USAID East Timor

USAID STRATEGIC PLAN FOR EAST TIMOR

A New Nation Moving Forward

2005 – 2009

Foreword

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United States Ambassador to East Timor

USAID's new Country Strategy for the Democratic Republic of Timor-Leste (East Timor) comes at a crucial time in the development of this new nation. During the next five years, friends of East Timor hope and expect the country to complete the transition from post-conflict relief to long-term sustainable development. Among other things, this should mean that by 2009 East Timor will no longer be one of the world's poorest countries and will no longer have shockingly high rates of maternal, infant, and child mortality. Indeed, we believe East Timor has the potential to be a model for the developing world, a mature democracy with a thriving free-enterprise economy.

The strategy presented here will support programs and activities of vital interest not only to East Timor, but also to the United States. In particular, a revitalized private sector development program will provide new employment opportunities for Timorese people at all levels, from small farmers to entrepreneurs, and will promote the continued development of a business-friendly legal framework and regulatory environment.

The strategy will also refocus AID's Democracy and Governance programs in Timor to emphasize support for the rule of law, transparency, and free competition in ideas --- all essential building blocks for good governance in East Timor for years to come.

Finally, the new health program introduced in this strategy makes clear that United States policy is grounded not only in enlightened self-interest but also in commitment to universal values, beginning with the sanctity of human life. Although East Timor has made great progress in many areas during the last five years, the number of deaths and serious illnesses among the Timorese people --- and particularly among women and children, the most vulnerable members of society --- remains unacceptably high. One out of every eight children born in East Timor dies before the age of five, typically from an easily preventable or curable disease such as malaria, pneumonia, measles, or diarrhea. Timorese women suffer under one of the highest maternal mortality rates in the world, which could be dramatically reduced through practical improvements in antenatal care.

East Timor is being considered as a "threshold country" for the Millennium Challenge Account (MCA), the new United States foreign assistance program in which eligibility is based on clear indications that the government of the country is making maximum use of its own resources to improve the lives of its people. The United States will continue to work with the government of the Democratic Republic of Timor-Leste toward full MCA eligibility --- an important milestone not only because it could result in the availability of further development resources, but also because it would recognize the remarkable progress East Timor has made and the commitment of the Timorese people and government to build on that progress.

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PART ONE.

SUMMARY OF RATIONALE AND OVERALL CONTEXT FOR ASSISTANCE

I. ASSISTANCE ENVIRONMENT

A. Country Overview

Struggle for independence and consequences

On May 20, 2002, East Timor became the first newly independent nation of the millennium. Following four centuries of Portuguese colonial administration, twenty four years of Indonesian occupation and conflict, and two and half years of interim UN administration, independence has proven challenging and costly. The country experienced a fundamental social and economic upheaval with severe loss of lives and property after its people voted for independence in the referendum of August 1999. Currently this new nation is struggling to establish a democratic state with an open and free economy. However, the newly established democratic and financial institutions are still weak in meeting the demands required in building a new nation. East Timor is at a critical juncture facing serious challenges to its medium-term development: low economic growth rates, a poor investment climate, structural poverty, inadequate revenue generation, poor delivery of basic human services, environmental degradation, and weakness of its basic institutions of governance.

East Timor is one of the poorest countries in the world with an estimated population of 876,000 and a per capita income of $410 in 2002[1]. Seventy five percent of the population is rural of which 80% rely on subsistence agriculture. Open unemployment is estimated to be higher than 19.5% and the illiteracy rate is 57%. Demographics in East Timor reflect a young country of young people with approximately 50% of the population under 15 years of age. The maternal mortality ratio is 830 per 100,000 live births and under-five mortality is 125 per 1,000 live births, both among the highest in the world.

Development challenge – a new nation moving forward

Despite these challenges, East Timor has made solid progress since 1999 in establishing a democratic state and revitalizing its economy. It developed a new constitution, held legislative and presidential elections that met international standards, and established working democratic institutions. The country has a unicameral parliamentary form of government with an 88 member National Parliament. At present, the Fretilin Party that led the struggle for independence holds 55 seats. East Timor has established a Bank and Payment Authority and is a member of the United Nations, the International Monetary Fund (IMF), World Bank (WB) and the Asian Development Bank (ADB). The National Development Plan (NDP), prepared shortly before independence by the East Timorese with donor support and approved by the parliament, sets out a framework for economic

[1] GDP has not been measured since 2000, and the first population census will be launched in mid-2004. Hence estimates of GDP per capita are tentative (World Bank).

development, delivery of services and social goals. The NDP focuses on poverty reduction and sustainable and equitable economic growth with special attention on education, health, and the social welfare of the Timorese people. Priorities in economic development include the reconstruction and maintenance of basic infrastructure and the revitalization of agriculture which provides livelihood to over 80% of the population and represents approximately 27% of East Timor's GDP. The NDP highlights private sector growth, macroeconomic stability, job creation to reduce unemployment, and financial institutions with prudent fiscal management. The NDP governance priorities focus on the development of an effective administrative and governance structure to serve the interests of the people, increased citizen participation in governance, oversight institutions and transparency. In health, NDP emphasis is on preventative health care and clinical support in underserved areas.

The 2003 World Bank Poverty Assessment highlights the daunting economic and human development challenges East Timor continues to face in its second year of independence. The 2003 WB Poverty Assessment estimates that 39.7% of the population is under the poverty level. The poor rely primarily on subsistence agriculture for their livelihood and have less access than urban families to basic infrastructure and services such as clean water, electricity, education, information access, health care and sanitation. Extensive deforestation and subsequent erosion reduces agricultural productivity, degrades water resources and decreases both terrestrial and coastal biodiversity. Following the turmoil in 1999, a heavy inflow of donor assistance provided a boost to the economy and the reconstruction efforts. However, the reduction of UN presence in May 2002 created a contraction in economic activity. As noted in the November 2003 Transition Support Program (TSP) report, a World Bank managed fund with contributions from nine donors to provide capacity building and balance of payment support to the Government of East Timor (GoET), there has been a strong decline in new foreign and domestic private investments. Furthermore, labor costs are higher and productivity lower than in neighboring countries. East Timor ranks 158 out of 177 countries, the lowest in Asia, in the UNDP human development index.[2]

During the next few years East Timor will continue to depend on the donor community to meet its core running costs and development needs. Although projected Timor Sea oil and gas revenues are higher than expected due to current historical high price levels, the uncertainty of the current price and the outcome of treaty negotiations with Australia continues to make future revenue in the short term difficult to predict. Furthermore, the low level of domestic and foreign investment hinders the ability of the GoET to collect revenue. Therefore, a continuation of the TSP program for two more years (2006-2007) is planned as well as a reduction in GoET expenditures and renewed efforts to increase tax and customs revenues. The GoET's core budget is expected to be fully financed from its own resources by FY2008-09.

[2] Human Development Report 2004, UNDP. This is a composite index that measures three basic dimensions of human development: life expectancy, adult literacy, combined gross enrollment ratio, and GDP per capita.

B. USAID/East Timor

Accomplishments under the Transition Strategy FY1999 to FY2004:
USAID provided substantial assistance to East Timor following the violence and destruction of September 1999. A total of $165 million in Congressionally-earmarked Economic Support Funds (ESF) as well as early contributions from the Office of Disaster Assistance and Food for Peace have provided USAID with the resources to mount a strong development program to the new nation since 1999. This FY 2001-2004 Transition Strategy, designed to be flexible in responding and providing critical assistance to East Timor at its birth during its initial phase of nationhood, focused on the following two strategic objectives with support from a critical small grants program:

Strategic Objective 1: "Revitalization of the local economy"

Strategic Objective 2: "Strengthening democratic institutions"

USAID assistance achieved significant results including:

- The reconstruction and/or improvement of 82 buildings and the rehabilitation of 469 small infrastructure projects with approximately 63,000 direct beneficiaries that helped revitalize the damaged local economy and infrastructure.
- Rural cooperatives with membership of approximately one third women have been strengthened with a 40% increase in the production and processing of organic and fair trade certified coffee and the establishment of viable marketing channels and exports for coffee which accounted for 77% of the country's total exports in 2003. Created the largest employer of 23,400 persons during the coffee harvest season.
- The development of land titling and registration policies and laws, studies and assessments of land issues and USAID technical assistance provided to the GoET and the University of East Timor;
- The ratification of a new constitution and the establishment of the institutional framework with balance of powers across the main pillars of a democratic state:
- Free and fair elections for the first ever Legislature and the President, including the first ever national broadcast of the presidential debate;
- Strengthened non-governmental organizations and independent media outlets for print and electronic media.
- Access to basic health services was increased for 25% of the rural population through participating cooperatives and health clinics.
- Significant research, prevention, and advocacy activities have been conducted in the field of HIV/AIDS as well as the establishment of testing, counseling, treatment and care services in collaboration with the GoET, NGOs and faith based organizations.

Programs and activities under the previous strategy will either phase out in FY04 or transition into the new Country Strategy during FY05.

C. USAID Partners

Partnership with the Government of East Timor

USAID actively participates in the GoET-led semi-annual Donors' Conferences (recently re-named as Development Partners' Meetings), monthly donors meetings and ad hoc GoET committees to address specific and urgent development issues including the GoET's social and economic programs focused on equitable economic growth, good governance, and provision of basic health and human services to all Timorese. USAID also participates in the biannual Transitional Support Program (TSP) meetings. In addition, formal and informal meetings, including semi-annual TSP conferences and monthly donors' meeting chaired by the Vice-Minister of Finance and Planning, have proven to be effective in sharing information and ensuring good coordination on specific programs

During the proposed strategy period USAID will focus its assistance on key elements of the GoET core sector program: private sector led economic growth leading to increased employment, rule of law assuring greater security to individuals and communities, and the provision of basic services. These programs are consistent with USAID and State Department goals in the areas of economic growth, governance, and improved livelihoods. During the strategy period, USAID will continue to work in close partnership with the GoET.

Donor coordination

East Timor has been a primary recipient of foreign assistance either in the form of balance of payments to support its fundamental operations as a new nation or in the form of grants to support various development initiatives. Out of a total of approximately $ 1 billion in bilateral and multilateral assistance since 1999, USAID's contribution has amounted to approximately 18 percent.[3] Thirty-five official donors, with approximately 22 expected to continue to be active, 18 UN agencies as well as the World Bank and the Asian Development Bank provide assistance to East Timor. The United States is one of the top five bilateral donors. Bilateral programs cover a wide area of activities such as capacity building and budget support, health, education, and humanitarian assistance. These four areas account for 70 percent of the assistance provided to date to East Timor. Allocations for agriculture and rural development, basic infrastructure, water supply and sanitation, environmental protection and management, and private sector development have received less support.

The Transitional Support Program (TSP), managed by the World Bank with contributions from nine bilateral donors, including the United States, in addition to World Bank funds, provides capacity building and balance of payment support to the GoET. It is an important mechanism for donor coordination and performance monitoring on a semi-annual basis. The total TSP contributions amount to $77 million for the three years of FY02-04 including $12 million from USAID. Additional contributions for FY05-07 are under review.

[3] Registry of External Assistance, 3rd Release, National Directorate for Planning and External Assistance Coordination, Ministry of Planning and Finance: May 2004, Dili, Timor –Leste.

All activities have been closely coordinated with other donors to avoid duplication and to ensure synergy. During the strategy period USAID will continue to work in close partnership and coordination with donors in all of its activities.

D. Planning parameters, Technical Guidance Memo and Mission Response

Following the approval of the Concept Paper for USAID/East Timor's Country Strategy in April 2004, a parameters cable and technical guidance memo to further guide the Country Strategy development process were issued by USAID/ANE and received by USAID/East Timor. This guidance and the US Mission response is included in Annex I.

II. STRATEGIC OVERVIEW

A. The Country Strategy FY2005-2009

The Economic Growth Strategic Objective is: **Accelerated Economic Growth.** USAID East Timor will contribute to accelerated economic growth through: 1) business environment improved, 2) markets improved and production of selected products and services increased; with both of those results supported by capacity/skills increased.

The Democracy and Governance Strategic Objective is: **Key Foundations of Governance Strengthened.** USAID East Timor will contribute to strengthening the foundations of governance by 1) rule of law strengthened, 2) more effective democratic governance; with both of those results supported by increased transparency, accountability and participation in government.

The Health Special Objective is: **Improved Health of Timorese People, Especially Women and Children at Greatest Risk**. USAID East Timor will contribute to improved health through 1) increased use of maternal and child health practices; with both of those results supported by a community health network consisting of church and other civil society groups established to effectively support key maternal and child health practices at the local level, 2) increased use of effective interventions to reduce the threat of priority infectious diseases.

B. Rationale for selecting the Strategic and Special Objectives

Joint State/USAID/and Millennium Challenge Account (MCA) linkages

The three objectives of this strategic plan (SO 1: Accelerated Economic Growth; SO 2: Foundations of Governance Strengthened; and SpO: Improved Health of the Timorese People, especially women and children at greatest risk, directly support the State/USAID Joint Strategic Goals for 1. Economic Prosperity and Security; 2. Democracy and Human Rights; and the Performance Goal of Improved Global Health, including child, maternal, and reproductive health, and the reduction of abortion and disease, especially HIV/AIDS, malaria, and tuberculosis. SO 1 will assist the GoET in appropriate policy reforms, thus helping East Timor to transition from a possible threshold country to a full-fledged country candidate under the Millennium Challenge Account. Through strengthening of

the national immunization program, the SpO will further enable the GoET toward meeting its MCA threshold country requirements.

