

Ministry of Finance - Annual Action Plan - 2008

| Program | Goals | Objectives | Expected Outcome / Performance Indicator | Results/Accomplishments |
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| Ministerial reform | To transform the ministry into a client-oriented and results-based ministry able to support GOTL objectives | <ul style="list-style-type: none"> • Establish Senior Management structure to oversee the reform • Integrate the Technical Assistance programs into the reform agenda | <ul style="list-style-type: none"> • Organic law approved • Ministry Integrated Development Plan adopted • Individual staff performance & development plan implemented | <p>• The Organic law of the Ministry of Finance was approved by the COM in December 2008. With the approval of the 2009 State Budget, a revised OL was submitted to the COM for re-approval in February 2009, to include the Office of the Vice-Minister of Finance.</p> <p>• NOT ACHIEVED BUT ONGOING. This is part of the ongoing reform and restructuring of the Ministry where an Organic Law was approved in December 2008, paving the way for the establishment of 4 General Directorates. The Ministry is currently formulating its Strategic Plan as well as moving into the implementation of the new career regime.</p> <p>• NOT ACHIEVED, BUT IN-PROGRESS. With the approval of the Organic Law, the Ministry is in the process of finalizing its Diploma Ministerial. The DM is expected to outline departments, units and sections under each organic structure approved under the Ministry's Organic Law, including their staffing requirements. The individual development plan of the staff is expected to be drawn out after the completion of these processes. This expected outcome therefore will be shifted to the 2009 plan of the MOF.</p> <p>The last quarter of 2008 also saw a more robust attention being given to the work to address the issue of capacity-building in the Ministry. And signalled the start of a shift from an individual (one-on-one) to an institutional (i.e., among TAs in a Directorate) approach concerning this issue. With support from the Human Resource and Capacity-Building Adviser (HRCB) funded under the Planning and Financial Management Capacity Building Program (PFMCBP), a multi-donor funded project in the MOF, eight (8) of the 15 TAs under the PFMCBP who were required to deliver capacity building activities have produced and submitted their capacity-building plan. And in cases where the TAs are not required to develop their capacity-building plan, the HRCB Adviser worked with them to reflect good strategies to contribute in this issue in their individual workplans. With the growing numbers of PFMCBP advisers, focus was placed on how to develop good practice HR policies and procedures required to support the HR requirement of the Ministry. The HR and HRD policies developed under PFMCBP are then used as 'best practice' for the Ministry's Human Resources Department. One good example is the nomination process for nominating participants for overseas trainings, followed by a training evaluation process which was successfully introduced for the Ministry's staff through the Professional Development Program (PDP) Secretariat and were based on PFMCBP practices. In addition, the Guidelines which was developed and implemented for the recruitment of international and national advisers, are slowly being adopted to the expected recruitment exercise as the Ministry prepares to undergo a recruitment process for its Grade A and B positions and ensure 'good recruitment practices'. This approach is supported by the involvement of the Ministry's Administration and Finance (Corporate Services) General Directorate in the recruitment drives of the PFMCBP.</p> |

