



Learnings from the Establishment of a Health Financing Unit in Timor-Leste

Local Health System Sustainability Project
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Local Health System Sustainability Project

The Local Health System Sustainability Project (LHSS) under the USAID Integrated Health Systems IDIQ helps low- and middle-income countries transition to sustainable, self-financed health systems as a means to support access to universal health coverage. The project works with partner countries and local stakeholders to reduce financial barriers to care and treatment, ensure equitable access to essential health services for all people, and improve the quality of health services. Led by Abt Associates, the five-year project will build local capacity to sustain strong health system performance, supporting countries on their journey to self-reliance and prosperity.

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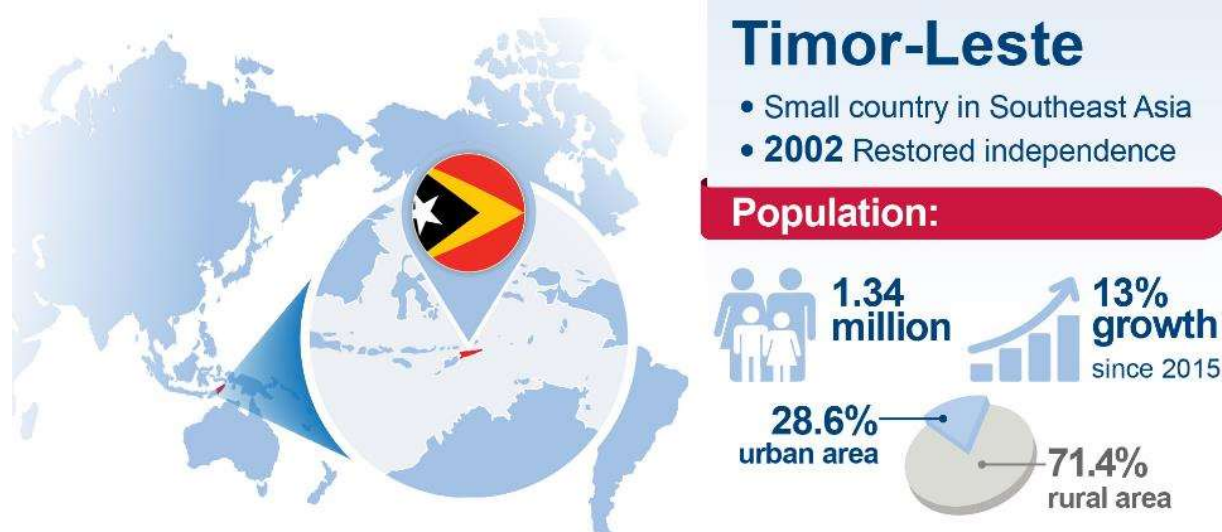
CONTENTS

Acronyms	ii
Background	1
Approach	2
Key Milestones, Challenges and Lessons Learned	3
Focused brainstorming session promotes open dialogue and ownership among MOH directors during development of the HFU Terms of Reference	3
Convening a health financing orientation facilitated the process of identifying potential members of Health Financing Unit	5
Implementing a ‘soft launch’ approach enabled the Health Financing Unit to undertake its initial functions without delay	6
Facilitating health financing capacity strengthening activities for effective functioning and sustaining Health Financing Unit Establishment	8
Following approval by the MOH's Council of Directors, the MOH officially launched the Health Financing Unit	10
Lessons for global audiences from the experience of establishing a health financing unit in Timor-Leste	11
Upcoming Priorities for the HFU	12
References	13

ACRONYMS

HFS	Health Financing Strategy
HFU	Health Financing Unit
MOH	Ministry of Health
PFM	Public Financial Management
TA	Technical Assistance
TOR	Terms of Reference

BACKGROUND



Restored to its independence in 2002, Timor-Leste is a small country in Southeast Asia with a total population of 1.34 million, reflecting rapid population growth of 13 percent since 2015. Over 71 percent of the population live in rural areas, while 28.6 percent live in urban areas.¹