Mission Performance Plan

Two Strategic Goals of the Mission Performance Plan (MPP) for East Timor incorporate the two USAID Strategic Objectives: 1. Democracy and Human Rights, and 2. Economic Growth and Development. USAID and the Embassy collaborated in development of both the Mission Performance Plan FY 2006 and this USAID Strategy, including the design of the approach for the Special Objective (SpO) on Health.

Critical milestones from the Performance Indicators for the Democracy and Human Rights Strategic Goal of the MPP have been incorporated into the Democracy and Governance Milestone Index to measure SO-level results of the DG Strategic Objective: **Key Foundations of Governance Strengthened**. The index indicator will provide data to measure MPP results. For the EG Strategic Objective: **Accelerated Economic Growth**, two of the three SO-level indicators are identical to indicators in the MPP. Lower level indictors will continue to provide data for other MPP indicators. The Health Special Objective: **Improved Health of the Timorese People**, will measure use of specific life saving interventions, which can support the MPP indicators for "access" but stops short of measuring the rates of maternal, child and infant mortality called for in the MPP. Measuring such rates directly is enormously expensive and difficult in developing countries. Thus indirect measures, or proxies, such as use of insecticide-treated bednets and skilled birth attendants are more often utilized to measure improved health status.

Strategic Choices

The Conflict and Vulnerability Assessment highlights the importance of investing in economic growth of East Timor for broader political stability. The economy remains fragile and requires a continued level of effort of USAID assistance. Over 50% of the annual program support from USAID/East Timor will be allocated for economic growth activities. The Democracy and Governance sector achieved significant results and while the overall level of assistance in this sector will be reduced, care will be taken to support and maintain what has been achieved, particularly within civil society. Priority in the DG sector will be on those areas that are identified in the DG Assessment as either the weakest or required for economic growth and stability such as rule of law and transparency. USAID will continue to invest in the World Bank's Transitional Support Program to develop GoET's basic governance institutions and its efforts to maintain an efficient and realistic national budget focused on poverty reduction. USAID's support for improving the health of the Timorese people, especially women and children at greatest risk, is based on an intensive series of assessments as well as national priorities established by the Ministry of Health. USAID through continuing support from Food for Peace in FY05 will continue to address food insecurity.

C. Mission Level Critical Assumptions

Security may be an issue as the United Nations withdraws its security forces. The Conflict Assessment notes this potential but estimates that this risk is low. USAID will

continue to work with other US government agencies, Australia and the UK. USAID will play a pivotal role in facilitating civilian oversight of police. Oversight will be in terms of financing and insuring civilian knowledge of police and military responsibilities and applicable laws. The GoET could opt not to decentralize, choosing instead a less democratic centralized model of nation building. USAID will encourage the GoET to extend democratic governance to the local level. Based on US dialogue with the GoET on this issue, it appears that the GoET is moving slowly and judiciously in this direction. Corruption could become a problem, especially with the influx of oil and gas revenues, as well as weak oversight and a relatively low level of professionalism in the judicial sector. USAID is working with the GoET and development partners (donors) to abate this potential problem through improved financial management, transparency and the development of the ombudsman's office as well as strengthening judicial oversight bodies. USAID assumes that multilateral and bilateral donors will continue to disburse funds needed by GoET to cover budget shortfalls until oil and gas revenues become available and USAID will also contribute to the Transitional Support Program during the budget shortfall years.

Examples of critical assumptions include:

- Continuing stability in East Timor and neighboring Indonesia.
- Natural threats (coffee tree rust, drought, floods) will not severely affect the economy.
- Conflict due to poverty, unemployment, and limited access to basic services will be minimal.
- Continuing support for basic infrastructure (roads, power, ports, etc.) by the GoET will keep pace with development.
- The expatriate decline will have a negative impact on employment rates and decrease social stability.
- Multilateral and bilateral donors will continue to disburse funds needed by GoET to cover budget shortfalls until the oil and petroleum revenue comes on board.
- International price fluctuations for main exports, particularly oil and gas, vanilla, and coffee, will not adversely affect the economy.
- Progress will be made by the GoET or donors in critical areas of the economy where USAID assistance is not involved, including large-scale infrastructure (e.g., roads, energy), financial sector (banking regulation and supervision), and technology.
- The potential for oil and petroleum resources to result in "Dutch Disease" and corruption does not contribute to private sector collapse.

USAID/East Timor will continue to monitor status of these assumptions in order to adjust its programming accordingly as needed.

D. Cross Cutting Themes

USAID/East Timor identified gender, environment, geographical areas and specific groups of people as themes that cut across both SOs and the SpO. USAID/East Timor considered the role of women and men within the analysis of each SO/SpO address and

the relative impact on both genders of achieving the desired results. Where indicated, each SO/SpO approach includes measures to limit negative environmental impact and/or improve environmental conditions. The Mission completed initial environmental assessments to determine which activities have no significant impact on the environment. The SOs and the SpO will also focus on special Regions/Groups include Oecussi as an enclave within West Timor disadvantaged by its separation, other border areas with problems that affect economic growth and perhaps potential conflict. Areas with high malaria prevalence are a special region for the Health SpO, particularly Lautem, Viqueque, Bobonaro and Oecussi districts. Capacity building, Rule of Law, transparency and accountability are themes that crosscut both SOs. The SpO and DG SO share a crosscutting theme pertaining to public-private sector partnerships, particularly with regard to the fostering of community networks.

E. Stakeholder involvement

Both the Concept Paper and the Results Frameworks (RF) have been vetted with the Office of the Prime Minister and all relevant Ministries of the GoET. The Embassy has been intimately involved in the planning that produced both documents. Each SO/SpO Team has also shared the RFs with donor partners in their respective sectors. The DG SO involved various stakeholders in planning the strategy through the use of roundtable discussions of results and their indicators. The SOs and the SpO will develop constituencies to use in an advisory capacity during implementation. Each will determine the proper forum (or fora) to inform their key stakeholders of progress and get support for problem solving as implementation issues occur. USAID staff discussed options for the proposed health objective with the GoET (Prime Minister), Ministry of Health, experts from USAID's Global Health Bureau and other international health experts, medical staff, bilateral donors and multilateral agencies, faith-based organizations, international and local NGOs.

F. Millennium Challenge Account (MCA)

East Timor's leadership has shown a consistent commitment to economic growth and poverty reduction. East Timor is likely to be designated an MCA threshold country, and possibly a full-fledged candidate country if performance is improved for the lagging indicators. However, there is much to be done to achieve full MCA candidate country status. East Timor fails some indicators in all three MCA categories – ruling justly, investing in people, and economic freedom. However, rapid progress may be possible given the willingness of the GoET to respond, dedication of the international community to support, and concentration of MCA resources in a particular sector.

If East Timor is selected as an MCA "threshold country," USAID plans to provide support toward development of the Threshold Country Program (TCP) partnership proposal and business plan, both required of the partner country. Roughly $40 million will be available for 5 to 8 threshold countries. Initial threshold country funding would likely range between $5 and $8 million for reform programs. Given these limited resources, USAID should tightly focus its threshold country support on the most critical

areas to produce a manageable reform program. This would help the partner country produce tangible and sustainable results, thus closing the performance "gap" to reach MCA status. For many developing countries, MCA threshold resources should be focused on corruption as one of the most important problems that cripple development prospects. However, East Timor currently performs reasonably well in the area of anti-corruption. USAID may therefore want to focus on the category where East Timor has the largest number of failing or missing indicators, such as "economic freedom." According to the MCA website, East Timor performs well in two indicators and fails the other four indicators. Inflation is reasonable at 4% and fiscal policy prudent, with a deficit at 2.16% of GDP. However, East Timor clearly fails the indicators for regulatory policy and credit rating and is lacking statistical information for trade policy and days to start a business. USAID should create a well-focused program in support of the possible TCP business plan in one or two of these limited areas.

G. USAID approach to sustainability

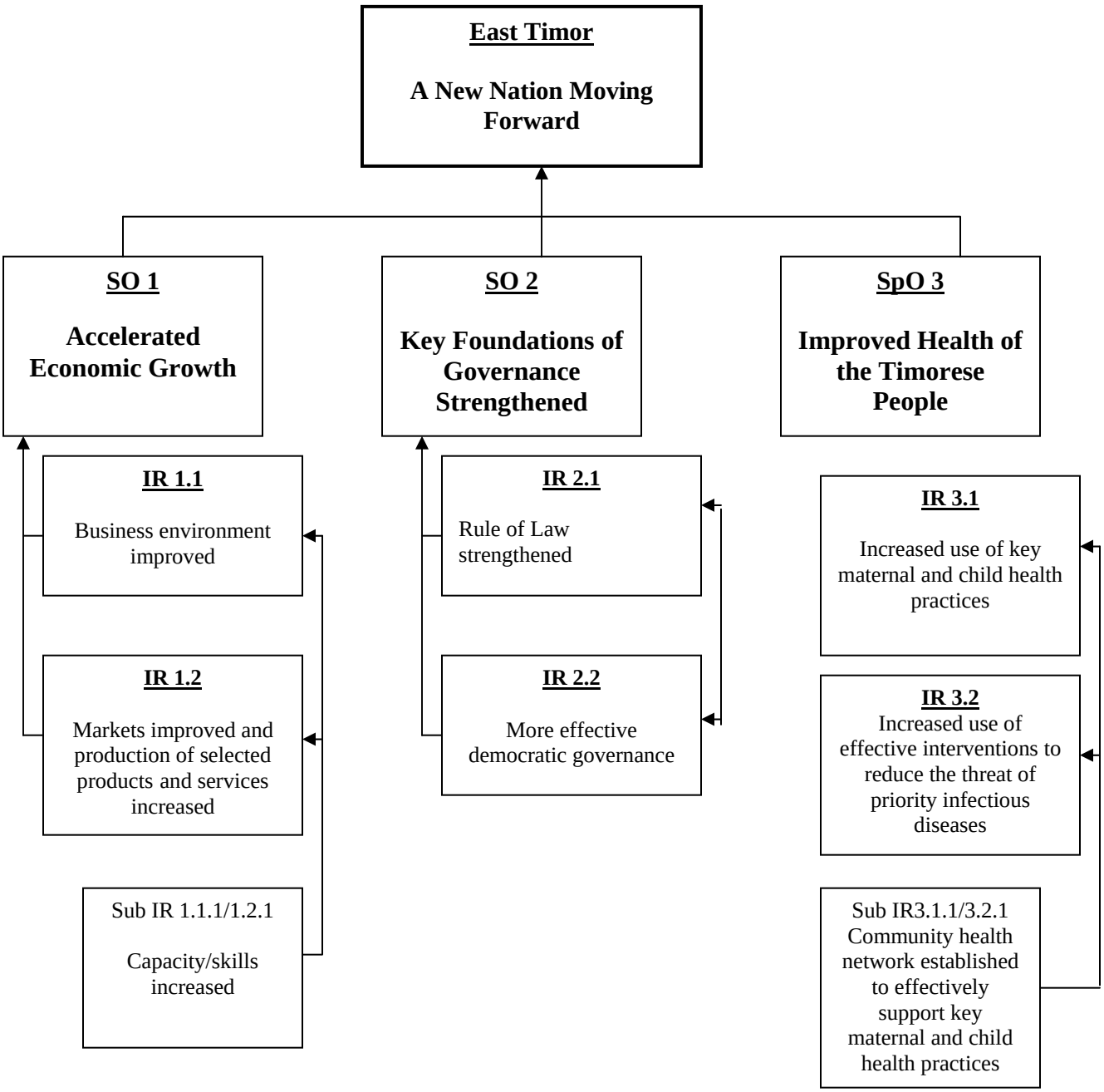
Sustainable development is the overarching vision supported by USAID's four pillars of development. In its first sustainable development cycle under the new Country Strategy, USAID/East Timor has infused this primary principle into all of its core values and development planning for the strategy. USAID/East Timor will also conduct an assessment after the national elections in 2007 to further determine the most effective approaches to sustainable development in the context of East Timor. The conduct and outcome of the elections should provide indications of the degree of political stability achieved. By 2007 the GoET should have clear indications of the level of oil and gas revenues from the Timor Sea. The United States, other development partners and the GoET will also have determined to what extent that external assistance has achieved results and the capacity of the Timorese to continue to achieve results in the economic, governance and basic human services areas with reduced external assistance levels.

H. Performance Management and PMP

Each Strategic Objective and the Special Objective (SpO) has indicators at the SO level with baselines and targets. Illustrative indicators are presented in the Results Frameworks at the IR level. Performance Indicator Reference Sheets for the So/SpO level indicators are included in Annex XI. USAID/East Timor will complete and submit the final Performance Management Plan (PMP) before July of 2005.