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| <p>Macro-economic advisory services</p> | <p>To be able to provide appropriate and effective macro-economic advice including timely analysis and briefings on macro economic trends in the economy and their implications for policy decisions.</p> | <ul style="list-style-type: none"> Improve the macroeconomic and tax policy to facilitate transparency, accountability and efficiency in public financial management | <ul style="list-style-type: none"> 80% of the recommendations adopted and implemented Macro economic framework improved reflecting the realities of the economy Timely production of the PF Annual Report | <ul style="list-style-type: none"> Economic Analysis, and revenue projections (oil and domestic both for 2008 Budget, Rectified Budget as well as 2009 Budget. Every year, the Macroeconomic and Tax Policy Unit provides overview of the economy and revenue projections to the budget. The Rectified 2008 Budget was expanded to include poverty figures from Timor-Leste Standard of living Survey (TSLSS) 2008. The Unit still face challenges to have a consistent revenues projections, which an agenda for the now National directorate of Macroeconomy. The plan is to convene regular workshops with directorates within the Ministry of Finance, line ministries, and other agencies to get a common understanding and consistency of revenue projections. This was only possible with the arrival of Macroeconomic Adviser joining forces with the Senior Management Adviser to make this a possibility. Serious efforts are underway to get a consensus and more realistic projections of domestic revenues. The next priority will be to sustain production of such analysis by recruiting more competent East Timorese. NOT COMPLETED, BUT ONGOING. The Expected to be completed in mid April 2009 working together with the IMF. Process should have been faster if the Macroeconomic and Tax Policy Unit have the capacity undertake such a rigorous modelling exercise as indicated in the previous point. The Framework was presented at the SMC for discussion and now is under the stage of refining before bring it up to the higher level of policy making body. Having this framework will help the government to decide on its priorities in view of sustainable government expenditures and other achievements, such as economic growth, income, and employment creation. Achieved. This program along with Petroleum Wealth and Estimated Sustainable Income was achieved due to the advice provided by the Government of Norway and strong working relationship with the Secretary of State for Natural Resources. At the moment, Petroleum Fund Directorate can make such a timely production of Annual Report and projections. However, the Petroleum Fund Directorate need domestic competence to sustain the production of annual report and especially petroleum wealth projections. |

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| Statistical services | <ul style="list-style-type: none"> To produce a business plan with a view to become an autonomous statistical agency To produce accurate, timely & relevant national and sectoral statistics in support of sector and national planning, monitoring and development exercises. | <ul style="list-style-type: none"> Produce quality statistics on CPI/Prices and on trade Undertake data collection of high quality on relevant key indicators required by the Government Commence collecting data to construct a system of National Accounts Commence development of relevant labour market data collection | <ul style="list-style-type: none"> Strategic business plan produced CPI/Prices statistics produced every quarter and on time Trade statistics compiled on time. National Accounts system framework developed | <ul style="list-style-type: none"> NOT ACHIEVED, BUT ONGOING. The work on the Draft Statistical Master Plan started in October 2008. This was quite a late process in view of difficulties in recruiting advisor for such a specialized position. The National Statistics Directorate lacks the competence of producing the master plan in house. After several trials, an advisor was recruited who has begun to work on the Draft since October. In February 2009, the Preliminary Draft of the Master Plan was presented to the Senior Management Committee. Similar presentations also were done for officials of statistics from line ministries. In March 2009, the Statistics master Plan or Work Program was finalized. The next step is to recruit advisors and more competent officials to help the Statistics Directorate to implement the Statistics Master Plan. DONE. Produced by Statistics Directorate on quarterly basis. This is a product of Statistics together with Trade Statistics that the Statistics Directorate can produce in house without technical assistance. Pending the rebase of CPI as stated in the Master Plan, the DNE can produce this indicator regularly both at national and regional levels. DONE. Produced by Statistics on a monthly basis. Again this indicator is produced regularly (monthly) by Statistics Directorate without much of technical assistance. The production of Trade Statistics was interrupted in the aftermath of 2006 following the burning of Customs Office and thus the ASYCUDA system. But the system was back in operation and since 2008, Statistics has been enabled to produce trade statistics. Not achieved. Again given this specialized skills, it was not able to secure a long term adviser early on let alone competence of Statistics Directorate to produce in house. Only in early 2008, an adviser was recruited. However, health conditions did not allow her to continue her work and had to live the country only less than two months on the ground. A new National Accounts Adviser is expected to join the MOF in April 2009 to work on national accounts estimations. However, two important surveys that Statistics Directorate needs to produce and feed into the national Account estimations are Annual Business Activity Survey and Annual Crop Survey that have been identified in the Statistics Work Program. These surveys are critical for National Accounts estimations. |

