL but the positioning of the 3 pillars approach needs to be understood. The 3 pillars approach is valid in a largely stable environment and does not comfortably address structural issues that can affect CB. The discussion in this section refers to a number of structural issues that are either only partially or not covered by the 3 pillars.

This is not an attack on the 3 pillars approach, merely a warning that specific focus on the pillars can overlook other and important structural issues.

Organizational Issues

The Report of 2002, 'Capacity Building Strategy', by Symansky and Webber for the MoPF raised a number of issues that they believed were core to the capacity building in the Ministry. Webber, in his report of Feb 2004, 'Assessment of Institutional Effectiveness, Technical Assistance Requirements and Capacity Building Issues', revisited the issues of 2002 and identified the then current position of those issues. Many of these issues are organizational but touch heavily on CB. The 3 pillars approach does not really address organizational issues unless the Processes component of the S&P pillar can be elasticized somewhat. Many of the issues raised by Symansky and Webber are in fact intrinsic to many of the current issues confronting PFM and, while the issues raised by the 2002 report are serious, the report offered few solutions. Nevertheless solutions should be found for the problems identified or they will continue to be a potential source of concern. While the full details can be found in the respective Reports of 2002 and 2004, a summary update of the 2002 issues by Webber in 2004 is provided in the Table below:

	Required Action	Implem. Status Feb 04
	Set Up task: Review required actions and convert to work plans	Very partial
1	Discuss and confirm goal for development of MoPF.....	Not implem
2	Identify specific targets for localization.....	Not implem
3	Themes for capacity building and how to apply.....	Very partial
4	Progress report every 6 months.....	Not implem
5	Complete draft organic law for MoPF.....	Partial
6	Distribute organic law.....	Partial
7	Implement remaining organizational arrangements.....	Not implem
8	Tailored localization strategies.....	Partial
9	Appoint Chief Executive Officer (Director-General).....	Not implem
10	Comprehensive training and development programs for each local staff.....	Very partial
11	Consolidated training program for Ministry.....	Partial
12	Approve establishment and resourcing...human resource management function.....	Done
13	Donor assistance for technical support... human resource function.....	Not implem
14	Coordinate...existing standards and practices.....	Not implem

15	Report on proposed enhancements to systems and procedures.....	Not implem
16	TSP Matrix to be reviewed.....	Not implem
17	Draft proposals for involvement of local managers in training.....	Not implem
18	Assessment of capacity building requirements from donors.....	Partial
19	Systematic evaluation of expatriate personnel.....	Partial

Some of these recommendations of the Webber Report have, since February 2004, been further developed or fully implemented but there are a number that have not been progressed.

For the purposes of this Report, the important components of this Table relate to some organizational issues that impact on CB.

Item 2 referring to the need for foreign advisors have a direct impact on capacity building effort to cover with local staff, those advisor positions that will not be filled and to provide support for counterparts who must eventually take more and more responsibility. When combined with Webber's assessed need for a counterpart for the Director of Treasury, this becomes a pressing need.

Item 7 refers to organizational arrangements and a number of other issues have structural (localization) features.

Appointment of a Director General at Item 9 is a recommendation to separate the political from the administrative matters of the day-to-day operations of the Ministry, without the need to involve Ministers in those matters (appointments, payment approvals, Ministerial coordination (except at the policy level) etc and place that responsibility in the hands of a civil servant. In western style democracies, this separation is considered core to western democratic principles. This is a matter entirely for GTL to determine in Timor-Leste but the issue of administrative control itself needs to be addressed irrespective of the political preferences and determinations that might be made. Within MoPF, there are a number of indicators that coordination is not occurring. Discussions with a number of Directors and foreign Advisors frequently include comments about other Directors or Departments refusing to work with or address issues raised and even, to refute any responsibility for the issues, the latter reflecting a lack of clear and public definition of responsibilities. These leads to gaps appearing in both internal and external services and levels of performance and degrades the overall status and respect for the Ministry, that is, a decline in the level of trust under the third pillar, A&B.

The rights and wrongs of the Webber list are not the point of this discussion, only that organizational issues can impact directly on capacity building and Ministry performance and this factor is outside the 3 pillars concept.

Organizational matters also arise in the additional material included in the Webber Report, Annex C. This Annex identifies, for each Department or Directorate of the Ministry, the role and impact of the international staff in each area, together with the latent or real risk should those staff be withdrawn, as at February 2004. While a number of events have occurred since that report was compiled, many of the concerns remain and all have direct impact on capacity building. The recent CDCU baseline study goes some way to updating the risk issues identified by

Webber and the situation, from the preliminary returns, does not show much change over the past 12 months. The suggested solutions offered by Webber include, in some instances, organizational matters.

Resource and Other Issues

There are other factors that can affect capacity building also, that fall outside the 3 pillar structure.

A potentially severe restriction on capacity building is limited resources available to Ministries or parts of Ministries. Where the workload is such that staff cannot effectively be spared from the workplace, or backfilling for staff who may need training is unavailable, capacity building can be severely hampered. It is not uncommon that these situations arise because of a lack of one or more of the 3 pillars (skills, systems support etc) and that the limited resources acts against overcoming the problem. An area may be so busy that it cannot release staff for the capacity building that would reduce the workload. There are also restrictions on the number of resources that can be devoted to capacity building (finance, training facilities and accommodation, availability of trainers, as examples). Many comments made in Workshop 2 of the World Bank's second mission in November 2004 reveal the belief that a lack of staff is a factor in a number of areas of the Ministry affecting capacity building.

Other factors that also fall outside the 3 pillar approach include the lack of, or incomplete structural framework (laws, directions, policies etc) that effectively limit capacity building because the framework to operate within is not available or is inadequately defined. MoPF does not yet have an Organic Law promulgated but does have a draft law. Completing this process would provide a greater level of certainty in the responsibility structure of the Ministry, as would the complementary resolution of the Director General or Secretary General position (that is, to fill the position if in fact it is to be filled).