Government health expenditure fluctuated over 2017-2020 but increased to 6.59% of general government expenditure in 2020.² However, rapid population growth poses a challenge for the government as it tries to allocate additional resources to meet the corresponding demand for health care services. To address this challenge, the Ministry of Health (MOH) has been advocating for an increase in public health budget allocations. Working in collaboration with development partners, the MOH developed the Timor-Leste Health Financing Strategy (HFS) 2019-2023 as a strategic approach to building sustainable financing for the health system. Based on findings from a 2017 assessment of the country's health financing situation, the HFS recommends four interventions (Figure 1).³

¹ Population data used were taken from Timor-Leste Population and Housing Census 2015 (recorded total population of 1.18 million people in 2015 and 2022 census recorded 1.34 million people). The reference to the summary data can be found in the Timor-Leste Population and Housing Census 2022, published by the Timor-Leste National Institute of Statistics, Main Report May 2023, page 23. [Main Report Timor-Leste Population and Housing Census 2022 - INETL, I.P \(inetl-ip.gov.tl\)](https://inetl.ip.gov.tl)

² The World Bank Data. Domestic general government health expenditure (% of general government expenditure) - Timor-Leste. <https://data.worldbank.org/indicator/SH.XPD.GHED.GE.ZS?locations=TL>

³ Health Financing Strategy 2019-2023, developed by the Ministry of Health Timor-Leste, with the support from World Health Organization (WHO) and approved in October 2019.

Figure 1. Timor-Leste health financing strategy interventions



Timor-Leste’s HFS identified the need to establish a functional unit within the MOH to monitor and continually assess implementation of the strategy. The USAID Health System Sustainability Activity (the Activity)’s Health Financing Landscape Analysis reinforced this recommendation by providing technical assistance for the establishment of the Health Financing Unit (HFU). Key government members of the landscape analysis team, Mr. Marcelo Amaral, Director General Corporate Services, and Mr. Miguel Maria, National Director of Budget and Financial Management, were chosen as health financing champions due to their demonstrated leadership, commitment to health system reforms, and strong public financial management experiences. The Activity helped the MOH take the lead in selecting these champions and collaboratively developing a plan to establish the unit.

APPROACH

The MOH assumed a lead role in designing and implementing a sequential approach to establish the HFU, with support from the Activity. This approach was presented to and agreed upon by the champions. Figure 2 presents the timeline, activity stages and milestones achieved along the trajectory from the planning phase through the official establishment of the HFU.

Figure 2. Activities and timelines for HFU establishment, January 2022 – March 2023



KEY MILESTONES, CHALLENGES AND LESSONS LEARNED

This section discusses challenges and lessons learned with regards to the establishment of the health financing unit in Timor-Leste according to key milestones. Key milestones referred to are the targeted outputs defined in the HFU establishment work plan, achieved, and contributed to the official approval and launching of the HFU.



A BRAINSTORMING SESSION IN MAY 2022 DURING WHICH THE INITIAL PROPOSAL ON THE HFU WAS SHARED WITH MOH DIRECTORS.

Emilio dos Santos | USAID Health System Sustainability Activity

Milestone 1:

FOCUSED BRAINSTORMING SESSION PROMOTES OPEN DIALOGUE AND OWNERSHIP AMONG MOH DIRECTORS DURING DEVELOPMENT OF THE HFU TERMS OF REFERENCE

The Activity facilitated a half-day brainstorming session with key MOH directors to discuss the establishment of the HFU, identify priority needs, potential challenges, and principal functions for the unit. The Activity shared the experiences of several other countries in establishing their own health financing (or equivalent) units, including from Thailand, Bangladesh, and Ethiopia. These examples offered insights into the roles, responsibilities, authorities, and functions of similar units positioned to advance universal health coverage in their respective countries. Illustrative domains included research, advocacy, policy development, expertise in health economics and mandates to institutionalize national health accounts.