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| | | | <ul style="list-style-type: none"> • Labour market statistics collected • The Living Standards Survey Report concluded and disseminated • Census 2010 Preparations • Demographic and Health Survey | <ul style="list-style-type: none"> • Not Completed. This work was not done because of the lack of personnel and funding for technical assistance. Therefore, collection of labor statistics was not done. However, the National Statistics Directorate in coordination with ILO are preparing a Labor Survey that is expected to begin later of 2009. • COMPLETED. The second Timor-Leste Survey of Living Standards (TLSLS) was completed in January 2008. This survey is comparable to the first national survey (undertaken in 2001). This provides opportunity to assess the state of poverty situation in TL in 2007 compared to 2001. Poverty estimates in this report relates to the period of survey, which is January 2007 through January 2008. Essentially, it is the poverty situation of calendar year 2007. The report of the TLSLS was made public in November 2008. In the discussions on the rise of poverty during the launch of Poverty in a New Nation, there were suggestions for conducting TLSLS in shorter period of time, like every three years instead of every five years as what was done in the past. This is something to be considered by the government in its priorities. • Not Completed but Ongoing. The year 2008 was the full year of Census Preparation for 2010. There was a discussion within the Ministry to postpone Census to 2014 because East Timor just conducted Census in 2004. The common practice is to conduct census very ten years. However, after substantive discussions, the Ministry felt that it is important that East Timor need to follow what other countries do on Census, namely every ten years but using decades, such as 2000, 2010 and so on. Therefore, the Ministry decided to conduct census in 2010. A pilot census will be conducted in mid 2009 and full census in July 2010. • Not completed but Ongoing. The first Demographic and health Survey (DHS) was conducted in 2003. Normally it is conducted in every five years. The government decided to have DHS in 2009 although it is belated. Preparations are underway for the survey with the first report to be released in early 2010. The DHS 2009 also cover indicators of Multiple Indicators Cluster Survey (MICS) that was done in 2002. For efficient use of resources and coordination, the Statistics Directorate and donors decided to include MICS indicators in DHS 2009. |

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| <p>Planning, monitoring, and reporting services</p> | <p>To establish a well-coordinated process of planning with corresponding monitoring and timely reporting of the progress of completion of various programs and activities of the Government ministries, state secretariats and other state organs, as set out in their quarterly reporting matrices.</p> | <p>Coordinate the planning and reporting processes of the implementing ministries and agencies using the GRIMS system and to undertake monitoring and evaluation on their reported accomplishments.</p> | <ul style="list-style-type: none"> Quarterly of monitoring planned programs and activities are conducted based on the indicated performance indicators. Progress monitoring reports on the progress of planned activities are timely and produced and published. Improved coordination with implementing ministries and agencies on reporting, monitoring and evaluation of accomplishments as reflected in the timely submission of their quarterly and year-end reports in the GRIMS system. | <ul style="list-style-type: none"> NOT COMPLETED. A review of the planning responsibilities in 2008 resulted in some of these functions being moved to the Prime Minister's Office (Strategic Planning and reporting), other to aid coordination and some will be assumed when the new Expenditure Review Unit becomes operational. As part of this program the Aid Effectiveness Unit was established in 2009. 2009 will see the initial establishment of the Strategic Unit in the Prime Minister's Office and also the Expenditure Review Unit in the Ministry of Finance. NOT COMPLETED. Some of these functions were moved to the Prime Minister's Office and others will be assumed when the new Expenditure Review Unit becomes operational. The GRIMS system also became technically obsolete in 2008 and will be replaced by the Budget Module in FreeBalance in 2009. As part of this process the new module was procured and the systems establishment and design work will be finalised in 2009. |

