

The Principal Adviser, PFM Institutional Strengthening (“the Principal Adviser”), is responsible for delivering improvements to the execution of Public Financial Management (PFM) services within the Ministry of Health (MoH).

Important background facts

- MoH has a sound regulatory framework for PFM services, approved by the Ministry of Finance (MoF)
- MoH’s structure includes a district health service in each of the 13 districts, four referral hospitals and the National Hospital (HNGV, although see further developments below) as sub-entities within the Ministry. That is to say, there is a strong degree of decentralisation.
- The human capacity to execute the sound framework in MoH is basic and requires improvement. Capacity is even weaker in the districts than centrally and IT and communication facilities are poor.
- Communications between MoF and line ministries (including MoH) on key strategic developments in PFM tends to be poor
- The budget structure (which is legislated) and the Financial Information Management System, FreeBalance (FB) assume an input based budget (i.e. tracking what purchases Ministries will make) rather than an output budget (what will be produced from the inputs – hospitals, vaccine programs, ambulance maintenance) or an outcome budget (what the outputs will achieve – fewer maternal and child deaths, reduction or elimination of endemic disease, improved health outcomes in emergencies).
- There is little expertise across government and particularly in the districts for the use of FB.
- The Prime Minister has issued instructions (some as recently as the first week in December 2015) affecting the 2016 Budget. While observing the legislation
 - Payments from MoF to agencies are to be made through bank accounts (this is new – formerly they were cash and agencies were forbidden to have bank accounts). Payments from line agencies to sub-agencies in districts are also to be bank transfers.
 - The Budget is to be able to report on a program basis to determine if funds are being spent effectively in terms of results gained (outputs and outcomes)
 - Four divisions of MoH – the Institute of Health Sciences (INS), National Laboratories, SAMES (the drug supply and warehousing facility) and HNGV – are to become financially and organisationally autonomous (while still reporting to the Minister of Health)
 - All agencies (i.e. across Government) are to make arrangements for their own payments through the Central Bank, rather than through MoF
- The budget is an annual budget, rather than a rolling budget with forward estimates.
- All Line Ministries have been subject to budget cuts, including the Ministry of Health. With the impending ‘fiscal cliff’ of the exhaustion of the sovereign wealth fund, these cuts are likely to be permanent and improved performance will in part rely on improved financial management.

Role of the Principal Adviser

The Principal Adviser strengthens the PFM capability of MoH and its Institutional robustness by

- Increasing PFM skills in existing staff, particularly through a training program
- Assisting his counterpart, the National Director, Public Finances and Procurement, to implement the set of changes emanating from the Office of the Prime Minister

- Improving communications with other Ministries
- Influencing the Ministry to consider rolling budgets to improve procurement processes, planning and budget influence with MoF and Parliament.

Basic description of activities to date (many still in progress)

The Principal Adviser has

- Delivered lectures and drafted presentations for his counterpart sensitising national directors and equivalents to topics such as
 - impending changes in the finance system
 - a proposed (now partly complete) process by MoF to examine the competence of officials involved in PFM
 - the impending (now 'live') process of bank transfers and reconciliations
- Organised the training of a cadre of 9 PFM trainers to Australian Certificate III standard to design and deliver training courses on
 - Generic mathematical skills
 - Procurement
 - Payments
 - General office procedures
 - Bank processes
 - Cash handling
- Arranged for some of the training cadre to perform a split role of internal control examination (not audit) and to deliver training on the weakest points in an office
- Supervised the design and delivery of these courses
- Extensively networked with like-minded advisers inside and across ministries
- Used the contact networks to improve understanding between Timorese officials in separate ministries.
- Prepared initial papers familiarising his counterpart (and for his counterpart's use with other MoH officials) on stand/framework procurements and period contracts, and rolling budgets.
- Acted as an advocate for program budgeting in cooperation with the Office of the Prime Minister and for multiyear budgeting within the Ministry of Health.

Most of these activities are continuing.

Activities in beginning phase, yet to show results

The workplan requires

- Action to get the Ministry to focus on and take sustainable ownership of the training program, including a rolling program of certifying officers to level III and level IV so that the training can be internalised to MoH. Negotiate with INS to take over this program.
- Work quickly to address the level of unfamiliarity with existing financial systems in the newly autonomous agencies in PFM areas. Currently designing a program of training courses, staff rotations and permanent assignment to these agencies to avoid large problems in early 2016
- Work with MoF to increase/establish FB expertise in MoH and the autonomous agencies, which autonomy and devolved payments will require.
- Prepare longer term strategy to adopt legal, but novel, procurement structures and budget/planning/program interfaces.
- Maintain relationships in the face of high adviser turnover and Ministerial reorganisations.