The focused, dedicated time in a closed setting allowed MOH directors to discuss openly. The directors ultimately agreed to aim to position the HFU as a “think tank” within the MOH, fostering collaboration with the Ministry of Finance, Directorate General of Statistics, development partners, academia, and civil society organizations. Participants also held in-depth discussions about the HFU’s structure, staffing, supervision, composition of members and necessary legal requirements.

The Activity supported the MOH in revising and disseminating its proposed Terms of Reference (TOR) to external stakeholders (e.g., other government ministries, development partners and civil society organizations) for their review and input. While the MOH conducted its final review and approval of the HFU mandate and structure, the Activity supported the directors in identifying the human resources with specialized skills, experience and credentials in health care financing that would be required to staff the unit.

Challenges

- Lack of responses to revisions shared electronically resulted in a one-month delay in finalizing the draft TOR. To address this challenge, the Activity held in-person meetings with each MOH director to solicit their final input.
- Some MOH directors were concerned that the roles and responsibilities of the proposed HFU would duplicate functions already undertaken by other MOH departments. The root of this concern was their limited knowledge and experiences of the distinction between the functions of health financing and public financial management (PFM). To address this challenge, the Activity assumed the role of discussion facilitator to educate participants about the differences between these functions and redirect the conversation toward how and why establishing a new HFU would advance the MOH's objective of achieving universal health coverage.

Lessons Learned

Targeted and strategic technical assistance (TA) that is aligned with national policy can support national actors in resolving bottlenecks in implementation. Lack of progress does not necessarily mean lack of interest. For example, the MOH Director General welcomed the Activity's offer to assist in drafting the HFU TOR because it directly aligned with the MOH's mandate to implement its health financing strategic plan, yet time constraints meant the health financing champions were not available to develop the TOR on their own. In response, the activity collaborated with the champions to develop the HFU scope. This resulted in a productive collaboration that was essential for advancing this important and difficult initiative.

Furthermore, the experience highlighted the challenge of sustaining interest. In-person meetings effectively engaged directors during brainstorming but maintaining engagement through electronic platforms proved difficult. This underscores the need for continuous communication strategies and tailored efforts to sustain involvement. Future efforts should explore methods to consistently engage stakeholders beyond initial interactions.



ORIENTATION SESSION IN JULY 2022 TO STRENGTHEN PROSPECTIVE HFU MEMBERS' CAPACITY ON HEALTH FINANCING AND HEALTH BUDGET ANALYSIS.

Emilio dos Santos | USAID Health System Sustainability Activity

Milestone 2:

CONVENING A HEALTH FINANCING ORIENTATION FACILITATED THE PROCESS OF IDENTIFYING POTENTIAL MEMBERS OF HEALTH FINANCING UNIT

The Activity supported MOH directors, including the Director General of Corporate Services and the National Director of Budget and Financial Management, in identifying personnel with relevant knowledge, previous training and interest in health financing to staff the new HFU. In collaboration with the MOH, the Activity convened a health financing orientation where the concepts of health financing, universal health coverage, and other key topics, including resource mobilization, pooling, strategic purchasing, and benefit package design and implementation, were covered. To cast a wide net, directors and budget and finance officers from across the MOH directorates were invited to attend. The Activity supported the MOH in selecting potential candidates for the HFU based on pre- and post-test results, familiarity with health financing principles and demonstrated interest and engagement during the workshops. To ensure broad consensus in the selection of staff, the Director General of Corporate Services and the National Director of Budget and Financial Management were invited to participate in the candidate vetting process.

Challenges

Recruiting candidates from other MOH directorates turned out to be difficult because their appointments needed to be reviewed and approved through a bureaucratic public administrative process involving the Civil Service Commission. The Civil Service Commission is a commission responsible for the management of human resources in public administration in Timor-Leste. Considering the tight implementation timeframe, the Director General and National Director decided to nominate candidates already employed under the National Directorate of Budget and

Financial Management. Navigating this bureaucratic recruitment process was difficult and limited the new HFU's ability to draw qualified talent from across the ministry.