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| Aid effectiveness program | To harmonize the process of mobilising external financial and technical assistance to support national development priorities and ensuring coordination among these TAs to optimize their utilization by the Government. | Harness the technical assistance made available to the Ministry in a coordinated way, and promoting complementation of activities and interventions. | <ul style="list-style-type: none"> • Aid Effectiveness Unit within the Ministry, with operational capacity. • Coordination mechanism and regular meetings with all TA providers of MOF established and regularized. | <ul style="list-style-type: none"> • DONE. The Aid Effectiveness Unit (now a Directorate) was established under the new Organic Law of the MOF. As mandated, the NDAE is responsible for ensuring the proper use of external assistance provided by development partners, so as to ensure coordination, harmonisation and alignment in accordance with development priorities determined by the Government. Since its establishment, the Directorate has been instrumental in coordinating the donor-related activities of the MOF. With the eventual recruitment of the new director and key staff will help enable the NDAE to deliver its core services. Capacity development for NDAE staff is foreseen in the short term, including, training, workshops attendance. • DONE. The National Directorate of Aid Effectiveness (NDAE) had organised quarterly Development Partners Meetings (DPM) within the framework of the 2008 National Priorities co-chaired by the Minister of Finance and Minister of Foreign Affairs. Coordination mechanism was led by the Ministry of Finance and this included Minister's attendance in the Third High Level Forum in Accra and the Preparatory Meeting for Monitoring Principles for Good International Engagement in Fragile States in Paris in December 2008. Information on the Combined Sources of Budget (CSB) was completed and submitted to the National Parliament. |
| Budgeting services | To produce a program basis budget within the combined sources budget context which supports the national priorities within a medium-term fiscal sustainable framework. | Formulation and publication of the Combined Sources Budget of the State, prepared and managed primarily by national staff in accordance with the budget legislation and with the principles and workplan set by the Council of Ministers | <ul style="list-style-type: none"> • National Budget reviewed within the sustainable fiscal framework • 2009 National Budget timely produced and within the sustainable fiscal framework | <ul style="list-style-type: none"> • DONE.2008 saw the design of a macroeconomic framework which was used to establish the fiscal boundaries for the 2009 budget. The macroeconomic framework was based on achieving a minimum of 8% growth whilst maintaining stable inflation. As a result capital spending in the 2009 budget was increased to help achieve these targets. • DONE but submission to the Parliament was delayed resulting to the application of the “duodecimo” budget regime for the months of January and February 2009. |

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| Procurement Services | To operate an efficient and decentralized procurement services regulated by transparent, fair and competitive principles. | <ul style="list-style-type: none"> Optimize procurement management to provide value for money and good service to the public. Enable the decentralization of the public procurement services to all entities eligible under the law. | <ul style="list-style-type: none"> Improved service delivery as indicated by budget execution rates and client-ministry opinion. Appropriate revision of the procurement legal and procedural frameworks completed for simpler and more efficient process application. Enhanced awareness and understanding of RDITL public procurement processes within Line entities, vendors and the public. | <ul style="list-style-type: none"> DONE. The cash budget execution rate of the MOF as of 31 December 2008 was placed at 78 percent. This is the highest level of cash execution in the nation's history reaching USD 548 mn. Following the initial report Deloitte changes were made to the procurement law to allow for greater flexibility in the procurement regime in order to facilitate what was up until then a highly inflexible and rigid system. As a result, the Government had carryovers of \$95.8mn in 2008 – some of which dated back to 2008. These factors converged in June 2008, resulting in a Council of Ministers' recommendation to 'freeze' the Procurement Decree Laws. The new draft Law/Guidelines were not finalised at that time. Therefore, 7 key changes were extracted from the new draft Law, these became an Amendment (DL 24/2008) to existing Law (DL 10/2005). The draft new Law preserves these key changes and has been drafted and presented but not yet approved by COM. Done, training delivered to all line agencies as part of accreditation program. All line Ministries have accreditation up to level 2 following this training. This means they are now authorised to procure good up to the value of USD 250,000. |

