

**USAID/East Timor**  
**Operational Plan**

**FY 2006**

June 12, 2006

## **Please Note:**

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## **Program Performance Summary FY 2005: A. Program Performance Summary**

### Program Narrative (FY 2005): A. Program Performance Summary

Program Narrative (FY 2005): Timor-Leste is now in its fourth year as a sovereign, democratic nation and has made steady progress since 1999 in establishing a democratic state and revitalizing its economy. The Timorese people elected the current President in April 2002 as head of state, and the parliament selected the Prime Minister to head the government. Timor-Leste successfully conducted its first local-level elections during 2005. The next national parliamentary and presidential elections will take place in August 2007. Timor-Leste has become a member of the international community by joining the United Nations, the International Monetary Fund, the World Bank, the Asian Development Bank and ASEAN. In a recent message to the nation, President Gusmão sums it up best: "...we are a State based on the democratic rule of law, grounded upon a Constitution that embraces all forms of liberty and institutional rules, that respects and safeguards human rights and the fundamental rights of citizens....Good governance, transparency, and sustainable development are some of the key concepts of our present-day policies....The legal framework for investment in Timor-Leste was drafted this year in the form of laws for private and national investment and for foreign investment...aimed at stimulating business development, creating jobs, and combating poverty in an effective manner."

Although the Timorese have accomplished much in a very short period of time, much still remains to be done in Timor-Leste's development, and continued donor support is crucial. Timor-Leste is still among the world's poorest countries and faces high youth unemployment together with the highest fertility rate in the world. The newly established democratic and financial institutions are still weak in meeting the demands of building a new nation. Timor-Leste faces serious challenges to its medium-term development, including: 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. Timor-Leste is one of the poorest countries in the world, with an estimated population of 925,000 and a per capita income of \$370 (2004 data), a lower income level than in 2002, indicating that poverty is actually increasing. The World Bank estimates that close to 40% of the population is under the poverty level. Seventy-five percent of the population is rural, of which 80% relies on subsistence agriculture. Open unemployment is estimated to be higher than 20% and the illiteracy rate is 57%. Demographics in Timor-Leste reflect a young country of young people with approximately 50% of the population under 15 years of age. The maternal mortality rate is 830 per 100,000 live births, and under-five mortality is 125 per 1,000 live births, both rates among the highest in the world.

USAID addresses Timor-Leste's problems through a new five-year Country Strategy (approved in October 2004), focused on accelerating economic growth, strengthening key foundations of good governance, and improving the health of the Timorese people. USAID has a small grants program for flexible response to complement other implementing mechanisms. USAID addresses the cross-cutting theme of gender disparity through programs on maternal health, women's literacy as a tool for economic empowerment, and strengthening women's participation in democracy and governance. USAID's work in Timor-Leste addresses several of USAID's strategic priorities for Asia and the Near East: Jobs for the 21st Century, Making National Governments Work, and Family and Workforce Health. The overall USAID strategy also supports the U.S. Government's FY2007 Mission Performance Plan in its goals of "Democratic Systems and Practices" and "Economic Growth and Development."

The U.S. is one of the top five bilateral donors for Timor-Leste. With more than 30 official donors and U.N. agencies, donor coordination is crucial for program directions. USAID actively participates in the Government of Timor-Leste (GoTL)-led donor forums, and supports areas of GoTL's five-year National Development Plan (NDP). The main objectives of the NDP are poverty reduction and the promotion of sustainable and equitable economic growth, with special attention to education, health, and the well being of all people. USAID has contributed to the Consolidation Support Program (CSP), a program with nine bilateral donors and managed by the World Bank, to provide capacity building and balance of payment support to GoTL. From FY2002 to FY2005, USAID has contributed \$14 million to the CSP. In the wake of the downsizing of the UN Mission, USAID is funding a grant to the UNDP for the provision of some nine

senior international advisors to fill priority positions in key government ministries.