USAID staff will monitor performance as part of every field visit and keep a current PMP file of observations. Monthly implementing partner meetings will monitor planned and implemented activities. The Mission conducts a portfolio review and results analysis exercise annually prior to the Annual Report. Evaluations will be conducted in response to the annual analysis findings as well as in response to issues or opportunities identified in field visits**. The 2007 sustainability assessment will provide the opportunity for a Mission wide portfolio evaluation and review.**

USAID/EAST TIMOR STRATEGIC FRAMEWORK



RESULTS FRAMEWORK: ACCELERATED ECONOMIC GROWTH

October 1, 2004 – September 30, 2009

Joint State/USAID Strategic Goal: Economic Prosperity and Security

USAID Goal: Broad based economic growth and economic development encouraged

SO1: Accelerated Economic Growth

1. Real GDP growth (annual %)
2. Domestic and foreign direct investment (annual % growth)
3. Poverty rate and unemployment, total (% of total labor force)

IR1.1 Business environment improved

Illustrative indicators:

1. Number of MSMEs with access to financial svcs.
2. Number of targeted legislation/policies drafted
3. Number of days to establish a new business
4. Number of land leases granted to applicants
5. Dollar volume of credit portfolio outstanding
6. Financial svcs. provided by USAID clients
7. Agriculture, valued added (% annual growth)

IR1.1.1/1.2.1 Capacity/skills increased

Illustrative indicators:

1. Number of targeted legislation/policy drafted by E. Timorese
2. Number of researchers certified in policy research.
3. USAID investment by product/service business: a) Infrastructure/Equipment b) TA c) Ag. Inputs

IR1.2 Markets improved and production of selected products and services increased

Illustrative indicators:

1. Number of jobs created through USAID assistance
2. Price for selected products (by region)
3. Production or sales by metric tons (or other unit) by product
4. Number of USAID client businesses with annual sales increase of > 5%

IR1.1.2 Policy/legislative framework created

IR1.1.3 Financial services increased

DG: Rule of Law strengthened

DG: More Effective Democratic Governance

IR1.2.2 Market linkages strengthened

IR1.2.3 Supplies improved

PART TWO

EAST TIMOR ECONOMIC STRATEGIC OBJECTIVE 1: ACCELERATED ECONOMIC GROWTH

I. STATEMENT OF STRATEGIC OBJECTIVE

USAID East Timor will contribute to accelerated economic growth through: 1) business environment improved; 2) markets improved and production of selected products and services increased; with both of those results supported by increasing Timorese capacity and skills.

A. Linkages with State/Agency/MCA Goals and GoET Goals

SO 1 contributes directly to Joint State/USAID Strategic Goal: Economic Prosperity and Security, and to USAID Strategic Objectives in Economic Growth: 1) Critical, private markets expanded and strengthened; 2) More rapid and enhanced agricultural development and food security encouraged; and 3) Access to economic opportunity for the rural and urban poor expanded and made more equitable. Further, USAID SO 1 activities interventions will support East Timor's National Development Plan, particularly the twin goals: *promotion of rapid, equitable, and sustainable economic growth and reduction of poverty*. SO 1 will also assist the GoET in appropriate policy reforms, thus helping East Timor to transition from a possible threshold country to a full-fledged country candidate under the Millennium Challenge Account.

II. PROBLEM ANALYSIS

A. Current Situation

East Timor is one of the poorest countries in the world with a per capita income of only US$410. However, the country has made significant progress in reducing poverty, rehabilitating its economy, and building the key elements of a democratic political system. The National Development Plan (NDP) lays out a 20-year vision and a five-year strategy with two key objectives: promotion of rapid, equitable, and sustainable economic growth (5% growth target in the medium term) and poverty reduction. The GoET acknowledges the private sector's role as the key driver for economic growth.

Following a sharp recovery in the wake of the 1999 destruction, East Timor's economy has recently been stagnating in light of the declining international presence. GDP declined by 3% in 2003 but is expected to recover slightly to 1% growth in 2004. Poverty rates are high with around 40% of the population living below the poverty line. Unemployment is also high at around 20% nationwide or over 40% for urban male youth. The public sector has downsized significantly since Indonesian times: physical infrastructure is yet to be completely rebuilt; institutions are nascent; and the legal and business-operating framework for private sector growth are still developing.

East Timor's economy is relatively open. However, some recently proposed policies and legislation do not reflect these "open" aspirations. Tariff rates are a uniform 6% with the

exception of select items (e.g., cigarettes and alcohol). No imports are subject to quotas, licenses, bans or other quantitative restrictions except for those relating to health and security. Total exports were around US$7 million in 2003. Currently, coffee is an important domestic source of income for many Timorese with coffee exports accounting for roughly US$6 million of total exports (IMF estimates, June 2004). The external current account remains in deficit at about $230 million or 65% of GDP in 2003 (IMF estimates, June 2004). Finally, while an ASYCUDA (Automated System for Customs Data) system has been introduced to customs, delays and demands for payments have been a frequent complaint with private business.

East Timor's economy is insufficiently diversified, with the majority of the population relying on subsistence agriculture. Agriculture constitutes a 27% share of the GDP. A large services sector catering to expatriates has created an artificial bubble economy that is in the process of deflating as UNMISET and the international presence downsizes in 2004. One in three employed women work in the hospitality sector and are expected to suffer a greater percentage of employment loss than men (one in five or 20%). Oil and gas have been discovered in the Timor Sea area shared with Australia. While some money is trickling in, significant royalties and revenue are expected to come on board around 2007, posing both an opportunity and a risk to East Timor's economy. Timor Sea oil and gas revenues will come "on-line" to finance the GoET's budget, helping to liberate the country from its donor dependency. Meanwhile, fiscal policy remains prudent with an overall deficit of 4 1/2 % of GDP in FY 03/04 (IMF estimates, June 2004).

Some of the largest impediments to accelerating economic growth are: the inadequate macro and sector policy environment for private sector development and growth; inadequate investments in infrastructure; low agricultural productivity and diversification; poor quality of many products and services; limited market linkages; weak financial and banking sector; high labor costs (unskilled labor is $3/day in East Timor compared to less than $1/day in neighboring Indonesia); and workforce inefficiencies. Providing an enabling environment to change some of the above conditions is vital for economic development. Encouraging the private sector to develop without suffocating it with GoET-generated bureaucracy is essential to a well-functioning economy.

Approximately 80% of the population is engaged in agriculture. Population density is moderate at approximately 55 persons per square kilometer. A rural family holds on average about 1.2 ha of land. The rural population is generally poorer than urban populations. Farmers grow rice, corn, tubers, and have some livestock. Food shortages of rice and corn are experienced during the "hungry season." Deforestation and erosion are major problems in East Timor and limit economic opportunities in many areas. Forest cover in East Timor has decreased by almost 30% over the period of 1972 to 1999, and only 1-6% of the remaining cover is believed to be primary forest. Valuable timber species have been nearly completed logged out due to cutting during the colonial and occupation periods. Fifty percent of the land is degraded. This degradation is due, in

part, to unsustainable agricultural practices. Subsistence farmers practice swidden agriculture to clear forests for new fields.

Finally, land issues must be addressed to accelerate economic growth in East Timor. Land tenure and usage are incorporated into almost all economic development issues in East Timor. Lack of possible ownership or leasing options deters foreign and domestic investment. Banks do not want to provide loans without collateralizing immovable property, and without clear titles. Farmers do not want to invest their money or "sweat equity" into fields nor irrigation schemes if they fear not being recognized as the legitimate owner of the land. Land issues are central to all aspects of economic growth and development in East Timor.

III. Development Hypothesis and Results Framework

A. Summary of Intermediate Results

The development hypothesis is that economic growth will accelerate (jobs, private sector income/revenue, and GoET revenue from the private sector increased) if: 1) The business environment is improved (policies that provide incentives for business, make East Timor businesses competitive, and provide finance support) and 2) Markets are improved by increased production and/or diversification of products and services. Both of those results are supported by capacity building in the public and private sectors in their respective technical areas, as well as in collaboration with each other, to achieve the mutual goal of economic growth.

B. Intermediate Result 1.1: Business Environment Improved

One of the largest impediments to economic growth and increasing employment and incomes in the private sector is an inadequate macro and sector policy environment for agriculture and private sector development and growth. The policy on investment is currently being developed and the laws for implementing the investment policy both for domestic and external investments are in the drafting stage. Several land laws on leasing and dispute mediation are soon to be passed by the Council of Ministers. The Bankruptcy and Insurance Laws have been discussed with the stakeholders. The Notary Law and the Commercial Society Law have been passed by a Decree-Law. Several important land, investment, and economic laws are currently being debated or developed.

The GoET could make significant headway in facilitating private sector-led economic growth by providing the appropriate policy and legislative environment. This situation highlights the urgent need for the GoET to develop macroeconomic policies, laws, and administrative procedures that will contribute to economic growth and benefit as much of the population as possible. Expanded bilateral and regional market access and increased foreign direct investment (FDI) are sought to help spur the economy. East Timor is lacking a significant accumulation of capital, and it faces the reluctance of the three commercial banks to provide loans to the private sector. This reluctance is due to the inadequate economic, financial, and legal frameworks needed for a healthy private sector environment. Lenders need the legal mechanisms and assurances to provide loans, especially those associated with collateral and bankruptcy. Land tenure issues must also be resolved to ensure adequate access to finance for private sector entrepreneurs.

Providing an enabling operating environment is vital for economic development. Therefore, in order to attract investment, create jobs and increase incomes, increase the private sector's contribution to the GoET revenues, the GoET needs to adopt economically attractive policies and legislation to improve the business environment.

1. Program Approaches

East Timor must have a secure, predictable, and attractive environment for domestic and foreign investors if it is to compete with its more competitive neighbors. USAID will support GoET efforts for an "improved business environment" over the next five years. The private sector should ultimately replace donor support as the engine of growth. By 2009, East Timor will have weathered the 2003-04 economic downturn to have achieved the following results: 1) a stronger and faster-growing economy, 2) increased levels of domestic and foreign investment, and 3) substantially increased income and employment opportunities for the growing population, particularly for youth.

USAID will support the GoET to implement private sector priorities in the National Development Plan, the Road Map, and the Private Sector Investment Program (SIP). USAID will place an emphasis on promoting policies, legislation, and institutional capacity that will help eliminate impediments to private sector development. USAID will continue to assist in the process of legislative development; however, the economic program will shift emphasis toward establishing the systems and procedures for administering the policies and laws, including accurate and up-to-date business procedures, land tenure and leasing administration procedures, and a credit and collateral registry.

First, East Timor must have a sound legal and regulatory framework for the private sector in order to expand trade and investment. Key features include an open trade system, a non-discriminatory investment regime, and increased access to bilateral and regional markets (e.g., ASEAN, Indonesia, Australia).[4] The legislative agenda in process includes the drafting, passing, and implementation of laws on investment, insurance, bankruptcy, collateral, intellectual property, cooperatives, contracts, leasing, and trade. Institutional and administrative procedures must also be formulated for a credit registry, collateral registry, and company and enterprise registration system. In addition, labor policy regulations should be carefully designed to prevent an adverse impact on already high and unproductive labor costs. USAID will closely collaborate with the World Bank in the area of the business environment.

Second, the establishment of secure land tenure and property rights will contribute to an improved business environment in East Timor. USAID will build on its initial work in land reform to address the conflicting land claims that have been made by East Timorese, as well as by Indonesians, Portuguese, and other foreigners. In March 2003, the parliament passed the Land Law that establishes the Land and Property Directorate (LPD) in the Ministry of Justice as the legal entity to deal with land issues. USAID will

[4] Note that Portugal has taken the lead in customs reform and Australia in quarantine. SIDA and Korea have each produced reports on trade policy priorities. It could be worthwhile to conduct another study on border trade issues involving smuggling between East and West Timor.

assist the LPD with further work on the legislative agenda for the four main laws on land dispute mediation, land registration, title restitution, and compliance with the constitution by foreign proprietors. In addition, land cadastre administrative policies and regulations will need to be created for handling the new land claims. Capacity building within the LPD and the National University and coordination with other relevant ministries will continue. Gender concerns will be considered with respect to titling procedures (e.g., women holding land titles) and the issue of women's representation as mediators and decision-makers for land dispute mechanisms, such as the Land Boards.[5]

Third, access to finance is a significant constraint faced by businesses in East Timor, particularly micro, small, and medium enterprises (MSMEs). MSMEs constitute the largest segment of the economy and provide employment for much of the population. Currently there are three foreign-owned commercial bank branches serving the mid to high end of the market, and seven microfinance institutions (MFIs) servicing the low end of the market. The financial intermediaries providing these services should be commercially viable entities. USAID will deepen its involvement in this sector to provide support for strengthened technical, managerial, and financial management skills, improved performance monitoring and standards based on international "best practices," and improved policy advocacy and self-regulation for credit-only and member-based institutions.[6]

Fourth, given the integral role of agriculture in the economy, USAID will provide some limited and complementary assistance to the Ministry of Agriculture, Forestry, and Fisheries (MAFF) to ensure that the appropriate set of roles are adopted to support the private sector in a liberalized economy. The role of MAFF as a "public partner" in promotion, advocacy, information, and policy formulation and as a channel for articulation of private sector interests should be addressed. Several MAFF objectives, including increased productivity of small farm food production systems as a means of improving food security, improving agricultural export earnings, and building sustainable systems for forestry and fisheries, should be strengthened. Statistical data need to be further developed to monitor sectoral progress and address key policy issues. USAID will coordinate assistance with key donors such as the World Bank, New Zealand, Australia, and FAO.

Capacity building will be an essential element of the economic policy program. Rather than advisors taking the function of line ministerial staff, as under UN Administration, USAID advisors will work closely with Timorese counterparts. The Prime Minister has identified capacity-building to be a major priority. USAID programs will focus on a multi-pronged approach that includes capacity building inside and outside government in the area of economic policy-making, research, and analysis. Capacity-building activities

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[5] See USAID Gender Assessment, June 2004, Nancy Diamond

[6] See p. 19 of the Private Sector Development Strategy and Framework for East Timor, Deloitte Touche Tohmatsu, February 2004. "While crucial for commercial lending, the absence of commercial transaction and bankruptcy laws, land and property registration laws, and regulations pertaining to insurance and taxation is not an immediate constraint to microfinance operations….The interest in 2002 to legislate or regulate the nascent microfinance segment of the financial system is premature and poses a risk to sound industry development."

could include training to ministries, Parliament (including the specialized Commission on Economics and Finance), university faculties, nascent research institutions, and private sector associations.