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| Supply services | To establish an effective management and inspection of government supplies, goods or equipment and the timely provision of customs processes. | <ul style="list-style-type: none"> Ensure the timely release and delivery of all requested goods and supplies to government departments. Start proceedings to decentralize and integrate these services within line ministries. | <ul style="list-style-type: none"> Customs documents for government procured goods and equipment (CIF or tax exemption) are timely cleared for processing All goods and equipment procured for government departments are received, inspected and delivered on time. | <ul style="list-style-type: none"> COMPLETED. A review of Supply Department was undertaken by Deloitte in 2008. As a result, the function of entering data into ASYCUDA will eventually be handed back to Customs. However, currently this data is entered directly into ASYCUDA by Supply Unit. NOT COMPLETED, this is because there were several agencies involved in this process. A meeting was held in November 2008 to try and improve coordination in this regard but it will require a policy paper to be agreed by the COM. |
| Treasury, Payroll and Auditing services | To ensure that the public finance system is transparent and accountable. | <ul style="list-style-type: none"> Integration of the diverse components of financial management – ledger, budget and payroll. Strengthen public expenditure management through oversight of the Budget execution and by reinforcing internal controls. | <ul style="list-style-type: none"> Upgrade and rollout the FreeBalance system to all users in line ministries. Budget execution reports submitted on time. Audited Annual Financial Statements and reports are produced and submitted. | <ul style="list-style-type: none"> NOT COMPLETED. The upgrade of the FreeBalance is still in progress; while the roll-out of the system to users in line ministries has started. In 2008 a contract to upgrade FreeBalance was agreed. The financial accounting module was upgraded and new modules for payroll and budget execution were implemented. 2009 will see the new modules for budget and procurement also introduced as well as new web based access screens so that any line Ministry with access to the internet will be able to access FreeBalance. COMPLETED. All the Budget execution reports were presented to Parliament on a timely basis. DONE. The Audited Report for the previous FY has been completed; the audit of the CY2008 will take place during the first half of 2009. Quarterly financial reports were produced and submitted to the National Parliament for their reference. |

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| Revenue Services | To collect taxes payable according to existing legal framework at the appropriate level to support national development | <ul style="list-style-type: none"> Increase tax coverage, incentives to the private sector and fiscal justice Ensure all citizens with tax liability, comply with tax laws Upgrade and adopt systems and processes to enable the achievement of above objective Increase public awareness of their rights and responsibilities under the tax laws | <ul style="list-style-type: none"> Fiscal reform implemented At least 6 information sessions on taxation procedures conducted Domestic revenue collected in excess of the published budget figures Petroleum revenue collected in excess of the published budget figures Tax office appropriately resourced. | <ul style="list-style-type: none"> DONE. As a part of tax reform, the new simplified Taxes and Duties 2008 Act enacted and took effect from 01 July 2008. Done. Seminars and workshops were conducted to aware the taxpayers with new tax laws. Public Socialization program was also held to educate taxpayers about lodgement of Annual Income Tax Forms. Tax information brochures have been prepared, printed, circulated and also posted in the website. Collected 20.265M US Dollar Domestic Revenue in excess of the published budget figures 4.90 M. Collected 888.4 M US Dollar Petroleum Revenue in excess of the published budget figures 514.4 M. Two separate National Directorate was established under the new Organic Law of MoF. The required competencies for management positions and their job descriptions have been outlined in ministerial diploma. |

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| Customs Services | To work for the establishment of a modernized Customs Service, through improved management services and regulatory measures, provision of efficient services in revenue collection, trade facilitation and effective border control. | <ul style="list-style-type: none"> Develop and enhance administrative capacity in Customs. Increase revenue collection, while supporting the development of domestic and external trade. Improve service delivery and accountability levels by both Customs and Traders. Strengthening Customs border control services. | <ul style="list-style-type: none"> Adopted and implemented a modern and well defined Customs organisation structure. Phase II of ASYCUDA system implemented resulting to the expansion of modern automated import, export processing system. Improved revenue collection and trade merchandise data resulting to better economic and fiscal planning. Increased Customs presence at land border posts and improved skills among Customs border control staff | <ul style="list-style-type: none"> NOT COMPLETED BUT ONGOING. The Customs Legislation is currently under review, to ensure that it supports the modernization plan for the Service. A structural review is underway to ensure a structure is implemented in accordance with the reform and modernization agenda. NOT COMPLETED BUT ONGOING. ASYCUDA has been rolled out in the districts (Batugade, Oecussi, Baucau, Salele/Suai and Maliana); however, due to the absence of network connection, processing of customs declarations is done in an off-line mode, where data are collected on a weekly/monthly basis from these offices for integration into the server in Dili. It is expected that the National Connectivity Project initiated by the PM will cover these areas and allow for online/real-time processing. Implementation at the Comoro Airport is planned following completion of the refurbishment and networking of the new office for Customs. The implementation of Automated Cargo Manifest Management Module will be deployed in 2009. Preparatory works and initial meetings with stakeholders (shipping lines and agents) have started. NOT COMPLETED BUT ONGOING. Revenue collections have improved even though duty rates were halved in July 2008. Collections were: 2005 = \$14.6m; 2006 = \$13.4; 2007 = \$14.7m; 2008 = \$17.4. Import data is being downloaded onto a dedicated computer to enable better economic and fiscal planning NOT COMPLETED BUT ONGOING. The structure needed at border posts is being considered as part of the structural review. Improved procedures, processes and staff skills will eventuate from the reform and modernisation agenda |