Physical resource limits are also a factor, with Customs having identified the need for additional physical posts to improve their capacity to monitor and control cross-border activities and also the fishing port exposure to running contraband of all types.

The Way Forward

The optimal position for GTL and MoPF would be to have a fully structured and integrated strategy for CB. The reality is that, at this time, stopping all current CB activity while a strategy is developed and approved, would be both undesirable and impractical. The remainder of this section, 'The Way Forward', is therefore based on what might and/or can be done to progress CB in a more focused manner than currently.

A Proposal for PFM Capacity Building in MoPF⁸

Capacity Building in public finance management is a complex process and any program must be likewise complex. The process of describing the program structure itself introduces the tendency to compartmentalize and this is a major threat to a successful outcome. Building a program that avoids compartmentalization is almost impossible because of the way a program must be presented to make it understandable. Every time a document is put together, presentation and understandability requires a series of headings and subheadings that threatens the essential requirement of interdependency. There is, in fact, little that can be done but to warn the user not to fall into that trap.

Cost estimates as provided in this Report are for information only (see Footnote 8) and actual costs would be subject to negotiation with Government and contracting terms and conditions. Relativities of costs are designed to give an impression of the relativities of the assignments rather than form a basis for serious budgeting.

Outline

This Report suggests there are 5 interrelated areas comprising a comprehensive proposal for capacity building within the current PFM environment in GTL. There are:

- Organization issues
- Resource Issues

And the three pillars

- Skills and Knowledge
- Systems and Processes, and
- Attitudes and Behaviors

As has been stressed throughout, these 5 areas are all closely interrelated and must be considered as a 'package' and not as a collection of individual items. There is another section required to complete the proposal and that is the mid to longer term strategy to address some fundamental problems of staff capacity. This

⁸ All cost estimates included in the Section are based on daily fee rate estimates, per diems and travel and are in US dollars. These rates are described and used purely for estimate purposes where the daily rates are used to indicate the relativity between likely market rates for expertise.

is treated as a separate area of the proposal, to avoid complicating the assessment of current needs. It is, however, just as important to consider.

One important consideration in the entire proposal is the setting of priorities. With scarce resources and staff restrictions, Timor-Leste does not have an open check book for CB and must therefore attempt to focus its resources in the areas of greatest need rather than greatest want. The 'need-to-do' aspects must be identified and undertaken initially, with the 'want-to-do' aspects following at the earliest appropriate time.

Organization Issues

Organization issues range from the intricate question of the Secretary General to the production of job descriptions and Standard Operating Procedures for every task undertaken in finance.

Component 1: Secretary General

Rather than focus on one position, what is needed is an organization expert to review the structure and operations of MoPF. The assignment should review the structure and distribution of responsibilities, recruitment to senior positions and the hierarchies that form the most workable structure for the Ministry. Options for such a structure could include:

- the appointment of a Secretary General
- appointing a Finance 'Board' comprising possibly 3 senior Directors to take on a shared responsibility for overall management and coordination and to have the power to direct the remaining Directors on matters of concern.
- combination of the two
- others as recommended by the Consultant

The suggestion of 3 to the Board, chaired by the Vice Minister or Minister is based on one member representing Revenue activities (Tax and Customs), one the Policy activities (Economic Forecasting, Budget, Planning, Statistics etc) and one the Functional activities (Admin and IT, Procurement, Treasury etc).

The review's recommended structure should have, as the Consultant's objectives:

- establishing the best structure to manage MoPF both from the perspective of the Ministry and for the Ministers and Government
- within this structure, consider what the future roles and responsibilities are likely to be for MoPF
- articulate with, but not be dominated by, the current view of the Ministry
- the elimination of bureaucratic transaction blockages, inconsistency and lack of cooperation between Departments
- possible merging of activities that are currently dispersed (e.g. budgeting and planning)
- building the current level of service focus into a culture within the Ministry
- developing close working links with other Ministries and agencies
- establishing the basis for performance assessments
- setting the protocols for relationships with the Minister and Vice Minister

- o reducing the administrative loads on the Minister and Vice Minister by establishing a formal process of delegations of responsibility for approval of commitment, expenditure, staff appointments etc.

It would also review the necessity of all current Directors positions in the new structure to assess their need and possible merging, particularly in consideration of local Director's experience gained over time.

The consultancy should be conducted as a completely independent review of MoPF to ensure current structures and organizational moves are not automatically taken up. The opportunity to review an organization does not often present itself and should this be accepted as required, it must be fully independent and forward looking, with a pathway mapped to transition from the present to any revised future structure the Consultant may propose.

A policy for the recruitment of senior staff to MoPF should also be developed, containing required characteristics of, for example, integrity, communication skills, capacity to learn, customer focus, management capacity, outcome and performance understanding, information sharing and ability to cooperate with others in a cooperative workplace environment.

- i. This assignment would require a very senior Consultant for a period of between 8 and 12 weeks at an estimated cost of \$60k - \$80k.⁹

Component 2: Charter Development

An important component of setting the organizational environment for CB is to define the roles and responsibilities of staff within an organization. One approach is to select one Division of the MoPF to develop, as a pilot, a documented structure or Charter of its function.

An initial matter for consideration is the role and responsibility defined for the pilot Division. A Division's charter within MoPF and, in the context of PFM, for whole of Government, is defined only by the Annual Action Plan and any individual staff's terms of reference. There is a brief statement of the main activities in the CDCU baseline template but this is a reflection of the AAP. Divisions other than this, generally have no clear statement of what MoPF expects of the Division, or how the Division's performance is to be assessed.