Lessons Learned

Targeted capacity strengthening orientations are an effective way to identify prospective candidates with relevant knowledge, skills and aptitudes for various MOH functions, including health financing. Convening a domain-specific technical orientation proved to be an especially valuable way of identifying staff who may have relevant skills not captured by the MOH's standard employee profile. Here, the MOH was able to gather information on workshop participants' past training in the domain, along with HFU-relevant knowledge, credentials, and experience.



THE HFU TEAM WORKING WITH THE MOH TO CO-DESIGN, CO-DEVELOP, AND CO-ASSESS THE PFM CAPACITY OF MOH PROGRAM MANAGERS AND OFFICIALS.

Emilio dos Santos | USAID Health System Sustainability Activity

Milestone 3:

IMPLEMENTING A 'SOFT LAUNCH' APPROACH ENABLED THE HEALTH FINANCING UNIT TO UNDERTAKE ITS INITIAL FUNCTIONS WITHOUT DELAY

The HFU's 'soft launch' refers to the unit undertaking preparatory actions and its initial functions prior to its official inauguration. This approach enabled the unit to plan, prepare and undertake several of its core functions, including developing workplans for its first year of operation. In addition, new HFU staff participated in training and received individual and group coaching from the Activity.

To begin, the Director General of Corporate Services and the National Director of Budget and Financial Management (i.e., the HFU champions) nominated the core HFU staff members. Due

to complications transferring prospective staff from other directorates, the champions appointed six MOH employees from the National Directorate of Budget and Financial Management to staff the HFU. Three of the six appointed HFU members were identified during the health financing orientation and the remaining three were nominated by the champions. Notably, all six had participated in the orientation. The new head of the HFU holds a master's degree in economics from abroad and brings over a decade of operational experience in budgeting and finance, including health financing diagnostics and strategic planning and managing donor funds within the MOH.

Challenges

- Because the HFU had not yet been officially launched, the members of the unit were unable to leave their previous roles and had to continue to carry out their duties. This meant that there were times when they were not available to the HFU, which had potential implications for the HFU's operational capacity. This challenge will be flagged to the MOH for further consideration beyond the life of the project.
- Only two members of the HFU are permanent MOH employees. The other four are contracted staff with limited job security who may decide to leave the unit in the future, introducing an element of uncertainty that could potentially undermine the sustainability of the HFU's work. Transition of contracted staff to a permanent position is a formal and lengthy process. While this situation could potentially pose a challenge in the future, it did not directly impact the soft launch phase. The members' commitment to the HFU is somewhat limited as contracts are currently under the Department of Budget Management and Payment, rather than being directly assigned to the HFU. Commitment is currently voluntary until a new MOH Ministerial Diploma is established, allowing contracts to be directly linked to the HFU.

Lessons Learned

Understanding the bureaucratic context was important. This approach helped senior officials leverage their authority to expedite work processes. The soft launch worked well because the head of HFU led the coordination and engagement with other MOH directors to acquire office space and equipment, participated in the development of HFU's staffing plan, drafted necessary legal documents, delivered capacity strengthening materials and participated in the PFM capacity assessment data collection. The approach not only streamlined operations but also facilitated targeted capacity strengthening. Through one-on-one coaching and mentoring provided by the Activity, HFU members enhanced their technical capacities in key areas, including data management, health financing, and budget analysis. Supported by the influence and authority of the champions, the bureaucratic process of the Timor-Leste MOH was less formal and the establishment of the HFU was notably streamlined.



ACTIVITY COLLABORATING WITH MEMBERS OF THE HFU TEAM TO PROMOTE IMPROVED ALLOCATION OF HEALTH SYSTEM RESOURCES IN TIMOR-LESTE.