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| Patrimonial assets | To sustain an efficient and effective management and maintenance of all Government assets. | Government assets managed and classified accurately and fairly, based on current and factual data supplied by Ministries and Departments. | <ul style="list-style-type: none"> Regular reports on the conditions of Government assets received and recorded. Registration of all Government assets completed. Auction law on assets finalized. | <ul style="list-style-type: none"> NOT COMPLETED. An extensive database has been developed but several line Ministries are struggling to provide this data in a timely or accurate fashion. In 2008, a major review of Government Assets was launched to identify electronic equipment, transport equipment, items lost in the crisis, items donated by international agencies both on the national and district level. The purpose was to evaluate the assets per division and department, identify usage and state of condition and develop a comprehensive data base of inventory for future accountability. The scope of review will allow the Government to make prudent fiscal decisions in purchasing assets for the next four years. The department also submitted Decree-Law No 41/2008 which outlines the Auctioning of State Patrimony and the Ministerial Diploma on Auction Procedures which was approved December 19, 2008 by the Minister. This is the statutory framework whereby state assets will be auctioned for revenue generation in 2009. NOT COMPLETED. An extensive database has been developed but several line Ministries are struggling to provide this data in a timely or accurate fashion. COMPLETED. A new decree law on the management of assets was passed in November 2008. Following this the Asset Directorate set up a new division for the car workshop and factored their new responsibilities into their new structure. |
| Administrative and logistical services | To sustain an efficient and effective client oriented administrative and logistical services which support the smooth implementation of programs and activities of the Ministry | <ul style="list-style-type: none"> Maintain a transparent and fair recruitment process, implementing HR Development Plan and capacity building strategy favourable to all staff. Provide timely IT support services to all users within the Ministry. Provide effective, timely and professional logistical support and language services to the Ministry. | <ul style="list-style-type: none"> Satisfactory feedback received from the Directorates and divisions of the Ministry on logistics and general services rendered. Positive feedback received on the provision of administrative and other professional services to Directorates and divisions. | <ul style="list-style-type: none"> Recruitment of the Tecnico Superior Grau A and B are underway (in 2009). At the same time, the conversion of all MOF civil servants from old regime to new career regime has been completed Ongoing personnel management is underway as a result of the current reform being implemented in the Ministry as well as the application of the Organic Law (and the subsequent Diploma Ministerial that are currently being drawn up) which was passed by the COM in January 2009. Logistical and Administrative support to different Directorates is being reorganized by Directorate-General Corporate Services. Information Technology Division (ITD) of Administration provided timely IT services support to crucial financial applications required by the Ministry including the computing and networking needs of the ministry staff. The Division assisted all departments with their automated information processing needs, including computer and equipment purchases and maintenance. The Division effectively managed regular IT related matters such as performing regular financial applications data backups, fine tuning financial applications, applying service packs and crucial updates, writing mails to the software developers to explain any issues arising from FMIS application upgrades and providing timely support services to the Ministry's users regularly. |