This lack of a charter is no negative reflection on Divisions. To the contrary, it is normal for such charter to be absent across the Ministry. This leads to confusion and finger pointing over responsibilities when overlaps occur and can also create gaps in activities where no-one is required to take responsibility. The consequences of this lack of structure can create problems for all pillars of CB and is partly why the World Bank's Webber Report (Feb 2004) refers again to the proposal of 2002 that a Director General of Finance position be created and appointed.

It would be a useful exercise for the selected pilot to develop its charter as a model for all other Divisions and Directorates in MoPF that don't currently have one, the

⁹ Based on one person, \$1,200 per day, per diem of \$90 per day plus travel.

charter comprising a vision, scope, statement of responsibilities and objectives, key performance indicators and their measures, outputs and their measures (if different from performance measures) as well as their dependencies (for example, CDCU, INAP, Budget etc). By having its charter approved and publicized, all affected staff would have a clear understanding of what they can both expect from a Division and what they can rely upon. This form of 'open communication' is the basis on which trust is built.

- ii. Development of a charter should largely be undertaken by local staff but with the advice and support of advisors. If thought desirable, a Consultant for up to 3 weeks could assist in establishing the framework for a chartered and outline the contents, providing advice and assistance to the establishment phase of the process. A Consultant cost is estimated at \$15,000¹⁰

Resource Issues

There are a number of factors that should be addressed under this heading. There is a natural tendency among most people who are busy, to believe more resources will overcome their problems but this is not always the case. One aspect of assessing the lack of resources is a consideration of the Systems and Processes pillar to establish whether improvements in that area will resolve at least some of the work issues currently faced through potentially wasteful, inefficient and non performing systems and processes. Another resource issue is the role and effectiveness of foreign advisors and whether these staff can be regrouped and redirected, even reformed, if that added to their current effectiveness. This area, because it is funded from non-Government sources, requires particular cooperation with those funding agencies but there is plenty of evidence, frequently but not always anecdotal, that some advisors often fail to perform up to expectations.

Component 3: Foreign Advisors

Therefore, a workplace review of foreign advisors placed within MoPF and in the line areas of line Ministries should be requested to establish whether the structural approach to the positioning, level and number of advisors is the best arrangement available to GTL in the area of PFM, as well as the best use of resources. Many existing advisor positions result from the initial appraisal of needs, as assessed by UNDP and ETTA during the early stages of independence and those positions have remained, often little changed from the initial establishment. Other positions have disappeared while more have been created. The review should assess the number, role and experience of advisors required for MoPF in particular, looking forward for the next 3 to 5 years and considered in the context of the current contract periods and the emergence of a civil service developing experience with time and training. Advisors, whether in line positions or as advisory staff, should be subject to performance reviews, now a component of their contracts, and the level of skills required to undertake their contractual mandate. While advisors are now required to report on performance, independent reviews of adequate key performance indicators would enhance the reporting process and encourage the

¹⁰ Based on one person, \$700 per day, 5 days per week, per diem of \$90 per day plus travel

better performing advisors that contract renewal and ongoing support was more likely than, perhaps, otherwise. The review should reassess the positions and structure of the advisors, assess whether the advisors were under- or over-skilled and as importantly, whether the need for additional advisors was justifiable under the current skills levels of local staff. This sub program should start after the Organization review had at least commenced so the two Consultants can compare and build the two structures in full understanding of the other's findings.

A further review of the advisors, 12 months after the first and following the implementation of any organizational changes, would allow a reappraisal of advisor positions as any changes in both organization or advisor structure settled down. It also would allow for any changes under systems and processes to start affecting local staff performance and whether this itself changed the need for the advisor and advisor structure.

A further objective of this review would be to focus on the development of work place planning, at individual and unit levels as part of the upward development of Divisional and then Directorate AAPs and the overall Operational Plan for the ministry. This assistance would also consider the development of individual work plans as part of the process of identifying actual training needs and provide a real scope for addressing resource volume needs.

- iii. This assignment is estimated to require 8 weeks of review initially, at an estimated cost of \$46,000¹¹
- iv. the one-year review would require 4 weeks by the same Consultant to update the initial findings, at an estimated cost of \$24,000¹²

Component 4: Staff Reviews

In association with guidance provided by Proposal 2, above, local staff reviews in terms of resource levels would be best undertaken by local management at the Director level rather than have a foreigner reviewing detailed structures and workloads in an alien cultural environment. Local knowledge would be essential to this type of assessment. A small team of existing local Directors could be targeted at this review, working from direct observation of their immediate support team and down through the organization. Part of this process would also include an initial job description written by each person's manager, to be reviewed during the assessment. Given the reality of work loads, this could be expected to be a process taking several months, Starting with the most senior people, however, would start to indicate particular problem areas that could then be promoted in priority for assessment. In the context of staff number limits, incorporating any significant changes itself can be a drawn out process. It may be that, once the process has reviewed the top two levels of management, the review teams themselves may be delegated down a management level, and so on. Exercising this form of review also provides management with a clearer understanding of what might be needed in a performance management environment as well as providing valuable insights in to human resource planning and the development of staff

¹¹ Based on 8 weeks, \$900 per day 5 days per week, \$90 per diem plus travel

¹² Based on 4 weeks, \$900 per day 5 days per week, \$90 per diem plus travel

strategies, including training, promotions and skills requirements for ongoing recruitment.

- v. This component would have no external costs.

Detailed job descriptions and skills requirements would be derived from all of the sub-Programs 1 to 4. This baseline of the staffing structure would then support the work of the CDCU and their baseline data, prior to establishing the database in PMIS, once that product has been fully configured and gone on line.