Similarly, there will be strong linkages with USAID's governance program in disseminating economic policies and legislation through public information and education activities. USAID activities in governance will help improve the capacity of the judiciary to enforce laws and contracts, thereby strengthening investor confidence. Judges, arbitrators, mediators, lawyers, and local/national administrations need to be educated about land and commercial laws, rules, and regulations to effectively resolve disputes. USAID will also assist the GoET to promote greater "ownership" of its land laws and other economic/business laws and regulations by informing, educating, and empowering elected officials and citizens, thereby creating more broad-based support, participation, and understanding of economic policies.

2. IR 1.1 Activities:

Technical assistance, training, consulting and financial support under this IR will include:

- Activities to foster among GoET counterparts an enabling environment through the drafting, implementation, and administration of policies and legislation that promote private sector development in such areas as trade and investment, land tenure and property rights, finance, and agricultural policy.

- Research capacity-strengthening activities at the National University and other educational institutions to conduct research (including: to obtain, manage, and analyze statistics and other information) on policies and legislation identified by the GoET.

- Expanded land lease opportunities and improved land tenure mechanisms and practices for both domestic and foreign investors.

- Activities designed for both GoET and private sector stakeholders to strengthen institutional and individual capacities to deliver and advocate for updated, effective, transparent, and competitive economic and business regulatory methods, systems, and procedures.

- Training and technical advisory activities to increase rural and urban access to financial and business services and opportunities for micro, small, and medium enterprises.

3. IR 1.1 Illustrative Results Indicators:

- Number of micro, small, and medium enterprises with access to financial/ business services and opportunities increased
- Number of targeted legislation/policies drafted
- Number of days to establish a new business decreased
- Number of land leases granted to applicants increased
- Agricultural, value added (% annual growth TBD)

- Dollar volume of credit portfolio outstanding increased
- Financial services provided to clients of USAID-supported institutions

C. Intermediate Result 1.2: Markets Improved and Production of Selected Products and Services Increased

East Timor's economy is characterized by a lack of diversification, private sector development, and value-added production. While the declining international expatriate presence has already started to deflate the services-oriented "bubble economy" in Dili, the rest of the rural population remains employed in the agriculture sector (80%), especially in subsistence agriculture. Coffee and increasingly oil and gas dominate the export sector. Improved production and marketing of selected commodities will help create new employment and income opportunities for a rapidly growing population, particularly for youth. The development of a strong private sector with new or expanded micro, small, and medium enterprises across all sectors of economic activity is crucial to economic growth.

1. Program Approaches

The challenge is to explore opportunities for new market niches, value-added involvement, and market linkages. USAID will begin to focus on shifting economic activity from subsistence farming enterprises that are more commercially oriented, self-reliant and market-based. Possible private sector and agri-business sub-sectors identified with market potential include such areas as vanilla, cattle, high-value timber, fisheries, tourism, and medium-end services including small-scale food processing and local equipment repair. USAID will support micro, small, and medium enterprises to establish, grow, and link backward from Dili and other district centers to the rural economy and link forward with regional and global export markets, such as Indonesia and Australia. Oecussi and other border areas will be targeted for assistance under this Intermediate Result.

USAID will support a new agribusiness and private sector development activity that will include a focus on: increasing the supply of commercially viable private sector and agribusiness enterprises; increasing employment; increasing and improving the supply of needed products and services available; improving financial institutions services, and improving market linkages for those products and services. Support for cooperatives and a few targeted small grants for NGOs will be further developed to respond to food security issues, deforestation issues, domestic agriculture supply issues, and also the marketing needs of Timorese products.

Market improvement and the increased production of selected products and services are critically needed to diversify the economy. To achieve this result, the activity will provide technical assistance to farmers using sound environmental practices, which increase and diversify production. It will disseminate market information (prices, technology, opportunities) and shift economic activity from subsistence farming and income generating activities to a commercially oriented, self-reliant and market-based economy. Specifically, activities will improve market institutions, market infrastructure

and the flow of market information and should stress increased production, productivity, and value-addition in the agricultural sector.

Capacity-building will be a significant component of the proposed program, with the goal of improving access and quality of private sector development services (PSDS), services for farmers and business people in such areas as training, technical assistance, improved input supply, appropriate technology, product quality and innovations, market information, and improved financial services. Microfinance activities will include training and technical assistance to build local capacity of microfinance institutions (MFIs) to provide services to the microfinance industry. USAID will support the Microfinance Working Group for such purposes as establishing accountability standards for the industry and implementing the Code of Conduct.

Finally, USAID will exit the coffee sector in the first or second year of the new strategy. There will be some initial limited focus on capacity building and sustainability of the Cooperativa Café Timor (CCT) in the coffee sector with special attention to environmental factors, such as the potentially devastating coffee rust that threatens to wipe out the shade trees that provide cover for coffee and replanting to replace old and dying shade trees. USAID should ensure that the coffee cooperative (CCT) is sustainable before withdrawing complete support, given the massive implications for employment in the rural areas. However, a clear exit strategy will be the explicit goal in the short term.

2. IR 1.2 Activities:

- Improved agricultural diversification through assisting potential sub-sectors to reduce constraints along the value chain (e.g., quality, productivity, information), for expanded domestic food supply and access to outside markets.
- Training/workshops to increase the skills in business management, entrepreneurial skills, financial management, marketing, human resource development, appropriate farming practices, cooperatives and credit union management. Customers will include micro, small, and medium entrepreneurs (MSMEs), laborers, farmers, the unemployed (especially women and youth) in targeted communities, and business service providers as appropriate.
- Increased capacity and sustainability of microfinance institutions (MFIs)
- Improved utilization and management of fragile lands using sound environmental and water management practices.

3. IR 1.2 Illustrative Results Indicators:

- Increased number of jobs created through USAID assistance
- Regional price variation for selected products (dependent on product) decreased between locations and decreased between seasons
- Production or sales in metric tons (or other unit) by product
- Number of USAID client businesses with annual sales increase greater than 5%

IV. CONFLICT ASSESSMENT

The Conflict Assessment indicated that the most significant root cause of conflict relates to the mix of poverty, unemployment, and limited access to basic services (coupled with high expectations following independence). The need and focus for this SO will help reduce vulnerabilities and developing activities to address these challenges by creating job opportunities, generating incomes, increasing production and productivity (with special focus on food security), and improving the provision of public and private sector policies, legislation, and services to encourage an enabling economic environment to reduce poverty throughout East Timor, including Oecussi and other targeted border areas.

V. SUSTAINABILITY

Capacity building and institution-building are the key ingredients in sustainability of USAID's Economic Growth Activities. If the Timorese stakeholders "own" the activities that USAID supports then sustainability will be ensured. The Land Law Project is a good example of how sustainability will be achieved. Land policies, legislation, and research methodologies have all been developed and skill transfer has occurred to ensure Timorese "ownership." Employing National University professors and students to carry out independent research with guidance from the LLP has helped to encourage practice and employment of the learned skills. The Cooperative project has been training both management and production staff to further develop cooperatives' members' skills. The graduation of the coffee component of the project in 2005 will be an example of the sustainability of this Activity.

VI. DONOR ROLES

USAID economic/agriculture efforts are coordinated with other bilateral donors and multilateral agencies. The World Bank, Australia, EU, Portugal, Japan, New Zealand, UNDP, and FAO all work in agriculture and food security (also WFP). The World Bank, Australia, EU, Portugal, Japan, New Zealand, Ireland, and UNDP support private sector development. Fisheries are supported mainly by World Bank and Australia Aid. In addition, Portugal and UNCTAD support customs with Australian (Aqis) quarantine and sanitary and phytosanitary standards. In the labor areas of policy and vocational training, ILO, World Bank, EC, Germany, Portugal, Brazil, and UNDP are involved, including supporting business and employment centers. In the area of economic/investment policy/legislation development, USAID is coordinating with the World Bank, IMF, and Ireland in support of the business regulatory environment. The World Bank’s second small enterprises project (SEP II) will stay engaged in this area until June 2005 with a reduced focus on policy development and no focus on economic legislative drafting. SIDA and EC have led the trade policy arena with some support from USAID. Additionally, the US, in coordination with the IMF, UN, Portugal, and Australia, has been involved in fiscal and monetary area. USAID has also become the lead agency in land tenure reform. Major economic areas covered by other donors include: the ADB and Norway in the power sector and the World Bank, Norway, IMF, and ADB, in the petroleum sector.

Coordination between donors on policy issues, particularly with the World Bank on business regulatory environment, will be crucial as the GoET is overstretched. For

example, donors such as Portugal and the UN are involved in customs. The IMF, UN, and Portugal support monetary and fiscal policy. The World Bank works in agriculture and private sector development, and the ADB supports energy and micro finance. To some degree, USAID will need to exercise flexibility in choosing policy interventions due to the dense donor environment. USAID/East Timor plans to continue to supplement and complement other donors' support in the economic, private sector, land, and agriculture sectors.

VII. CROSS CUTTING THEMES

Consistent with the Mission's strategic cross-cutting themes, gender, youth and other marginalized populations and targeted areas, USAID's program will pay special attention to increased food security for vulnerable populations through targeted initiatives developed within the context of the three priority areas: assistance to families depending totally on subsistence agriculture during food shortage, targeted assistance to unemployed youth, and targeted assistance to neglected regions. In FY 2004, the World Food Program (WFP) provided assistance to address food shortages in the annual "hungry months" in key food deficit areas. USAID will continue to provide assistance to the WFP effort to improve the production of a diverse group of food commodities, to monitor that production, to increase the market availability of those products, and to provide targeted technical assistance to the GoET in improving its food security situation.

There will be strong linkages with USAID's Democracy and Governance program in disseminating economic policies and legislation through public information and education activities. USAID activities in governance will help improve the capacity of the judiciary to enforce laws and contracts, thereby strengthening investor confidence. USAID will also assist the GoET to promote greater "ownership" of its land laws and other economic/business laws and regulations by informing, educating, and empowering elected officials and citizens, thereby creating more broad-based support, participation, and understanding of economic policies.

Regarding environmental and gender concerns in policy development, policy-makers could be advised/trained on these issues to further improve appropriate, gender-sensitive, and environmentally-friendly policy formulation with increased public participation. Such a policy program could be developed to strengthen biodiversity conservation, watershed management, and sustainable agricultural practices and be linked to the Good Governance SO. Moreover, promotion of an overall participatory process in the development of policies related to resource tenure and environmental management will further improve the business environment and demonstrate good governance. The success of increasing farm productivity and diversifying products will depend on sound environmental and water management; therefore, there will be strong linkages with the governance program to disseminate environmental and natural resource information. Furthermore, Peace Corps Volunteers could be a valuable resource by facilitating grassroots participation in sustainable agriculture, reforestation, environmental awareness and protected areas management.

VIII. Critical Assumptions: See: Part One, Section II C.

RESULTS FRAMEWORK: KEY FOUNDATIONS FOR GOOD GOVERNANCE STRENGTHENED
October 1, 2004 – September 30, 2009)

Joint State/USAID Strategic Goal: Democracy and Human Rights

USAID Goal: Democracy and good governance strengthened.

SO 2: Key Foundations for Good Governance Strengthened

USAID Democracy and Governance Milestone Index score

IR 2.1 Rule of Law Strengthened

Illustrative indicators

1. Number of people entering justice system via police and legal aid (by gender)
2. Percent of district level appeals cases that are overturned
3. Mission targeted ROL milestones

Illustrative Activities

- Support Public information and legal education
- Strengthen administrative capacity and legal institutions
- Expand access to justice system

IR 2.2: More Effective Democratic Governance

Illustrative Indicators

1. Annual public survey on impact of government information campaigns
2. Open, honest and peaceful 2007 election
3. Establishment of *Provedor* as independent body of government.

Illustrative Activities

- Work w/ govt. on approaches and legal framework for decentralization/decon.
- Develop oversight institutions such as *the Provedor* and IG
- Secure fair and open elections including legis. framework, independent electoral body and elections 2007

PART THREE

STRATEGIC OBJECTIVE II: KEY FOUNDATIONS FOR GOOD GOVERNANCE STRENGTHENED

I. CURRENT SITUATION

East Timor has made great strides in governance and democracy since independence on May 20, 2002. A new highly democratic constitution has been ratified and key pillars of a democratic state -- the executive, judicial and legislative branches -- established. Free and fair elections were held for President and a Constituent Assembly, which subsequently became the Parliament. Legislative elections are scheduled for August 2006 and will be followed by the presidential elections in 2007. Elections are anticipated in 2005 for volunteer local councils at the *suco* (village or village cluster) level. Non-government organizations and independent print and electronic media outlets are established and support some debate on issues of relevance.

The challenge for East Timor now is consolidating these newly formed democratic governance institutions and developing meaningful checks and balances, instilling democratic norms and practices, and extending the institutions of democratic governance to the local level. The current system still is highly centralized in the executive and the ruling party. Further, the government is still building many of the institutions that are called for in the constitution but not yet fully developed. A major limiting factor of this institutional development is the lack of skilled human resources extant today in East Timor.

USAID Timor has identified three broad "DG challenges" that will be important factors in shaping the trajectory of East Timor's democratic development in the coming years. These are:

1) Strengthening the rule of law;
2) Making government more effective and transparent; and
3) Safeguarding pluralistic politics.

A brief discussion of these three DG challenges follows.

Strengthening the Rule of Law

The pervasive weakness of the rule of law in East Timor represents a serious threat to democracy, prosperity and justice in East Timor. The judicial system is not yet sufficiently strong and professional to stand independently, with sufficient insulation from the executive. Without a well functioning legal system, Timor's economic growth is negatively affected by unclear property rights, under-developed contract law and the inability of the courts to fairly uphold contractual obligations. A USAID environmental assessment found that legal uncertainties regarding land and property rights are a serious hindrance to environmental preservation and sustainability.