**Economic Growth.** USAID's program works to stimulate real growth in non-oil GDP and increase domestic and foreign investment, which will ultimately lead to job creation and poverty reduction. The GoTL remains committed to supporting and promoting the private sector as the engine of economic growth, job creation, and poverty reduction. The GoTL is equally committed to establishing an appropriate legal framework and the associated governmental institutions to ensure that the policies are linked to action and results. USAID technical assistance resulted in the promulgation of investment laws governing domestic and external investment and facilitated the establishment of TradeInvest Timor-Leste and the Enterprise Development Support Institute to promote external and domestic investment, respectively. Through its small grants program, USAID has funded local initiatives to create jobs and stabilize livelihoods for dozens of rural households. USAID's technical assistance to coffee cooperatives such as Cooperativa Café Timor (CCT), has resulted in creating or maintaining more than 23,000 jobs for men and women and development of a "single origin varietal" coffee marketed by Starbucks as "Arabian Mocha Timor" in all of its 10,000 retail outlets. CCT also operates health clinics for Timorese through USAID support, providing health services such as immunization and birth assistance. USAID received food assistance from the Office of Food for Peace valued at \$1 million, which was programmed for distribution through the World Food Program in November 2005. The "hungry" season in Timor-Leste during which food security is at its lowest is typically between October and March. USAID's overall program pays special attention to addressing emerging issues that will shape the future -- youth and the environment, most prominently.

**Democracy and Governance.** USAID has assisted Timor-Leste to take a major step forward in transparency and accountability with the establishment of the Ombudsman's Office this past year. A cross-cutting issue for this SO has been the public dissemination of information on laws, regulations, immunization campaigns, prevention of dengue fever and critical environmental messages. For example, the training of Ministry of Agriculture and Health staff in information dissemination will be critical for avian flu information campaigns and responses to natural disasters. Improved access and quality of public information will be critical in the lead-up up to the 2007 elections and to promote transparency and accountability in government. Timor-Leste successfully held elections in more than 2200 villages for village head and local councils in all 13 districts over the last year in a process broadly viewed as fair and inclusive. These were the first elections fully managed by the Timorese and offered valuable experience for the election management bodies for the forthcoming national elections. USAID provided an advisor and operational support for the first-ever Timorese independent electoral commission and also provided equipment, operational support and voter education materials to the government electoral unit to manage the electoral process. USAID partnered with local NGOs to help women break new ground by running as candidates for traditionally male positions as village heads. Technical assistance helped political parties monitor and analyze the village electoral process, helping them to get an early start on discussing electoral policies and the new election legislation needed to guide the 2007 national elections.

USAID legal aid and formal mediation services filled critical gaps in the public defense process by providing services to more than 600 clients. Mediation and legal services through NGOs will lead to reduced case loads on the courts, greater access to justice, and prevention of conflict by resolving cases quickly, using the local language and in the location of those involved. USAID-funded legal education programs reached more than 10,000 people through public discussions and workshops supplemented by radio programs. A victims of torture program is improving the daily lives of at least 500 survivors of torture and their families.

**Improved health.** USAID's new health program has achieved some important results by increasing the use of key maternal and child health practices, and increasing the use of effective interventions to reduce the threat of priority infectious diseases, such as malaria, HIV/AIDS, tuberculosis, dengue and avian influenza. USAID provided long-lasting insecticide-treated bednets for some 40,000 pregnant women and their children to reduce the risk of malaria--young children and pregnant women are at greatest risk of dying from the disease. USAID supported an effective community mobilization campaign to address an outbreak of dengue hemorrhagic fever. This activity was a cross-sectoral effort involving health workers, the media and local leaders. After the re-emergence of polio in neighboring Indonesia, USAID's

swift response led to a national campaign resulting in 97% of Timorese children being immunized against polio. USAID also responded quickly to new global health threats such as avian influenza by providing guidance to the Ministries of Health (MOH) and Agriculture, which led to the establishment of a national task force and development of a joint preparedness and response plan to the threat of the avian influenza pandemic. USAID has identified new partners such as the U.S. Naval Medical Research Unit Laboratory (NAMRU2), a regional center of excellence for emerging diseases that provides technical assistance to the MOH for building capacity to diagnose priority infectious diseases, including avian influenza. NAMRU2 plans to establish an infectious diseases laboratory in Timor-Leste during 2006. USAID leveraged support from the European Commission to extend its malaria control efforts to include border districts. USAID's support for CCT clinics resulted in increased quality of care for some 20% of the Timorese population, a significant increase in immunization coverage, and more births delivered by skilled providers. USAID's Bureau for Asia and the Near East provided \$300,000 in bridging support for Timor-Leste's HIV/AIDS plan, leading to the Global Fund awarding a \$9 million grant to Timor-Leste for its national HIV/AIDS program.