Component 5: Physical Resources Requests

Surprisingly, very few requests for physical resources have been identified during any of the CB studies, the exception being the request by Customs during the World Bank November 2004 FMCBP, for additional land border posts. A real concern is that physical support for capability improvements may not have been generally recognized as within the scope of capacity building and that there may be unspecified requirements not advised or identified to consultants. It would be advisable, therefore, to undertake a brief review to establish whether physical resources are required and can be justified.

- vi. Undertaking an internal review within MoPF using MoPF staff would incur no external costs.

Component 6: AMDP

The proposal to establish an Advanced Management Development Program is one approach to bringing some of the best of the local staff up to a higher level of capability using a 'fast track' approach. As with all proposals for CB, there should be an analysis of what is required, who should be involved, how and where the fast tracking program will be delivered, what the expected outcomes should be and how those outcomes might be measured. The capacity to back fill places temporarily vacated by participants is another important consideration that might affect the capacity of good staff to be released into such a program. Should MoPF see this as a desirable program to develop, there is a need for a skilled educator, working with CDCU and INAP, to assess the program structure, content, duration, assessment, location etc required to develop and deliver such a program.

- vii. Consultant for 4 weeks at an estimated cost of \$20,000¹³

Component 7: Graduate Recruitment

The longer term sustainability of the GTL civil service middle and senior management in PSM will depend heavily on the quality of staff bought into the civil service. Intense training of under qualified staff is unlikely to be a suitable basis for long term sustainability and the development of a professionally educated core of future managers can provide the future pool from which senior civil servants can be drawn. There has been concern expressed that staff will be trained and then lost to the service, and leakage will always be a 'threat'. This threat has to be seen in its context, however. Training sponsored by GTL and then 'lost' to the public sector can increase the skills level of the private sector (if the people remain in Timor-Leste) and the general economy still benefits. Bonding graduate recruits who have received GTL support during their studies can provide some pay back to

¹³ Based on 4 weeks for 5 days per week at \$700 per day plus \$90 per diem plus travel

GTL and should an attractive career path be visible for those recruits, some should be prepared to stay within the service. Support for the recruits in the form of graduate or post graduate scholarships, stipends to assist with overseas accommodation, books, travel etc can all be considered as options to support students on condition they must serve a pre-agreed period within the civil service. As graduates filter through into the civil service, the AMDP could change to cater for a different type of participant although this is unlikely to develop for some years into a graduate recruitment program. The option for a graduate program, if considered desirable by GTL, would require a Consultant, working with CDCU, to undertake a process of analysis to establish the nature of the program and its target group, outcome and assessment, plus the numbers of candidates that might be recruited to such a program.

viii. Consultant for 6 weeks at estimated cost of \$35,000¹⁴

Skills and Knowledge

Component 8: Training Information

The baseline work of CDCU is providing invaluable data about all Ministries through their Baseline and MCDAPs. There are, however, some shortcomings still in the data for training planning. For MoPF, there needs to be a follow-up to collect additional data to permit detailed analysis of real training needs. The additional data, some of which is probably available in some Directorates or Divisions, need to be accumulated before a reliable training program and strategy can be developed. The data required to expand the MCDAPs should include, at least, the following information:

- Names of staff identified for training
- Current position of named staff
- Position responsibility of those staff
- Current skills and competence level
- Language skills (languages written, spoken, read and whether fluent, capable, basic or poor/non-existent for each of Portuguese, Tetum, English and Bahasa)
- Duration of the proposed training
- Priority ranking for all items of training identified
- Description of purpose of training (related to priorities)
- In some cases, description of training by unit
- Where training is a progression of units, to provide the program structure

There is a risk, in the CDCU data, that because of the format of the MCDAP, some staff indicated a need for training under each of the 3 pillars rather than counting the training units. It is conceivable that the same training 'unit', as envisaged, would cover 2 or more of the pillars but the 2 or more pillars identified separately, multiplying the aggregate number unintentionally. To develop a useful training strategy, the extra information and a review of the method used to count training needs should be standardized across the Ministry.

¹⁴ Based on 1 Consultant for 6 weeks, 5 day week, \$900 per day plus per diem \$90 plus travel

- ix. CDCU staff plus one design Consultant for 4 weeks at estimated cost of \$20,000¹⁵

Priority setting for identified training can be defined at two levels sufficient for these needs.

- o Nice to have – training that would enhance the staff member as a civil servant, increase capacity for promotion and to allow them to take on a back fill role for other staff
- o Need to have – training that is essential for the staff member to fulfill job descriptions and deliver required outputs.

Focus on the ‘Need to have’ category, in conjunction with the job description and current skill set of the staff member provides a real focus on what is important. Using a technique like the competency based approach to training, having training course quality control and performance assessment, both of the training itself and the of the trainee, provides the capacity to focus on course performance and usefulness, something currently largely absent from training programs.

Component 9: Training Methods

The so called ‘modalities’ of training also need a close review. International studies, available from many sources, emphasize the usefulness of adult education techniques as a particularly successful approach to training. The use of problem solving, role playing etc has been shown to succeed in many cases. Classroom lessons are far less successful while on-the-job training and short seminars are particularly useful in certain circumstances. Ongoing post-training supervision and support adds to the retention rate and increases the long term benefits from good training. The Distant Learning Centre has been lauded by most Consultants but not by students, suggesting it is not as successful as it might be. As a means of accessing international courses and trainers, it would appear to have considerable potential. Its poor reputation among local participants (World Bank Workshop, Nov 2004 Modalities) would suggest the means of use of the facility and delivery may be a serious problem in its success. Language skills of participants, the pace of lecturer delivery, the use of technology and technical jargon etc can all affect the capacity of a mixed language group of local staff to absorb the material offered. It may well be more successful as a complementary facility to back up training delivered via other mechanisms, where any problems of language, jargon etc will have already been covered and, hopefully, resolved.