Timor's legal system is a patchwork of different legal traditions and laws and lacks consolidation and codification. There are multiple systems operating in East Timor including traditional law that varies by region, the Indonesian criminal code (parts that remain applicable as base law), Timorese laws adapted from those of Portugal and other Lusophone countries, United Nations regulations, and the current laws passed by a new and inexperienced legislative branch.

The Timorese selected as interim judges, prosecutors and public defenders were mostly Indonesian-educated and inexperienced when they were thrust into positions of heavy responsibility under the transitional administration in 2000. Neither the legal framework nor selection criteria had been fully developed at that time. Prosecutors, appointed by the Special Representative of the Secretary General (SRSG) under UNTAET as a transitional arrangement, still lack independence. The Superior Council for the Public Prosecution has yet to be established but will take the role of oversight and appointments. Legal administration is not consistent or systematized with case backlogs and poor record keeping as the norm.

Few Timorese citizens look to the formal court system as a mechanism for redressing injustices or resolving disputes. A USAID gender assessment points out that women have limited understanding of their rights under the law and are inadequately protected by the traditional and formal legal system. There is a real need to track case law by gender, to educate women regarding the law and their rights and to support formal and informal groups advocating for women's rights under the law.

Making Government more Effective and Transparent

Among the many governance challenges facing East Timor, one of the most important is extending governance down to the local level. Currently at the district and sub-district level the only government representatives are the appointed central government officials serving these levels. Most lack both authority and resources. Understandably, the GOET has chosen to focus in the short term on shoring up the institutions of the central government. Nonetheless, there is a need to address the problems of establishing a "decentralized public administration" as set out in Article 5 of the constitution. In addition to having the potential to increase the responsiveness of the government, decentralization represents an opportunity for greater citizen participation in local level governance and politics. It also opens up possibilities for local government to work constructively and creatively with the private sector on local economic development and job creation.

Another emerging governance challenge is lack of transparency, which increases the opportunities for inefficiency, corruption, and other abuses of power. The offices of the Inspector General and *Provedor* (ombudsman) will help counter the emerging threat of corruption in government, a threat that could become even more critical once oil and gas revenues become a part of the mix in East Timor. The time to address this problem is now. Global experience has shown that dependence on a few high value natural resources for revenue often leads to serious governmental corruption. USAID notes that the steps

already taken by the GoET in developing a policy to promote transparency and the draft legislation for a future petroleum fund are very encouraging.

Another significant challenge facing the Timorese government is to better manage and respond to public expectations. Currently, in the aftermath of independence, both optimism and expectations are high. Public opinion polls show a very high level of public approval of government institutions and satisfaction with the overall situation of the country. [7] While welcome, this support is vulnerable to reversal given that much of this satisfaction is rooted in achieving independence and the country now faces a daunting array of difficult challenges: sustaining economic growth, creating jobs, providing basic services and infrastructure, and ensuring security.

As a USAID conflict assessment points out, it is essential for this government to begin to meet these expectations and also to impart a sense of reality to the situation. Dissemination of information and solicitation of public inputs are important to maintaining a politically stable and engaged population. However, there are no policies, procedures or institutions currently in place to make information consistently available. This creates concerns that false expectations can grow unchecked and rumor or inaccurate information about policies by citizens and government alike could be destabilizing.

Safeguarding pluralistic politics

A third challenge to the consolidation of democracy in East Timor is ensuring that there is meaningful political pluralism and competition. Democratic politics requires a widely-accepted set of rules and norms. East Timor's democratic institutions and norms are still new and vulnerable to reversal. The weakness of the rule of law in East Timor has the potential to undermine the foundation for democratic politics. The current dominance of the ruling party, though understandable because of the leading role it played in Timor's independence struggle, creates the possibility of lasting one-party dominance. And civil society groups and the media are relatively new actors in Timor and remain politically and financially vulnerable.

Pluralism and democracy are valuable in their own right, but they also have the potential to improve the performance of government. Pluralistic politics produces new ideas and approaches; it enhances transparency and accountability; and it provides people with more choices and a greater voice.

The promotion of the competition of ideas for legislation, such as through NGO and other civil society pressures, and public airing and stakeholder input for draft policies and legislation, are critical to strengthen governance. Support to the electoral process,

[7] For example, in January 2002, 83% of the population said things are getting better -- Survey of Citizen Knowledge: The Asia Foundation (TAF), East Timor, 2002. A year later, another TAF survey found 73% of citizens felt Timor is headed in the right direction (p 3). Law and Justice in East Timor: A Survey of Citizen Awareness and Attitudes Regarding Law and Justice in East Timor, TAF for USAID.

including developing policy and legislation for national elections and an independent electoral oversight body, is also necessary for a new democracy.

The DG Assessment recommends diminishing support to civil society organizations and the media, while remaining flexible to address targets of opportunity. The Mission has made great progress in these areas, along with other donors, and is going to use the small grants program and Global mechanisms such as the Consortium for Elections and Political Process Strengthening (CEPPS) to continue its support to these institutions, which represent another alternative set of voices in the governance mix.

II. STATEMENT OF STRATEGIC OBJECTIVE

USAID/East Timor's strategic objective (SO) in the DG sector area will be:

"Key Foundations for Good Governance Strengthened."

USAID will take a building block approach to strengthening the key foundations of governance that will consolidate East Timor's nascent democracy. The focus will be on strengthening selected aspects of governance that (a) are essential to a functioning democracy (b) strengthen checks and balances and (c) bring tangible benefits to the Timorese people. These include strengthening the capacity and independence of the judicial branch, strengthening governance at the subnational level, and expanding citizen participation in the political and social decision-making process.

Supporting this objective is a targeted program of increased transparency, accountability and participation in governance funded by small grants and global mechanisms such as CEPPS.

The Mission will use the term governance consistent with the following World Bank definition: *The traditions and institutions by which authority in a country is exercised. This includes: (1) the process by which governments are selected, monitored and replaced, (2) the capacity of the government to effectively formulate and implement sound policies, and (3) the respect of citizens and the state for the institutions that govern economic and social interactions among them.* [8]

This SO is premised on several important considerations, as reflected in the definition above:

1. The Rule of Law is one of the essential foundations of governance as a key institution by which authority is exercised and one of the main weaknesses in the system of checks and balances identified so far in East Timor.

[8] (Daniel Kauffmann, Aart Kraay and Pablo Zoibo-Lobaton, "Governance Matters." Washington: The World Bank, October 1999. This definition is used because it shows the potential to emerge as an international standard of good governance. It has been widely adopted and measures of its dimensions are prominently used in determining eligibility for MCA funding.

2. More effective and democratic governance addresses the capacity of government to formulate and implement sound policies and the process by which governments are selected, monitored and replaced; and

3. Civil society and the media are essential foundations of good governance as the means by which governments are monitored and gain the respect and confidence of citizens, and are key ingredients in insuring accountability and transparency.

A. Expected Results

USAID will support the strengthening of key foundations for good governance in East Timor by undertaking programs that contribute to the following two intermediate results (IRs): IR2.1: Rule of law strengthened; and IR2.2: More effective and democratic governance

Under both of these two IRs, USAID will:

- Work to strengthen democratic governance on both the national and the sub-national levels.
- Help to build capacity in selected government institutions and non-governmental organizations.
- Support longer term institutional strengthening as well as efforts designed to improve selected government functions (such as the provision of justice).
- Seek to make government more effective at the same time that it becomes more democratic.

Elements of these two IRs will be linked to and supportive of other Missions SOs. Strengthening the rule of law will contribute to the objectives of the EG as well as the DG program. Likewise, efforts to improve the flow of information and increase transparency will support EG and health and objectives.

B. Intermediate Result 2.1: Rule of Law Strengthened

The importance of the Rule of Law in solidifying the foundations of governance for East Timor cannot be overstated. USAID is not the only donor aware of this need and a coordinated effort is required to create a legal and judiciary system that is independent, efficient, fair and accessible. The rationale for prioritizing a Rule of Law program is threefold: (1) strengthening the judicial branch to act as a check and balance on the executive branch; (2) improving access to dispensation of justice, including women and marginalized groups; and (3) helping to instill understanding of and respect for the law. This rationale translates to the results USAID will achieve.

1. Program Approaches

USAID will focus on three critical issues, as identified in the DG Assessment and the rule of law analysis.

(1) Formal justice sector - USAID assistance to the formal justice system may be constrained by key Timorese leaders' preference for assistance from Portuguese speaking civil law countries. Despite this potential constraint, justice sector development is so critical that the USG must remain engaged. USAID will focus its assistance toward the formal justice system on the critical issues of: court management and administration; consolidation and harmonization of the four extant legal regimes and practices; and strengthening independence and professionalism of the judiciary through developing its oversight institutions and professional associations and insuring access to justice for women and other disadvantaged groups.

(2) Public information and legal education – keeping the public informed about the nature of the legal system, the law and their rights and responsibilities under the law.

(3) Enhancing the capacities of legal professionals to harmonize existing laws and practices with the adoption of new laws and procedural codes and enhancing parliamentary capacity to draft and pass legal reforms and regulations through meaningful consultation and participation by stakeholders.

While the above are potentially large programmatic areas, the relatively compact territory and small population of East Timor permits USAID to effectively target assistance at the national level. For example, the current combined total of all Timorese judges, prosecutors and public defenders nation-wide does not exceed 70 persons. USAID will coordinate closely with other donors to complement and leverage other donor resources. For example, Portuguese bilateral assistance supported the drafting of new criminal and civil codes. USAID's assistance will target the practical application of the new codes through training and public information in order to harmonize the codes with existing laws and practices.

2. Illustrative Activities

Through several long-term implementers USAID will address all of the approaches set out above. One possibility will be to have one mechanism that focuses on the formal legal system and others that cover parliamentary issues, public information and access. Such mechanisms will include a combination of long term and short-term technical assistance, training and, as appropriate, support for planning, budgeting, information technology and other capacity building needs. Any long term implementing partner will be required to work closely with the small grants element of the SO.

Some of the illustrative activities that could be carried out by long term implementing partners or affiliated small grants activities under the three elements of the Rule of Law strategy include:

Strengthening the judicial branch by making it more efficient and effective

- Strengthen the financial and administrative capabilities of the justice sector institutions for the efficient and effective administration of justice through capacity building in planning, budgeting and management skills.

- Institutionalize an effective case filing, tracking and management system that can be also be used for aspects of performance monitoring in the legal system.
- Provide assistance to judicial oversight bodies and professional associations (bar, judges, court administrators, prosecutors, public defenders and legal aid) to strengthen organizational development, management capacity and enforce professional standards of conduct.
- Improve procedures throughout the formal justice sector in order to protect those of vulnerable groups such as victims of sexual assault, juveniles and the illiterate.
- Improve access to the legal system through dispute resolution tools, expansion of legal aid and public defenders' services, and mediation mechanisms at the local level, including traditional justice systems, that protect Constitutional rights for all, in particular the more vulnerable groups.

Helping to instill respect for and understanding of the law

- Devise and establish a system of dissemination to inform the legal community of implementation issues, progress on codes, important judicial decisions and how to access relevant statistics.
- Develop civic education programs for communities to improve broad awareness of the law and citizens' rights and responsibilities in relation to law enforcement agencies through public outreach programs.
- Support NGO or associations' capacity to monitor and advocate for legal reforms or change in practices to better protect human rights and civil liberties guaranteed in the Constitution.

Developing a sound legal framework

- Support efforts to harmonize the various legal regimes with the adoption of new legislation and procedural codes to be consistent with the constitution.
- Develop legislative capabilities to analyze and legislate in a transparent manner with meaningful consultation of stakeholders.
- Develop additional legislation and regulations required for adequate functioning of judicial oversight bodies, as established in the Constitution.

C. Intermediate Result 2.2: More Effective and Democratic Governance

USAID's program will focus on a few of the critical elements of this governance infrastructure identified in the Democracy and Governance and other assessments as being of the highest priority. The focus areas for IR 2.2 include: developing local governance; disseminating information to the public and promoting dialogue; reducing the threat of corruption; developing the necessary legislative framework for good governance; and supporting democratic elections.

Under the new strategy, USAID will reduce its support to civil society organizations and the media, while remaining flexible to address targets of opportunity. The Mission has made great progress in these areas, along with other donors, and is going to use the small

grants program and Global mechanisms such as the Consortium for Elections and Political Process Strengthening (CEPPS) to continue its support to these institutions.

1. Program Approaches

USAID will focus on three areas in carrying out its IR2.2 program: (1) Development of local governance; (2) Increasing oversight and transparency in government; and (3) Laying the foundations for democratic elections.

Additionally, under this IR, USAID will provide limited and very targeted assistance to civil society including independent media, NGOs and political parties to consolidate the achievements from the prior USAID transitional strategy period. The public information component will support Mission cross-cutting themes by highlighting gender and environmental issues.

2. Illustrative Activities

Development of Local Governance

- Assist the government with assessing alternative models of local governance appropriate for East Timor.
- Assist central government in public consultation and information dissemination on decentralization of government and deconcentration of service delivery.
- Piloting models of decentralization and/or deconcentration in priority districts, including Oecussi and replicate in targeted areas.
- Prioritize marginalized areas for needed service delivery such as Oecussi and other border areas.
- Build capacity through training and follow-up support for national and local government officials.
- Support the Ministry of State Administration's efforts to develop a non-partisan, professional public service, through information and enforcement of civil service responsibilities on codes of ethics and standards for conflict of interest.
- Strengthen the capacity of NGOs to provide public information and targeted health services.