Emilio dos Santos | USAID Health System Sustainability Activity

Milestone 4:

FACILITATING HEALTH FINANCING CAPACITY STRENGTHENING ACTIVITIES FOR EFFECTIVE FUNCTIONING AND SUSTAINING HEALTH FINANCING UNIT ESTABLISHMENT

The Activity conducted a series of capacity development activities aimed at strengthening the unit's ability to perform technical studies, including public health expenditure and health accounting analyses. These activities covered areas such as PFM, encompassing the budget cycle and chart of accounts, budget analysis techniques, data collection, and analysis. Moreover, they addressed various facets of health financing, health system building blocks, resource mobilization, pooling, and strategic purchasing, such as performance-based financing, pay for performance, and performance-based incentives. This capacity-strengthening initiative reached HFU members, multiple MOH directorates, municipal health services, referral hospitals, autonomous agencies, and key government offices, including the Office of the Prime Minister and the Ministry of Finance.



Challenges

- Weak internal communication among directors and heads of departments led to key budget and finance officers not being able to attend the capacity development workshops. For example, the National Director of Budget and Financial Management directly appointed staff to attend these workshops without informing the heads of department under his leadership. Consequently, some staff were prevented from attending, even after confirming attendance. In response to these challenges, the Activity and HFU adjusted their approach by directly inviting the National Director of Budget and Financial Management and department heads to

subsequent workshops, ensuring that necessary training was provided to the HFU staff who were unable to attend earlier sessions.

- The Activity supported the MOH in developing and contextualizing capacity strengthening materials on health financing for MOH staff. The original materials needed to be revised to reflect the limited knowledge and experience on health financing among MOH staff. Participants in the first health financing orientation requested simplified training materials accompanied by a translation into Tetum, one of the official languages. In response, the Activity worked closely with HFU staff to co-design and co-develop simplified training materials which were validated by HFU staff and utilized successfully in subsequent capacity strengthening workshops.
- Motivation of the HFU members to take up “heavy lifting” tasks and analysis was lacking, despite attending capacity strengthening events. The appointed HFU members were used to working on administrative tasks. To address this, the Activity re-focused its approach to ensure the HFU members’ capacity is strengthened by providing on-the-job coaching and mentoring to undertake technical analysis. The HFU members then became interested and involved in data collection and analysis for the public health expenditure analysis.

Lessons Learned

Co-designing and co-implementing the health financing capacity strengthening sessions with the HFU members helped to improve knowledge, increase awareness and gain support for the establishment of the unit. In addition to engaging HFU members, this approach was effective in engaging directors and budget and finance officers at the central and municipal level including referral hospitals. Overall, this training has improved HFU members’ understanding of and skills in health financing concepts, national health accounts, universal health coverage, and health expenditure analysis. As a result of this training and the Activity embedded technical assistance, HFU members are now able to collect primary health expenditures data, use Excel to manage and visualize data, and create infographics to facilitate analysis and interpretation. In addition, the HFU has produced several technical briefs to explain and support spending decisions, such as patient referrals for treatment abroad and co-financing for the nutrition program.

Moreover, capacity needs assessment proved helpful to tailor the health financing capacity strengthening materials. For example, the Activity conducted a PFM capacity assessment to the MOH directors and officials working in PFM areas to assess their knowledge and skills. The findings from this assessment were used to adapt training materials based on the specific needs of the targeted participants. In January 2023, the Activity provided budget analysis training to the HFU and selected MOH budget officials, delivered in both English and the national language.



THE MINISTER OF HEALTH AND US CHARGE D'AFFAIRES TOGETHER WITH KEY PARTNERS OFFICIALLY LAUNCHING THE HFU IN MARCH 2023.

Emilio dos Santos | USAID Health System Sustainability Activity

Milestone 5:

FOLLOWING APPROVAL BY THE MOH'S COUNCIL OF DIRECTORS, THE MOH OFFICIALLY LAUNCHED THE HEALTH FINANCING UNIT

The establishment and formal launching of the HFU required the approval of the MOH's Council of Directors, comprised of MOH directors and chaired by the Minister of Health. Getting approval to establish the HFU on the Council of Directors' agenda proved challenging and required strategic advocacy and negotiation efforts. To support this initiative, the Activity advocated for the importance of establishing the HFU with other development partners and MOH directors. Following its approval by the Council of Directors, the HFU was officially launched in a ceremony led by the Minister of Health. Dignitaries including the US Embassy's Chargé d'Affaires and the WHO Country Representative attended the launch along with numerous other officials and development partners. The ceremony signaled the MOH's commitment to establishing the HFU and presented the unit's principal role, importance and functions. The formal establishment of the HFU represents a pivotal moment for the MOH's present and future ability to manage health care financing for the country.