To avoid an overemphasis on skills development training, without a balance of appropriate knowledge included, any form of training needs to be assessed to ensure a balance suitable for the level and competence of the trainees.

Many courses can be considered ‘basic’ but should be subject to general review. Courses often requested, such as MS Office programs of Word and Excel, basic computer usage, general language training etc may be subject to sample testing only (for example, post coursework competency testing of students) while more technical coursework training may require greater scrutiny because of the job impact of success or failure.

¹⁵ Based on 4 weeks for 5 days per week at \$700 per day plus \$90 per diem plus travel

There needs to be a review of all technical training by competent training experts to establish or develop the following characteristics of all structured course work programs, whether short or long term; These should include:

- Clear course descriptions of content
- Prerequisite study or student competence background
- Student competence assessment at course conclusion as course performance indicators
- Quality control over course delivery
- Language or languages of delivery
- Professional competence of course leaders
- Teaching philosophy

The intention of this review would be to certify, against recognized standards (such as the competency standards issued by various major training authorities like the ILO), of course offerings to ensure a reasonable chance of a useful and value-for-money output from these technical courses. Formal courses offered by international educational institutions should also be subject to review for suitability for Timorese, within their cultural background. The review should provide guidance on the application of selected standards (ILO, for example) and their relating to local culture.

- x. **Technical training program review, estimated as 9 person months with 3 Consultants at an estimated \$160,000¹⁶**

Actual training courses and costs will be independently assessed by future donor missions, including the proposed World Bank, Stage 3 mission in May 2005. For that reason, no cost estimates are provided in this Report. The Interim Draft Public Sector Management SIP has an estimate of cost, from 2004/05 to 2008/09 of \$63m but this includes a number of programs that have components of training embedded as part of larger projects. One item, 'Work skills of civil servants', contains an estimate of \$11m. There would be a training component in other programs as well.

Systems and Processes

A number of past studies by the World Bank and during their 2004 – Public Financial Management Capacity Building Program at workshops, a number of issues were raised about the problems experienced with both systems and processes in MoPF. The Aide Memoire of this last mission, Annex C makes a number of observations about Freebalance and the problems associated with the manner in which it is configured and its lack of interconnectivity with other important systems in the area of PFM. Also, there were a number of negative comments offered about information flows, processes (particularly, but not just, CPVs) and other problems seen as real issues in delivering improved customer service by Government.

¹⁶ Based on 3 persons for 12 weeks at \$700 per day plus \$90 per diem plus travel

Component 10: Process Reviews and Information Needs

It has been suggested in this Report that the stated need for training may mask underlying problems in S&P and for this reason, and to ensure the GTL gains the maximum benefit from investments in systems, there be two associated reviews undertake.

First, a process review of all major processes in MoPF, including CPVs¹⁷. Then conduct an analysis of the processes and propose changes that can streamline those processes, increase the speed of transmission, systems support and any other factors that should be considered by the Ministry.

The second and related Review is to undertake a detailed financial information needs assessment across Government, map the available information sources to available systems and undertake an analysis of the relationship between sources and needs, proposing means to improve data capture, reduced potential for errors, improved data security and reliability and integrate or interface available systems to improve performance.

- xi. Process mapping and analysis, 6 person weeks at an estimated cost of \$28,000¹⁸
- xii. Information needs analysis and system integration/interfacing review, 2 Consultants for 6 weeks at estimated cost of \$55,000¹⁹

Introduction of new processes and actual modification of systems, upgrades, enhancements are not included in this Proposal's cost estimates because of the uncertainty of the extent but the PFM SIP interim draft suggests a number of different systems development and enhancement (PMIS, for example, at \$1.2m). This does not include enhancements to Freebalance that have been estimated in the Nov 2004 World Bank Aide Memoire at \$525k for hardware, software and services and \$700k for implementation and associated software development. The actual costs would depend heavily on the findings of Proposals 7 and 8.

Component 11: Systems Integration

Another important component in achieving higher functionality from systems is to be achieved through the integration of all systems with like functions or data. This would include FMIS, PMIS, ASYCUDA etc and the integration process, being a technical process, would follow the information design produced by Proposal 8. As there are a number of important considerations in scoping systems integration, including any redevelopment of Freebalance's chart of accounts following Proposal 8, neither timing nor cost of this process can be estimated accurately but is unlikely to be lower than \$150,000.

Component 12: PMIS

¹⁷ A review has been conducted specifically into CPVs by the Senior Policy Advisor on Financial and Budgetary Affairs, at the request of the Prime Minister. It is understood this review has been completed and presented to the Minister and Vice Minister of Planning and Finance for their review and comments. The results of that study and its scope (whether it included the Freebalance role in CPVs and its capacity to support those processes) is unknown.

¹⁸ Based on 1 Consultant, 6 weeks, 5 days per week, \$700 per day plus \$90 per diem plus travel.

¹⁹ Based on 2 Consultants, 6 weeks, 5 days per week, \$700 per day plus \$90 per diem plus travel.

The new PMIS product has the potential to be a major factor in designing training programs and monitoring performance of staff as a result of training programs. It is also a major tool to assist in the human resource planning. While the implementation process will impart considerable knowledge and information to the GTL project team resources, the final version of the system should fit GTLs requirements and not those of the suppliers. It would be desirable, at least from the perspective of MoPF, to have a clear definition of the functions MoPF wishes the PMIS to provide in human resource management and not just in payroll. For this reason, if there is any concern about MoPF's ability to define very low level details of functional requirements, a consultant be engaged to define these requirements and to negotiate those needs with the project team. Such a consultant would need to spend some time in MoPF during the period when the project commenced and then to make occasional visits to Dili to assist MoPF and the project team achieve desired functionality.