Increasing Oversight and Transparency in government

- Support the development of the offices of *Provedor* (ombudsman) and Inspector General, through technical assistance, development of operating procedures, adequate and independent budgeting and public information campaigns to protect citizens' rights and improve the civil service.
- Support the Government Information Office for greater transparency of government policies, national laws and budget. This would include information about land laws, and other issues important for SO 1.

- Promote budget transparency, especially with respect to oil and gas revenues, as a conflict risk and corruption mitigating approach.
- Support civilian oversight of the police and military.

Laying the foundation for democratic elections

- Help create an effective and fair legal framework for national and possibly local elections that achieve broad consensus of Timorese stakeholders and promote the participation of women.
- Provide technical and other support to the National Electoral Commission and the government electoral administration secretariat.
- Support domestic monitoring of the 2006/2007 national elections for Parliament and President.
- Work with political parties and civil society to develop key elements of democratic elections including voter education, election code of conduct, media standards, issue-oriented campaigns, and adequate dispute resolution mechanisms.

III. CONFLICT ASSESSMENT

Security is one of the most important services a government needs to deliver in a post-conflict country. Political or communal conflict and violent crime may develop as more significant concerns as the United Nations withdraws its security forces. The Conflict Assessment notes this potential but estimates that this risk is low. On security issues, USAID will focus on improving citizens' knowledge and respect of law and facilitating civilian oversight of police and military. Oversight will be enhanced through support to government and parliament bodies responsible for monitoring and oversight and insuring civilian knowledge of police and military responsibilities and applicable laws.

IV. SUSTAINABILITY

USAID will continue to have a window of opportunity over the next five years, as it has since independence in 2002. The basic institutions of governance are still being developed so rather than reforming poor and engrained practices, USAID is helping East Timor build up its system of governance from the ground up. The Mission is seeking to help establish a lasting system of governance with checks and balances and built-in corrective oversight mechanisms. The government itself is committed to the concept of monitoring and evaluation of its programs, as stated in its National Development Plan. By establishing a lasting system with checks and balances and a built-in corrective oversight mechanism, USAID will ensure sustainability in strengthening democracy and good governance practices. The East Timor Constitution is an excellent document, which, if fully applied, should keep East Timor on the path of democracy for the long term. It is doubtful that USAID should think in terms of an exit strategy until the next five year planning period 20010-15. However, the next strategy period should be one in which an exit strategy is considered.

V. DONOR COORDINATION ROLES

USAID coordinates widely with other donors both directly and through its partners. The Mission works on civilian oversight of police and military forces by working with responsible parliamentary committee and citizen groups. Quality police training is key to achieving improved Rule of Law, although not addressed directly by USAID. Australia, the UK and New Zealand have developed a joint five-year police training and justice program. The US Department of Justice supports police training through ICITAP in coordination with the Australian-led project.

The follow-on UN Mission anticipates several positions in the justice sector, including the placement of international judges, prosecutors and public defenders. Portugal provides significant bilateral assistance to the Rule of Law sector in the form of advisors, legislative drafting and training courses for judicial personnel in Portugal. In March 2004, Brazil signed a memorandum with the Ministry of Justice agreeing to place approximately 12 jurists in East Timor. The intention is to send a cadre of judges, prosecutors and public defenders who will have authority to act in their professional capacities in East Timor's courts.

UNDP launched a two-year project to strengthen the justice sector with funding from Norway, Denmark and Australia. It has a translation and interpretation training pilot project jointly with the National University where the first group of trainees are earmarked to serve in the justice sector as court interpreters and to translate legislation. UNICEF has supported specific projects related to juvenile justice. The European Commission has supported groups such as Advocate Sans Frontieres working with private and legal aid lawyers on a draft law regulating the legal profession. The World Bank supports capacity building in good governance and anti-corruption with the Timor Sea Office and the Office of the Inspector General and anticipates supporting the anti-corruption mandate of the *Provedor* once it is established. ADB supports the Ministry of State Administration with capacity building for local leaders at the village, sub-district and district level. The UNDP and Ireland jointly funded the decentralization options study. UNDP is launching a pilot local development fund to put resources in the hands of voluntary councils at the village level.

USAID already actively coordinates with the above-mentioned donors including participation in joint projects such as the veterans' commissions and complementary grants to the courts in order to maximize synergies of effort in the justice sector. Many donors have programs for civil society and NGOs in particular although the total dollar amount of this assistance is likely to decrease across the strategy period. USAID has been the main donor for media although other countries such as Finland, Canada, Portugal, Switzerland and the EC have been engaged. Through monthly donor coordination meetings and specific sectoral meetings, USAID will avoid overlap and insure that successes achieved in the civil society sector under the USAID transitional strategy are maintained.

RESULTS FRAMEWORK: IMPROVED HEALTH OF THE TIMORESE PEOPLE

(October 1, 2004 – September 30, 2009)

Joint State/USAID Performance goal: Improved global health, including child, maternal, and reproductive health, and the reduction of abortion and disease, especially HIV/AIDS, malaria, and tuberculosis

USAID Global Strategic Objectives in Health

Death and adverse outcomes to women as a result of pregnancy and childbirth reduced (Agency SO 2)	**Infant and child health and nutrition improved (Agency SO 3)**	**The threat of infectious diseases of major public health importance reduced (Agency SO 5)**

SpO 3: Improved health of the Timorese people, especially women and children at greatest risk

1. Percentage of women who delivered with skilled provider for their last pregnancy.
2. Percentage of children 12-24 months of age who received DPT3 by 12 months of age.

IR 3.1 Increased use of key maternal and child health practices.

Illustrative indicators:

1. Percentage of mothers with awareness of key maternal and child health practices.
2. Percentage of women who had at least one antenatal care visit during their last pregnancy.
3. Percentage of children under five years of age who received ORT during last episode of diarrhea.

IR 3.2 Increased use of effective interventions to reduce the threat of priority infectious diseases

Illustrative indicators:

1. Percentage of women and children receiving early diagnosis and prompt, effective treatment for malaria.
2. Percentage of children under five years of age receiving effective protection from measles.
3. Percentage of children under five years of age who slept under a treated bednet during the previous night in malaria-endemic areas.

Sub IR 3.1.1/3.2.1

A community health network established to effectively support key maternal and child health practices

Illustrative indicators:

Key milestones for development of network

PART FOUR.

SPECIAL OBJECTIVE: IMPROVED HEALTH OF THE TIMORESE PEOPLE, ESPECIALLY WOMEN AND CHILDREN AT GREATEST RISK

I. CURRENT SITUATION

A. Major Risk Factors

It is important to preface this situational overview that most of the available health statistics have been derived from various surveys such as the Multiple Indicator Cluster Survey (MICS) UNICEF/2002, the Demographic and Health Survey (DHS/2003), and variety of special reports and studies produced by international organizations. All Ministry of Health (MOH) records, including those that contained more specific data related to prevalence rates, were destroyed or taken away in 1999 during the turmoil preceding independence. Given this caveat, the first tier of leading causes of mortality in children in East Timor appear to be malaria, acute respiratory infections (ARIs) and birth complications. Other diseases and conditions such as tuberculosis, diarrhea, chronic malnutrition, dengue, Japanese encephalitis, and the immunization-preventable infectious diseases cluster also appear to be prevalent and to contribute significantly to child morbidity, although the number of deaths caused by these diseases and conditions is not well documented.

The MOH has identified malaria to be one of the greatest threats to the health of the Timorese people, and its prevention and control to be one of its highest priorities. Malaria is considered prevalent and transmission is considered to be high throughout most of East Timor, particularly in the eastern plateau and along the southern coast. The MOH estimates that some 20-25% of all consultations at health facilities are associated with malaria. An amalgam of crude statistics received from WHO over the previous years, would indicate a minimum malaria infection rate of 14.6% for the overall population of East Timor.[9] It is estimated that some 28% of children are experiencing a bout of malaria at any given time. Each year an estimated 150 or more deaths are attributed to malaria in East Timor, with many more likely unreported. The MICS report states that only 8.3% of children under the age of five slept under a treated bednet, of those, 48.1% were male. In addition, the extent of drug-resistant malaria has not yet been fully determined here due to lack of research capabilities, but resistance to the first line antimalarial drug, chloroquine, is believed to be widespread throughout the region, although this needs to be confirmed through standard *in vivo* methods.

It is estimated that any given time, some 14% of young children suffer from ARIs in East Timor. Pneumonias present the most like-threatening source of ARIs. Case management of ARIs is an integral component of the IMCI algorithm that is currently being promoted

[9] Bangs, MJ, Oliver, CW. *Rapid Health Situation Analysis*, (USAID document), February 2004.

by WHO and UNICEF/East Timor through its on-going nurse training program, and remains the front line of defense against this complex of childhood pathologies.[10]

The birth rate in East Timor is believed to have increased significantly since the Indonesian occupation ended in 1999. According to several recent estimates, approximately one out of every four women of childbearing age in East Timor gave birth to a child during each twelve-month period between 2000 and 2003.[11] If this post-independence "baby boom" were to continue indefinitely, the average East Timorese woman would give birth to about 7.5 children in her lifetime.[12] A broad range of social, economic, and political factors could be contributing to this development. East Timor's population is approximately 98% Roman Catholic, with far higher rates of regular religious observance than in many other countries with nominally Catholic majorities.[13] Many Timorese regarded the Indonesian government's birth control program as coercive[14], and there are abundant anecdotal reports that some married couples regard having babies as a way to celebrate their new-found freedom. East Timor also has one of the world's highest child mortality rates and limited educational and employment opportunities, particularly for women and girls. It is highly speculative to predict whether the recent surge in childbirths will or will not subside as memories of occupation and liberation fade, couples' family sizes reach the levels they prefer, and Timorese men and women adjust their expectations and practices to conform to new realities. Experience strongly suggests, however, that reducing child mortality, expanding educational and economic opportunities for women and girls, and shifting from subsistence agriculture to other occupations will lead to a substantial reduction in the number of children per woman. Nevertheless, in assessing near-term health needs in East Timor it is important to recognize that extremely high fertility rates, particularly when associated with short intervals between births, can be associated with serious health risks for mothers and children. Although the estimated average birth interval in East Timor is a moderate 29 months[15], eleven percent of births occur less than 18 months following the preceding birth.[16] In the developing world, it is estimated that the chance of dying in infancy is dramatically higher among children born less than 18 months apart than among

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[10] http://www.childinfo.org/eddb/imci/

[11] See, e.g., 2004 East Timor Demographic Health Survey (DHS) (draft of preliminary results).

[12] See, e.g., L.S. Mize, Maternal and Neonatal Health Assessment, Final Draft February 17, 2004, funded by USAID; 2004 East Timor Demographic Health Survey (DHS) (draft of preliminary results). In contrast, the draft DHS estimates the average number of children born to a woman of childbearing age in East Timor during her lifetime at 3.34. *Ibid*..

[13] International Religious Freedom Report 2004, East Timor (USDOS document) (2004)

[14] See, e.g., G. Povey and M. Mercer, *East Timor in Transition: Health and Health Care*, 32 International Journal of Health Services 623 (2002): "During the Indonesian occupation there was a heavy-handed government family planning program, largely aimed to prevent an increasing Timorse population from competing with transmigrants from Java and Bali. Forced contraception is believed to have been common. It will be some time before birth control is seen as the liberating tool that it is. In addition, the local Catholic Church has fully endorsed the Papal prohibition against any form of artificial birth control, including condoms. Abortion is even more anathematized by rumors of forced abortion during the occupation and by Catholic teaching."

[15] 2004 East Timor Demographic Health Survey (DHS) (draft of preliminary results)

[16] 2004 East Timor Demographic Health Survey (DHS) (draft of preliminary results)

children born at least 36, 30, or even 24 months apart.[17] In addition, studies have found that women who give birth within 9-14 months of a previous birth have a 50% higher mortality rate than women who give birth within 27-32 months of the previous birth.[18]

The maternal mortality ratio is 830 per 100,000 live births and under-five mortality is 125 per 1,000 live births, both among the highest in the world. Only forty-three percent of women who gave birth during 2002 received some antenatal care from a skilled attendant. Twenty-four percent of women giving birth within the past 12 months had access to skilled medical assistance at birth but in the highland areas, this figure drops to only 12%.[19] In preliminary DHS data, only 21% of male respondents interviewed had spoken to a doctor or health provider about pregnancy care or health of the mother of their last child in the five years preceding the survey.[20]

There is a secondary tier of a myriad of other competing risk factors that include tuberculosis, (TB), leprosy, dengue and other arboviruses, diarrheal diseases, helminthic infections, filariasis, chronic malnutrition, and the immunization-preventable disease cluster. TB is highly prevalent among adults with an estimated 250 new smear positive cases annually per 100,000. There are some 8,000 active cases of TB in East Timor. The coverage rate for BCG was 38% according to the 2002 MICS report. Some 30-70 cases of Leprosy per 100,000 were reported in 2001-2002.[21]

Outbreaks of dengue fever (including dengue hemorrhagic fever) are commonly reported in the three major urban centers of Dili, Baucau, and Maliana, although there is very limited capacity to definitively diagnose dengue and other arboviruses such as Japanese encephalitis and chikungunya at the national laboratory. Lymphatic filariasis is distributed widely, but focally, throughout East Timor with an estimated prevalence rate of 10%.

The 2002 MICS revealed that coverage rates for all immunizations were below 50%, which reflect some of the lowest rates in the region. While these low coverage rates in East Timor might not be contributing to many deaths, these are often used by USAID as a proxy indicator for quality of services. USAID /East Timor has already begun to address this problem through strengthening support via Cooperativa Café Timor (CCT) for extending the cold chain and immunization through its 9 fixed clinics and 25 mobile clinics in 5 of the 13 districts. This can be further expanded as CCT joins with other NGOs and FBOs in a more coordinated effort. The primary problem does not appear to be lack of commodities, but rather ineffective knowledge, management, leadership and coordination from the central level to the service delivery points.