Challenges

- Although the HFU had been under consideration for over a year and was recommended as part of the 2017 health financing assessment and the Timor-Leste Health Financing Strategy 2019 - 2023, the lack of knowledge and understanding about its proposed role and importance impeded the MOH from prioritizing creation of the new Unit.

- Administrative bureaucracy was a major challenge to scheduling the discussion of HFU establishment in the Council of Directors and change in the government caused the delay of the MOH Ministerial Diploma.



Lessons Learned

Educating key actors, such as the MOH leadership, directors and other key stakeholders, about the benefits of a health financing unit – such as how it helps the health sector make faster progress towards universal health coverage and maximizes the use of limited health resources – facilitates socialization and acceptance of the proposed HFU.

The combination of having champions within the MOH leading the initiative to establish the HFU, and embedded Activity staff providing TA to those champions, ensured a participative, inclusive, and transparent process to securing approval for the unit. The Activity and the champions worked closely to engage with the Minister of Health and other MOH directors about the importance of establishing the HFU. They also collaborated to get approval of the proposed unit included on the Council of Directors’ agenda. The National Director presented the overview and the need for establishing HFU, its immediate 2023 and medium-term plans, and current HFU governance and structure. The Council of Directors’ meeting also served as a forum in which concerns of certain directors, who perceived the HFU as duplicating functions of other MOH directorates, were allayed by the Director General as he outlined their complementary scopes.

LESSONS FOR GLOBAL AUDIENCES FROM THE EXPERIENCE OF ESTABLISHING A HEALTH FINANCING UNIT IN TIMOR-LESTE

1. Identifying and supporting champions within the MOH from the outset helped build ownership and continuity, even in the face of certain challenges. However, these champions required guidance and support from the Activity throughout the establishment process. Convening stakeholders from across the MOH and other ministries through learning opportunities and forums helped foster a sense of ownership among key stakeholders, resulting in a more comprehensive approach. These forums provided a space for stakeholders to discuss the importance of establishing a health financing unit and engaged multiple actors to participate in each milestone leading to the unit’s creation.
2. Applying a systems thinking approach to understanding the political economy, legal processes, and administrative bureaucracy was crucial in shaping the planning and approval process for the HFU. This approach allowed for a nuanced understanding of the specific country’s dynamics and helped the health financing champions to effectively leverage their influence. By balancing legal, technical, and political aspects, the process was streamlined, ensuring timely approval for the HFU establishment.
3. Building a fully functional HFU is a process that extends beyond the significant milestone of formally launching the unit. Given the limited background and experience of HFU staff in health financing, it is imperative to provide continuous capacity strengthening opportunities for a full two years. Long-term training and mentoring of Unit staff will necessitate sustained political commitment.

UPCOMING PRIORITIES FOR THE HFU

Advocating for inclusion of the HFU in the MOH's Ministerial Diploma will secure formal recognition of the unit and set the stage for important milestones including development of a workplan, staffing structure, and attaining commitment for a dedicated operational budget for the unit. Intensive capacity strengthening in the unit's core technical areas is also a top priority for the coming year. The HFU is undertaking a public health budget expenditure analysis and will present its findings to the MOH's Council of Directors, Health Advisory Council, Ministry of Finance, the country's first health civil society network, Rede ba Saúde Timor-Leste, and other development partners. This exercise will be one of HFU's first opportunities to demonstrate its value added to the health sector. The HFU also plans to conduct an analysis of the nation's health financing situation. Findings from this analysis will feed into updating Timor-Leste's Health Financing Strategy 2019-2023.

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