- xiii. Functional definition and detail in support of MoPF, estimated cost of \$20,000²⁰
- xiv. Ongoing support during final design and implementation, estimated cost of \$50,000²¹

Component 13: Devolution and Risk Management

This component is heavily related to the A&B pillar but is included here as a part of systems and processes. It is important, however, not to lose sight of the trust association of this Component. Devolution entails risk, the risk arising from unskilled or unscrupulous staff making a mess of their devolved responsibilities. Commercially strong computer-based systems contain flexible and effective internal security features that support risk reduction and allow for devolution with control. Products such as Freebalance and the new PMIS can be used to permit devolution with control and can be assessed as one method of improving process, concepts of trust, accountability etc as a step toward better integration of PSM across the GTL. A systems skilled consultant would be required to analyze system security within various options for devolution, delegation but with accountability and control at whatever MoPF determines as acceptable 'risk'.

- xv. System security review for 3 weeks at an estimated cost of \$15,000²²

Component 14: Merge Budget and Planning with the SIPs

It is the stated intention of MoPF to integrate SIPs with the current budget and planning processes. However, it is important that this issue address more than just that integration. There are structural issues about the management of the three currently separate processes that should also be addressed.

Component 15: Information Analysis and Mapping

A number of Components identified under the heading of Systems and Processes refer to the need for systems and processes variation and an important feature behind many of these is directly related to both information control and information availability. There are many systems across GTL, particularly in MoPF (and many identified within this Report), that contain financial or financially related data. Little of this data is reconciled to any equivalent data held in core corporate systems and

²⁰ Based on 1 consultant for 4 weeks, \$700 per day, 5 days per week, per diem \$90 plus travel

²¹ Based on 1 consultant, 6 trips for 1 week, \$700 per day, per diem \$90 plus travel

²² Based on 1 consultant for 3 weeks, 5 days per week, \$700 per day plus per diem \$90 plus travel

as a consequence, different views of the same data can yield different values. This is a very risky situation both from the perspective of decision making and from the perspective of reporting, accountability and control. It effectively allows people to chose and use the data most acceptable or, even, favorable, to themselves. There is a need, as part of any system review, to assess the data holdings in all such systems, identify the proper and safest place to hold that data, and build data holding requirements into any system redesign projects. The determination of the authoritative view of data, the required security and integrity of elements of data and the capacity to protect and disseminate data in the form of reports is required. An information management consultant (not an ICT consultant) would be required to review data holdings, assess data quality and security, appropriate systems for holding this financial data and determine the impact on any system redesign that might be identified (replacement, improvement or transferring data to other more appropriate systems and closing current databases are all possible outcomes).

- xvi. Information management review, at least 6 weeks at estimated cost of \$35,000²³

Attitudes and Behaviors

Few specific Components have been identified under this heading as all of the previous 15 Components have and need consideration of attitudes and behaviors embedded within them or little of real value can be achieved.

Component 16: Defining the Customer Base

An understanding of who are the customers in PFM, the customers of MoPF and the customers within MoPF is essential detail for delivering customer focused service. Knowing the customer base then leads to identifying customer needs and the best method of serving those needs. Like many central ministries in many countries, MoPF staff tends to see line agencies being there to service MoPF's needs and not the other way round. Clearly, line agencies have obligations to MoPF to provide information, follow procedures, maintain records and communicate with MoPF on matters of concern to them. MoPF has the obligation to deliver to line agencies, budget allocations, funds, information, and support in all financial matters and guidance and direction on financial affairs. This support should be in a cooperative environment consistent with proper governance of public affairs and public monies.

Associated with customer service is the concept of performance management and assessment and while GTL is not yet in a position to introduce much more than basic performance management, a preliminary definition of targets in service performance help outline to all parties something of what is expected of them. Having some notion of reasonable expectations of performance is also an essential component of training material and training coursework where the desired focus on customer service can be described and debated as part of any form of training related to PFM, whether generic or technical.

²³ Based on 1 consultant for 6 weeks, 5 days per week, \$900 per day plus per diem \$90 and travel. An additional systems expert may also be required during this Component, depending on findings.

It is therefore seen as desirable for MoPF to engage consultants to undertake a review of the MoPF customer base and reasonable customer needs, followed by an assessment of how those services can be delivered and performance measured.

- xvii. Customer service focus requiring a team of 3 consultants for 6 weeks each at an estimated cost of \$92,000²⁴

General Support for Capacity Building

Based on the argument that all these components of capacity building are interrelated, there should be a review panel established and comprising the Minister or Vice Minister plus 2 consultants to undertake regular reviews of the performance under each Component identified from 1 to 16. The review panel would undertake assessments of progress and ensure the focus on each component was maintained but while being aware of the interrelatedness of each with the others, such that an integrated outcome could be expected. Where coinciding with Component activity, the panel can also offer advice, assistance and direction to the Component consultants.

The consultants on the review panel would possibly vary with the nature of each assessment on meeting agendas, of which there would be expected to be at least 8 during the entire project. Of the 'panel' of consultants, there should be one with specialization in A&T and one from S&P, possibly one from S&K and one with skills in organization theory and practice. An appropriate mix of two, meeting with the Minister or Vice Minister as required, is recommended.

- xviii. Assume 2 consultants for 2 weeks each visit for 8 visits at an estimated cost of \$175,000²⁵

Priorities and Strategies

Sixteen Components with eighteen identified tasks have been identified and with varying cost estimates attached. Setting priorities is, in practice, as much a process of determining what is practical as it is with what is desirable. The Government, in conjunction with development partners, would determine both priorities and timetables for those components the Government sees desirable to undertake. As an attempt to indicate the interrelatedness of these Components, the following structure is proposed as in an unconstrained world.