Diarrheal diseases are reportedly highly common among young children, as are helminthic infections (hookworm *et al*.). The 2002 UNICEF MICS survey revealed that

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[17] USAID/GH 'Birth Spacing: Research Update' Fact Sheet, update 4/2003
[18] USAID/GH 'Birth Spacing: Research Update' Fact Sheet, update 4/2003
[19] UNICEF Multiple Indicator Cluster Survey, 2002
[20] Demographic and Health Survey data, Chapter 16 Father's Participation in Health Care, page 3, 2004.
[21] Leprosy Mission International survey, 2002.

50% of the population in rural areas lacked access to safe water, and 45% lacked access to toilet facilities. These diseases are directly related to poor hygiene and lack of access to safe water. Both diarrheal and helminthic diseases can contribute to malnutrition, while several species of the latter can also induce anemia. An estimated 80% of children are likely to have intestinal helminthic infections, while 25% have recently had diarrheal disease.

According to the 2002 UNICEF MICS report, the prevalence of underweight (low weight-for-age)*[22] children under age five was 43%; stunting (low height-for-age) was 47%. While low birth weight (children weighing les than 2.5 kg) was only 8%, only 10% of births are weighed in East Timor. Malaria has been shown to be a principal contributor to low birth weight in malaria endemic areas. Moderate to severe wasting (low weight-for height) was found in 12% of children under age five. This indicator describes acute weigh loss that could be the consequence of recent shortage of food and/or severe disease. Women's nutritional status is estimated via Body Mass Index (BMI). 28% of women surveyed had a Body Mass Index (BMI)[23] less than 18.5, a measure of Chronic Energy Depletion (CEP). Wasting among mothers and their young children have been found to be highly correlated in some epidemiological studies. Many women and children suffer from malnutrition. This increases their vulnerability to illness and if drought and decreased food security were to become more endemic, this would expose the population to greater health problems.

B. Other Vulnerabilities

The quality of services by the MOH is perceived as rather low according to the latest DHS findings. Services by NGOs, such as the CCT clinics that USAID supports, provides basic health services to about 25% of the population in five of the 13 districts of East Timor. CCT services are considered to be of higher quality and thus there appears to be greater demand for their services. Church provided health services that may be found throughout the dioceses are also utilized more than the MOH community health centers. A proportion of the population in extremely rural areas will likely forego utilizing modern health services in favor of traditional healers, *matan dok*, and traditional birth attendants, *daia*.

Even though HIV/AIDS prevalence is currently extremely low (< 0.1%), USAID supports a fledgling national HIV/AIDS program. According to a recent Family Health International (FHI) survey high-risk practices are common among certain groups in East Timor, which neighbors a highly populous country (Indonesia) with a serious HIV/AIDS problem. East Timor's close proximity to a nearby HIV/AIDS epidemic in Indonesia, the porosity of its borders, and the presence of high-risk behaviors are contributing factors toward the need for an effective HIV/AIDS prevention program.

As a result of devastation to infrastructure and the migration of the bulk of skilled health care providers during the turmoil prior to independence, quality of care is considered

[22] Based on WHO standards; defined as more than 2 standard deviations below the Z-score (mean).
[23] BMI = [(weight in kilogram) / (height in centimeters)^2] x 10,000

poor, and there has been a low utilization rate for many of the fixed service delivery points and difficulty accessing transportation when referrals need to be made to the national hospital. Per capita spending on health is low. However, the GoET is committed to providing free basic health care services, albeit this is predicated on having sufficient state resources generated from the Timor Gap field. If these revenues should decline, or if other social sectors such as education become a higher priority, then there could be significant access issues for health care. Based on the data available, technical consultation from health advisors in October 2003, December 2003 and January 2004, the Mission elected to focus a Special Objective on maternal and child health and priority infectious diseases, which also closely reflects national priorities.

C. Donor Roles

As the MOH perceives USAID and the European Commission (EC) to be its primary bilateral donors in the health sector, there has been extensive consultation with the EC. The EC is currently detailing its own health strategy and deciding how to program eight million Euros over 4 years (2005-2008). The EC will support the rehabilitation of infrastructure, the advanced clinical practice nursing training with WHO and the MOH and a systems management review. It will collaborate with USAID on any training of midwives and demand creation at the community level. WHO will continue to be active primarily in the policy development arena as its funding levels decrease. UNICEF leads the national immunization program and is using the Church as a partner in its *Pastoral das Crianzas* program. USAID hopes to collaborate with them on an effort aimed at determining and increasing community demand for immunizations, and to study its church outreach model for incorporation into a newly forming NGO partner network. While USAID has been supporting basic health services through CCT, it is planned by the MOH to directly support the continuation of these services in 2005. Australia has targeted assistance towards water and sanitation and human capacity development, one exercise it will fund is a health seeking behavior study, which USAID has been asked to provide input on. USAID will continue to support food security via the World Food Program (WFP). Australia and New Zealand have also pledged to provide complementary support to the WFP.

The MOH has designated Maternal and Child Health to be one of the highest priorities in its national health plan, and has referenced Health Alliance International (HAI), which will be taking the lead in this sector. HAI, to which USAID/East Timor is considering to provide additional support, has been awarded a 4-year USAID centrally funded maternal/child survival grant beginning in October 2004 through 2008. The MOH and Global Fund for AIDS, Tuberculosis and Malaria (GFATM) recognize USAID's comparative technical strengths that can be brought to bear regarding infectious diseases (e.g. malaria) thru regional (NAMRU2) and global field support (BASICS, EHP et al.), albeit in a more limited level of support while ensuring that their major leveraged support continues in a more strategic manner. Based on recent coordination efforts, the GFATM has re-programmed its remaining FY05 resources for malaria to coordinate its activities in close synchrony with USAID, with a priority to ensure maximum bednet coverage for children under five to achieve long-lasting protection from malaria. USAID will support work at the community level and will develop a network of partners to implement health

activities. The Peace Corps has expressed interest in focusing some of its volunteers to assist in this process. With the possible exception of some minor support from Brazil in limited areas (e.g. *Pastoral das Crianzas* in Dili and Baucau), USAID is the sole donor agency in East Timor with a strategic interest in supporting health at the community level.

II. STATEMENT OF THE STRATEGIC OBJECTIVE

The Special Objective seeks to improve the health of the Timorese people, especially women and children at greatest risk. This should include substantial improvements in key health outcomes in the short and medium term as well as strengthening of national and local institutions so that these improvements can be sustained over the long term. The intermediate results that will be achieved through this SpO are IR 3.1: increased use of key maternal and child health practices; and IR 3.2: increased use of effective interventions to reduce the threat of priority infectious diseases. This program will place responsibility for health care within the community first and will aid in increasing utilization of appropriate health care services and family health practices. This program will also empower the community as it increases awareness and knowledge and will give both individuals and families tools to use in reducing morbidity from common illnesses. By focusing on malaria and other priority infectious diseases and maternal and child health, the program targets the largest sector of health needs and thus extends the impact of the program to the greatest number of end users. Because the program supports a network of community institutions, it ensures long-term accessibility to positive health promotion activities

By focusing on carefully targeted interventions, such as the prevention and control of infectious diseases in children under five and better care during pregnancy and delivery, USAID/East Timor believes it can contribute significantly to the survival of children and women. The first intermediate result strengthens use of key maternal and child health practices such as the use of skilled birth attendants for delivery, immunization, management of childhood illnesses (e.g., pneumonia, diarrhea and malnutrition), with an emphasis on positive change at the community and family levels. The second intermediate result focuses on the reduction of the priority infectious diseases such as malaria, one of the leading causes of morbidity and mortality in children under the age of five, and women during pregnancy. Underpinning these two is a sub-intermediate result: a community health network established to effectively support key maternal and child health practices; which measures the development of an inclusive partner network. This result envisages the public sector, the Church, international and local NGOs, local groups and the community working toward common goals in health and development.

A. Expected Results of the Special Objective

The anticipated impact of this five year SpO is improvement in the health outcomes of women and children in East Timor. As a result of the implementation of the Special Objective, USAID/East Timor anticipates an increase in the percentage of women who delivered with a skilled provider for their last pregnancy in USAID-targeted districts and the percentage of 12-23 month old children who received DPT3 by 12 months.

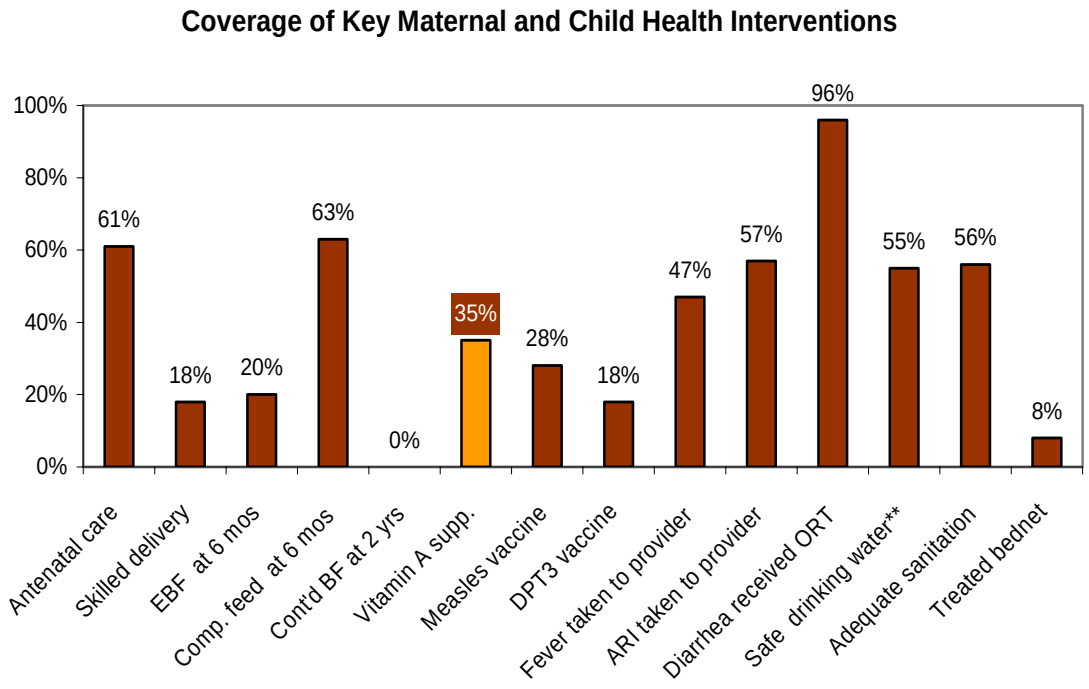
Additional anticipated results include increased use of bednets in children under the age of five and pregnant women to prevent malaria infection, greater adherence to exclusive breast feeding, and increased full immunization coverage for children under five. The larger impact will be on child and maternal survival and a decrease in the absolute number of child and maternal deaths experienced in the areas where USAID is working. In addition, there will be a sustained impact as a result of the creation of an NGO network, which will serve as a public-private sector partnership to extend coverage and ensure maximum impact. The network will coordinate members' efforts and support the policies, priorities and objectives of the Ministry of Health (MOH) over the longer term.

B. Program Approaches

This program will use the program approaches detailed in the following pages:

- Increasing community and family participation in health care as the key to behavior change.
- Fostering a community health network to strengthen linkages between communities and health centers to increase demand and impact.
- Strengthening skills among health workers, including district level Maternal Child Health district officers with emphasis on key family health practices.

Many of the activities planned will be reflected in the following graph, which captures what are deemed to be key family health practices and delineates their current coverage rates in East Timor based on the MICS, 2002 (UNICEF) and the DHS, 2003.[24]



[24] Source: 2003 DHS (antenatal care, skilled delivery), 2002 MICS (all others).

C. IR3.1 increased use of key maternal and child health practices

Supporting demand creation for health services will lead to greater utilization of skilled health care providers for delivery, prenatal care, postnatal counseling on birth spacing and earlier utilization of health centers for management of childhood illnesses, such as ARI, malaria, diarrhea, and malnutrition. It is widely known that use of health services is infrequent compared to international standards. What is not completely understood is why this is so and what are the different aspects of health-seeking behavior in East Timor that need to be understood to determine the soundest approaches to behavior change and demand creation. The discrete research efforts that will be conducted to answer these questions may include participatory rural assessment, focus group discussions, and key informant interviews. This baseline information is crucial to inform the community based demand creation activities, a key program approach employed during this five-year period.

Typical mass media campaigns, which are essential to health promotion interventions, will need to be modified to correspond to East Timor realities. Only six in ten households in East Timor have a working radio.[25] Television coverage is limited to Dili, with TVTL. Adult literacy is 43%. Of print media that are available, newspapers have distribution difficulties and are not widely available outside of Dili. *Lafaek* (the crocodile), a children's magazine in the national language, Tetum, published by Care International and partly funded by USAID, is widely distributed and reaches most schools in all the districts, and will be utilized through this program. Health promotion efforts will focus on community and family participation**.** The 2004 MOH district planning exercise emphasizes community participation as key to behavior change**.** The USAID strategy will be to work with local leaders, including *xefe de suco*, sacristans, village clergy, women's groups and any other natural leaders. It is considered important that gender considerations be duly evaluated in working with the community because at times, current *aldeia* and *suco* systems do not encourage the expression of women's voices and opinions[26].