Initial Components would include:

Component 1: Secretary General

²⁴ Based on 3 consultants for 6 weeks each, 2 at \$700 per day, 1 at \$1000 per day, 5 day weeks, per diem \$90 plus travel

²⁵ Based on 2 consultants for visit, 2 weeks per visit, 8 visits, \$700 per day, 5 day weeks, per diem of \$90 plus travel

Component 2: Charter Development
Component 10: Process Reviews and Information Needs
Component 11: Systems Integration
Component 12: PMIS
Component 15: Information Analysis and Mapping

Followed by:

Component 8: Training Information
Component 9: Training Methods
Component 16: Defining the Customer Base

Then:

Component 3: Foreign Advisors
Component 4: Staff Reviews
Component 5: Physical Resources Requests

Finally:

Component 13: Devolution and Risk Management
Component 14: Merge Budget and Planning with the SIPs
Component 6: AMDP
Component 7: Graduate Recruitment

The justification for this structure, while to some extent arbitrary, is based on the following argument:

- Initial components, C1 and C2, refer to the overall administrative structure and administrative definition and arrangements for MoPF. Assessing systems can operate in parallel with these organizational components as they are less interactive with those issues and are a basis for the recording and delivery of information across GTL. Component 1 (C1) would precede C2 but with some overlap of timing to allow the two to compare notes and integrate the organizational issues into a consistent whole. The systems related Components would see C10 and C15 undertaken either concurrently or sequentially and if sequential, with C10 preceding C15, then followed by C12 and C11. C12, PMIS, could commence earlier depending on progress with PMIS project but both PMIS detailed design and implementation should await the outcome of C10 to establish the financial needs component. The balance of C12 should follow from C2. Systems development has a relatively long lead time and needs to be commenced as early as resources will permit.
- The second batch of Components would see C16 as a high priority, with C8 and C9 possibly undertaken concurrently with C16. The focus on C16 will provide structure to both C8 and 9 and C16 is an essential ingredient to the balance of the Components.
- The third batch fits in behind the second as part of the delivery mechanism for the first and second batches of Components.
- The final batch is, in many ways, the least pressing but more important than some of the activities involved and prioritized higher. This reflects the situation where the imperatives for these final 4 allow them to be slipped without adversely affecting current higher demands. Further, once systems development has largely completed, C13 and 14 become more able to be

addressed and controlled than without the systems activities, particularly C10 and 15.

It should also be stressed, in reviewing these activities, priorities and cost estimates, that they refer to the analysis, not the implementation of these Components. In many instances, the duration and cost of the implementation will exceed by multiples, the cost of analysis but until the analysis has been undertaken, realistic cost estimates for implementation will be difficult. Some implementation costs have been estimated in the Public Sector Management SIP (preliminary draft February 2005).

The timetable for undertaking any of these recommendations will be a function of availability of both funds and suitable consultants, plus the availability of local staff counterparts. If it were possible to conclude these components within 12 months, training related to the implementation of the components could be developed for the 2005/06 financial year. It is over this estimated 12 month period that the General Support consultancies would be incurred.

Observations and Conclusions

Observations

There have been many studies and many issues raised in those various studies undertaken over the past 3 to 4 years. While there are common themes, each has something different and the overall picture is one of considerable complexity in what needs to be incorporated into a strategy for complete capacity building.

Capacity building is seen very much as a training process but this paints a very incomplete picture of what Government needs in public financial management.

The 3 pillar approach underlies most of the studies but it is contended that this process is somewhat limited in its scope, where used as the only basis to assess capacity building in GTL.

Some mention has been made, particularly in the Webber Report (2004) of issues outside the scope of the 3 pillars, namely resource restrictions and the MoPF organization structure. These have largely been ignored in most studies.

The strong emphasis on training needs assessment may be disguising underlying problems and leaving them unaddressed.

Skills and Knowledge is generally translated into training, with Systems and Processes and Attitudes and Behaviors overlooked. Attitudes and Behaviors are seen as addressed by training and a code of ethics and this is a short sighted view of real problems.

Training has been uncontrolled on at least two levels since independence, namely recording who has received what training and what the effectiveness of past training has been.

While training to date has clearly raised the level of skills over the past few years, the lack of training focus and the lack of manpower planning and skills needs assessment has most likely reduced the effectiveness of much of the effort and investment expended.

Manpower planning should be addressing not just the training needs but also the means and skills required to backfill positions left temporarily vacant for weeks or even years, during the incumbent's period of training.

There has been a tendency to accept, without analysis, the training request process.

Foreign advisors and staff, with some notable exceptions have not delivered the outcomes in capacity building that had been hoped for, but only now are these

appointments being subject to any form of performance review. Some performances in capacity building have had successes but others are frequently criticized as people who have made no contribution or have even retarded progress.

Capacity building should be an integral part of the AAP and budget processes which, in turn, draw on a longer term strategy.

Much of the focus on skills development has been very short term with little emphasis on the medium to long term, although CDCU is seeking to address this problem.

The greater emphasis on training has been on on-the-job or seminar-type processes but no study has been made of whether this emphasis is culturally best for Timorese staff.

The advisor replacement program has enjoyed nominal success with locals now filling a number of Directorates, but there is a demand, in the recent survey of CDCU, for an increased number of advisors, indicating the possibility that the replacement program is in fact failing.

There appears an endemic problem in attitudes by MoPF staff that excludes the concept of customer service, the real basis for much of what any central Ministry does, serving the needs of other agencies and the external parties with whom it has relationships.

The focus in MoPF and certainly in PFM is on control with little to no consideration of risk management, trust and service, creating an antagonism between MoPF and its customers and within MoPF itself.

Transaction processing problems such as, but not restricted to, CPVs are indications of a level of dysfunction within MoPF itself.

Unconnected and poorly implemented systems underlie some of these dysfunctions.

These observations, while probably unflattering, should in no way cloud the view of progress made over the time since self government and are intended to draw attention to outstanding issues.

Peripheral systems are being developed without any clear strategy for those systems within the construct of an integrated whole (Integrated Financial Management Information Systems IFMIS, comprising FM, HR, Payroll, Budget etc) where standards exist for data quality, data control and integrity, security and dissemination.

Processes are seen as a source of many problems within PFM and should be reviewed in the light of perceived problems, system support, trust, customer support, control and delegation.

Physical resource issues are frequently overlooked and this omission may stem from a lack of appreciation of these resources in capacity building.

Conclusions

It is far easier to be critical than to be constructive. Criticism, however, is a necessary component of advancement and regular reviews of progress and performance are needed to both reflect and redirect, reflecting on outcomes achieved and weaknesses revealed and then learning from the past and refocusing or redirecting to minimize any past mistakes.

Capacity Building studies in Timor-Leste have suffered in the main from a restricted concept of capacity building that overemphasizes training, often for its own sake, and to the detriment of other important components. The 3 pillars approach has been the driver behind much of capacity building and the focus on training has led in the main to overlooking the fundamental purpose of capacity building, namely to increase the capability of Government to deliver service. In this context, capacity building must address the broadest range of issues in the widest scope practicable. The 3 pillars approach, however, focuses on a more stable and even static environment, which GTL is certainly not.

The totality and inter-relatedness of capacity building does not seem to have been fully exposed in most of the extant reports and if the GTL and MoPF wished to gain maximum benefit from resources expended, the approach to CB must expand beyond mere training, no matter how absolutely important training itself is.

Training focus is currently largely expressed through the process of someone saying what they or others need. Much of these assertions would be self evident but few of them are actually justified by argument or a comprehensive needs assessment. Human Resource planning is fragmented and uncoordinated except for the attempts in the one area, of training, to bring it all together. The new PMIS should be the focus for future resource planning, including a clear linking of skills and knowledge needs with occupation and responsibility and the existing capacity of staff to fulfill their current obligations. An important but overlooked aspect of training planning is the problem of backup staff when a person leaves for a period of external training, particularly overseas. The tasks continue whether the staff member is available or not. While, in most positions, a person may be absent for some weeks without major problems, an absence of months, such as implied with the more specialist overseas training, requires backfilling. The staff member who moves into the vacated position must have enough skills and understanding to be able to at least keep tasks passing through, even if the quality is not there.

A further point to consider, particularly in the context of the interrelationships across the 3 pillar approach is the effect that a real shortage of resources has on training, let alone any other aspect of CB. The previous point referred to back filling of positions but a Government as stretched for resources as is GTL, has few resources it can use as backup, particularly where skills are also so heavily constrained. A common comment refers to the lack of human resources as a reason why change is so difficult and backlogs occur in transaction processing.

Resources are not necessarily synonymous with skills. Training won't change the nature of the problem except to the extent that training helps current resources do more, if it is properly directed and effective.

Resources are not restricted to human resources as physical resources also play an essential role in capability but are often ignored in capacity building studies. This has been a common omission in studies in GTL and one that should be reviewed and addressed.

Systems and processes are frequently at the heart of claims of both training needs and of lack of resources. Better systems and processes smooth the flow of activities and increase efficiency when used properly. The main computer based systems in MoPF are fragmented and seem to add to problems as much as they help resolve them. As tools to assist staff, systems and processes need to be finely tuned to their needs but the systems in MoPF do not seem to address any but the most basic needs.

A complete review of computer-based systems is required to fine tune and interlink those systems to help, rather than hinder, processes. The review should also identify user information requirements and the best way to provide such information as systems can deliver. The overall effect of this review should be a detailed strategy for systems enhancement and even, if indicated, system replacement. Systems development or enhancement, particularly computer based systems, require considerable lead time and resources to achieve the desired outcomes. To the extent that systems may be a serious impediment to capacity building in PFM, prompt attention to this issue will speed the end solution and help address the problems currently created. Even should an independent review provide a clear bill of health to current systems, their actual effectiveness will not be known until that process has been completed.

Processes are another aspect of adding to waste of resources and the demand for more and better trained staff. A detailed review of all major processes is needed to identify bottlenecks, inefficiencies through multiple and/or unnecessary complication or duplication and the possibility of over-control. More efficient systems help improve service delivery, reduce demands on staff and consequently reduce the workload and even skills staff might otherwise need. Poor processes, like poor systems, can be a major waste of resources and training. Training people how to use dysfunctional systems and processes will add little to improvements when the underlying sources of the problems are not addressed.

Well designed and operated systems and processes may, therefore, reduce the level of problems hindering capability, reduce the demand for more resources and lower the need for some aspects of particularly technical training, allowing resources to be better directed to real problems rather than the effect of those problems.

Overlying all studies, even where not explicitly identified, are the issues associated with Organization. There are a number of areas where, from both an external and internal view of MoPF, aspects of the Ministry are dysfunctional. Suggestions have ranged over establishing a Secretary (or Director) General, establishing work

definitions for all staff and, by implication, reviewing the structure of task allocations among directorates to improve consistency merge like but separated functions.

A final point refers to the concept of customer focus by MoPF to both its external and internal customers. Customer service is little understood and seldom practiced, the external view of MoPF being that the Ministry is there to be served, not to serve. This creates distrust, lack of cooperation and antagonism that, once entrenched, can add significantly to the dysfunction of the Ministry and, in its turn, to Government. Often seen as the end point, Attitudes and Behaviors are in fact the start of good Government. Right A&B drive all capacity building while, at the same time, stemming from all other activities. Right attitudes and behaviors are the clearest indication of the interrelatedness of all other capacity building and capability factors but probably the least understood. From the perspective of public financial management, confidence and trust are the hallmarks of good governance.