Significant MCH clinical training has already taken place in East Timor. USAID will use the National Center for Health Training as a partner in skills development and conduct media campaigns for the promotion of key family health practices. However, what is currently lacking is a systematic supportive supervisory system that institutionalizes new clinical MCH behaviors and better decision-making. HAI will play the leading role in this sector. Through HAI, USAID will invest in district level Timorese maternal/child health supervisors who will provide capacity building assistance in supervision and management. They will also identify where clinical competencies still need improvement. Possible clinical areas to address will include management of childhood illnesses and delivery complications. Improving maternal and child nutrition is another key MCH practice that will benefit from integration of MCH program activities with Food for Peace and other local feeding programs wherever and whenever feasible.

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[25] Survey of Citizen Knowledge, East Timor, 2002: Monograph by The Asia Foundation.
[26] Mize, L. Maternal and Neonatal Assessment, February 2004 (Annex 9).

1. IR 3.1 Activities:

Program activities will be designed around key family health practices for maternal and child health, basic operations research to help target interventions and focused, effective interventions in malaria. Among the potential activities to be considered are:

- Promotion of full immunization for children through campaigns and strengthening demand for health services.
- Training for increased effective antenatal care services to ensure safe deliveries.
- Training for the provision of effective and culturally sensitive counseling on birth spacing.
- Developing health promotion materials that emphasize safe delivery with a skilled health provider and other positive maternal child health messages.
- Supporting health promotion and demand creation through a community-health network to expend coverage and to ensure maximum impact of MCH interventions.
- Supporting a limited series of field research that could include the following: health-seeking behavior at the individual and family level and decision-making within the family and community context for health care[27]

2. IR 3.1 Illustrative Results Indicators:

- Increase DPT immunization coverage rates for children under five
- Increase in safe deliveries by skilled providers
- Increase in awareness by mothers of key MCH practices
- Increase in communities having health volunteers trained in key MCH practices

D. IR 3.2 increased use of effective interventions to reduce the threat of priority infectious diseases

Another expected outcome of increasing effective interventions to reduce the threat of priority infectious diseases is the reduced threat of malaria. The Mission will work in tandem with the Global Fund to strengthen a new national malaria program. The Mission will support bednet distribution to pregnant women and children under the age of five, and ensure that communities and families are provided with appropriate IEC materials and messages to ensure that these bednets are used properly and effectively maintained. Ensuring the latter is at least as important as the distribution. Achieving sustainability will be a key ingredient in USAID's activities in this area. For instance, USAID has persuaded the Global Fund to re-program its resources to provide bednets for those children under five who will not benefit from the initial tranche of bednets provided with USAID support, and to encourage the MOH to assume responsibility for this service as soon as possible.

USAID will also work at the national policy level to ensure that the best practices in treatment protocols for pregnant women and young children are adapted in East Timor, such as artemisinin-combination therapy (ACT) to reduce resistance to anti-malarial

[27] USAID will collaborate with other partners to ensure the research efforts are not duplicative and that the results will bring fresh information to the health strategy efforts.

drugs. USAID's partners will then be able to incorporate this new treatment protocol within its antenatal care training program. Other efforts in malaria will be to ensure best practices in prompt diagnosis and treatment, and support for basic prevalence and resistance studies to provide for the first time sufficient baseline data for future program interventions, and provide expert technical guidance for implementing the national malaria strategy in the most effective and sustainable manner. The MOH and the Global Fund recognize that USAID has strategic technical assets in the region that may be drawn upon to strengthen the national malaria program.

USAID will also seek to provide targeted support for efforts to address other priority infectious diseases, *e.g.,* immunization campaigns, community dengue prevention activities, and de-worming campaigns for helminthic and filarial infections.

The prevalence of HIV/AIDS in East Timor is exceedingly low, < 0.01%. There are currently less than 10 diagnosed HIV-positive cases in the entire country. While USAID will consider phasing out its direct bilateral funding when new support arrives from the GFATM in 2005, USAID remains committed toward continuing to providing appropriate support including continued antiretroviral therapy for those current HIV-positive cases already undergoing treatment with USAID support.

Although it was recommended in the parameters cable that the Mission focus its efforts in infectious diseases control on the Global Fund areas of HIV/AIDS, tuberculosis and malaria, it has chosen not to focus initially on the tuberculosis program, since the National Tuberculosis Control program is being supported by Caritas through 2005 and will eventually be absorbed into the MOH, (which represents significant institutional change) and the GoET awaits the outcome of its application to the Global Fund for support for tuberculosis. The Sasakawa Foundation appears to be adequately addressing leprosy under technical guidance from WHO.

1. IR 3.2 Activities:

Program activities will be designed around priority infectious diseases, such as malaria and other priority diseases to be identified in consultation with the GoET. Among the potential activities to be considered are:

- Strengthen national policies on malaria treatment and diagnosis by conducting prevalence and drug-resistance studies to determine epidemiological stratification and resistance levels to inform policy makers in improving national protocols.
- Distribution of bednets for young children and pregnant women with complementary training and monitoring to ensure optimum utilization[28]
- Support for immunization campaigns, *e.g.* measles, and other efforts against preventable infectious diseases that contribute to childhood morbidity and mortality.
- Support for appropriate HIV/AIDS prevention and care activities including antiretroviral therapy for current HIV-positive cases.

[28] Further support will be considered for remaining children under five not covered, while leveraging the Global Fund and MOH to ensure that these inputs are provided in FY05 and beyond.

2. IR 3.2 Illustrative Results Indicators:

- Use of treated bednets by pregnant women and their young children under five increased.
- National treatment protocols established for treatment of malaria.
- Percentage of children under five receiving effective protection from measles.
- Early diagnosis and prompt treatment for malaria among pregnant women and young children increased.
- All HIV-positive cases successfully treated with antiretroviral therapy.

E. Sub-IR 3.1.1/3.2.1: A community health network established to effectively support key maternal and child health practices

USAID, through the MOH and its current and prospective NGO partners, will seek to foster a national community health network. The network will be inclusive by incorporating all elements of civil society already engaged in this sector. Specifically these include Church groups, local NGOs, international NGOs/PVOs, cooperatives and other relevant community groups and associations and local leaders. The MOH is a dedicated partner with a transparent district-based planning process and is willing to engage all partners. However, it admittedly has limited human resources that are already stretched thin. By entering into a public-private sector partnership with such a network, the MOH believes the health needs of the Timorese will be more adequately served, and its capacities will be optimized, as it focuses on its primary role in establishing and maintaining national policies and norms in the health sector. USAID has extensive experience in the development and fostering of indigenous NGO networks over the past decades. Development of such a network should be consensus-based, and should take into account similar models that USAID has already successfully fostered, *e.g.* PROCOSI/Bolivia, PACT/Thailand, and elsewhere. USAID recognizes there are already dynamic individuals working within Timorese civil society who could play key leadership roles in moving this network from concept to action. As the network's inputs will vary from district to district, there will be different levels of program activity by geographic area.

This approach will also codify efforts already taking place in East Timor. FHI has sent seven community organizations to receive the same training in counseling; the Global Fund Staff are working with their member organizations to realign community inputs so areas with the greatest need receive the most targeted resources and the Alola Foundation has created Mother's Groups for disseminating breast-feeding information, which are now being tapped by mothers for basic health information, such as how to manage ARIs and diarrheal diseases in infants. Clearly, multiple civil society organizations interested in community health exist in East Timor, but their efforts are not coordinated, thus the positive impact of their work is diminished. The formation of a community health network will allow greater coordination between civil society groups with the MOH, and would create a mechanism for extending maximum impact of health interventions, quality assurance and streamlined donor funding. This network will have multiple benefits, including:

1) Creating an MOH extension at the community level, with a single mechanism for monitoring, reporting and coordinating activities; 2) increasing the quality of existing community health activities by building capacity, setting standards and monitoring results; 3) maximizing impact and sustainability by building institutional capacity within a network, which will soon be capable of building capacity within its member organizations, and one day seeking its own external funding; 4) development of a transparent and reliable mechanism for distributing and tracking donor funding to community-based health organizations, as well as a mechanism for the central or district MOH to contract out for specific services (e.g., a breastfeeding promotion campaign); and 5) providing the means for improving coordination among 26 parishes and the 13 districts. This network is not in competition with the Ministry but rather complementary, taking some burden off the MOH for health promotion, training as well as monitoring and supervision at the district level. At the same time the network will ensure that MOH policies and norms are implemented. The MOH hosts a quarterly policy and planning meeting which will provide a coordination venue and ensure that all possible opportunities for collaboration are identified. Any programming inputs from the network will be captured in the district health plan, so that the annual June work plan fully captures all the players in the health sector.

1. Sub-IR 3.1.1/3.2.1 Activities:

- Consensus-building activities among prospective members toward creating a community network.
- Community campaigns for the expanded program on immunization and national immunization days.
- Community campaigns for key family health practices.

2. Sub-IR 3.1.1/3.2.1 Illustrative Results Indicators:

- Community network formally established and registered with GoET.
- DPT3 and measles coverage rates significantly increased as a result of community campaigns and improved coordination.
- Community awareness regarding prevention of malaria and appropriate care-seeker behavior increased.
- Community demand for essential antenatal care services increased.

IV. CRITICAL ASSUMPTIONS

The choice of a Special Objective in Health rather than a Strategic Objective was made at the central level. The program in East Timor is almost entirely supported by earmarked ESF funds. It was assumed that if these funds were to decline or disappear, there would be no support available from the existing Child Survival Health account, hence a Special Objective is viewed as being more flexible in enabling USAID to be prepared to exit from this sector when and if resource constraints should so require. The Special Objective recognizes that donor assistance is essential to achieve near-term reductions in East Timor's unacceptably high rates of maternal, infant, and child mortality and morbidity, but also recognizes that these improvements can only be sustained over time

through strengthening national and community institutions and enabling them to take full responsibility for providing health services in East Timor.

To manage the identified risks of increased malnutrition, the Mission has a strategic objective that is dedicated to economic growth, which includes enhanced agricultural practices. This will mitigate any potential increase in malnutrition. The Ministry of Health and WHO are developing a basic epidemiological surveillance capability, which USAID can support through its continued access to regional technical resources (NAMRU-2) that has the capability to conduct *in vivo* drug resistance studies in order to improve diagnosis and treatment protocols for malaria, or laboratory confirmation during a suspected outbreak of dengue. Any increase in HIV/AIDS is mitigated because the overall country prevalence is extremely low and the GoET is committed to being open and transparent in its approach, encouraging education and dialogue. Also given the strong role of the Church and significant cultural prohibitions against premarital sex, the risk appears to be manageable at this juncture.

V. SUSTAINABILITY

This program is embedded in the cultural and social institutions of East Timor, which will continue through the cycle of this strategy. The Church and local NGOs, with continued judicious support from international NGOs, will serve as important partners to the MOH in sustaining community health interventions over the longer term. Information collected during the five years of the program, particularly on willingness to pay and health seeking behavior among different social groups, will have provided evidence based solutions for the MOH. Because of this program's emphasis on skill transfer and capacity development, the MOH, particularly at the district level, will have enhanced management and planning capacity in the maternal and child health sector. During the course of the five year country strategy, USAID will consider whether it remains within its strategic interests to continue support for activities in the health sector via a Special Objective, or based on lessons learned, to adapt a full-fledged Strategic Objective in health for the next strategic development cycle, 2010-15, or instead during the next cycle develop an exit strategy from the health sector based on significant improvements in the health of the Timorese people with concomitant increases in national revenues to address the basic health needs of East Timor (both presently far from being realized).

GLOSSARY

ACT	Artemisinin-Combination Therapy
ADB	Asian Development Bank
AID	Agency for International Development
ANE	Asia and Near East Bureau
ASEAN	Association of South East Asian Nations
BASICS	Basic Support for Institutionalizing Child Survival
CCT	Cooperativa Café Timor
CEPPS	Consortium for Elections and Political Process Strengthening
CORE	Child Survival Resources and Collaboration Group
CSH	Child Survival and Health
DHS	Demographic and Health Survey
EC	European Commission
EHP	Environmental Health Project
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
FFP	Food for Peace
FHI	Family Health International
FRETILIN	Frente Timor-Leste de Libertacao National
FY	Fiscal Year
GDP	Gross Domestic Product
GFATM	Global Fund for AIDS, Tuberculosis and Malaria
GoET	Government of East Timor
HAI	Health Alliance International
ICITAP	International Criminal Investigative Training Assistance Program
IMCI	Integrated Management of Childhood Illnesses
IMET	International Military Education and Training
IMF	International Monetary Fund
INTERFET	International Forces for East Timor
IR	Intermediate Result
MAFF	Ministry of Agriculture, Forestry and Fisheries
MCH	Maternal and Child Health
MFI	Microfinance Institution
MOH	Ministry of Health

MPP	Mission Performance Plan
NCBA	National Cooperative Business Association
NGO	Non-governmental organization
NDP	National Development Plan
NGO	Non-governmental organization
OE	Operating Expenses
OFDA	Office of Foreign Disaster Assistance
OTI	Office of Transition Initiatives
PMP	Performance Monitoring Plan
PVO	Private Voluntary Organization
RF	Results Framework
SEP	Sector Expenditure Program
SGP	Small Grants Program
SIP	Sector Investment Program
SO	Strategic Objective
SpO	Special Objective
SRSG	Special Representative to the Secretary General
TB	Tuberculosis
TCP	Threshold Country Program
TSP	Transition Support Program
UN	United Nations
UNICEF	United Nations Children's Fund
UNTAET	United Nations Transitional Administration in East Timor
USAID	United States Agency for International Development
USG	United States Government
WB	World Bank
WFP	World Food Program
WHO	World Health Organization

Annexes