**FY 2006 Program**  
**SO: 472-004 Accelerated Economic Growth**

**Improve Economic Policy and the Business Environment**

Improve Economic Policy and the Business Environment (\$2,000,000 ESF; \$500,000 ESF Prior Year Unobligated). USAID is assisting the GoET to complete and refine policies, laws, and regulations governing business and commercial activity, and to remove impediments to increased private sector investment and economic growth. This agenda includes policies and laws on private ownership of land, business registration, accounting practices, credit bureaus (including both commercial and microfinance reporting), collateral registry, and bankruptcy. USAID is providing technical assistance, training, and material support to strengthen the institutions charged with the implementation and enforcement of the commercial laws and regulations. Principal Implementers: Associates in Rural Development (ARD), Development Alternatives, Inc. (DAI), and others To Be Determined (TBD).

**Improve Private Sector Competitiveness**

Improve Private Sector Competitiveness (\$2,100,000 ESF; \$1,800,000 ESF Prior Year Unobligated). USAID assistance supports the creation, productivity, and growth of agricultural cooperatives and micro, small and medium enterprises (MSMEs). USAID is improving access to and sources for market and business information, and is training service providers to help strengthen their links to markets. In particular, USAID is building the capacity of new domestic investors and entrepreneurs, and is targeting existing MSMEs and cooperatives to respond effectively to the market. Pertinent industry sectors include agriculture, agro-forestry, services, and light manufacturing. Reinforcing good governance efforts, USAID is providing technical assistance in advocacy skills to business support organizations so they can better represent their members' interests. Principal Implementers: National Cooperative Business Association (NCBA), DAI, and others TBD.

**Increase Trade and Investment**

Increase Trade and Investment (\$2,050,000 ESF; \$750,000 ESF Prior Year Unobligated). USAID is designing a new program on trade diversification and foreign investment promotion to help integrate East Timor into the global economy. The program will create more trade and investment opportunities, resulting in increased income, human resource development, technology transfer, technological innovation, and a greater variety of available resources. It will also result in a more diversified economy, an increase in exports and foreign investment, and an expansion of markets and sales resulting in new jobs. Principal Implementers: TBD.

**Protect and Increase the Assets and Livelihoods of the Poor**

Protect and Increase the Assets and Livelihoods of the Poor (\$1,750,000 ESF; \$1,530,000 ESF Prior Year Unobligated). USAID is focusing on activities that support the shift in economic activity from subsistence farming to more diverse, commercially-oriented, self-reliant, and market-based income generation. USAID's program is accomplishing this by introducing high-value horticultural and industrial crops, hardwood trees, and livestock husbandry to the rural poor. USAID is providing technical assistance to increase access of the rural poor to a diverse range of financial products and services (micro- and commercial). Principal Implementers: NCBA, Catholic Relief Services (CRS), DAI, and others TBD.

**FY 2007 Program**  
**SO: 472-004 Accelerated Economic Growth**

**Improve Economic Policy and the Business Environment**

Improve Economic Policy and the Business Environment (\$500,000 ESF). USAID will continue supporting the policy and legislative agenda for a business-friendly environment with the aim of increasing private sector investment and economic growth. USAID will expand support to the finance sector. Training and technical assistance will strengthen technical, managerial, and financial management skills. It will also improve performance monitoring and standards based on international best practices, and improve policy advocacy and self-regulation for credit only and member based institutions. Principal Implementers: ARD, DAI, and others TBD.

### **Improve Private Sector Competitiveness**

Improve Private Sector Competitiveness (\$3,000,000 ESF). USAID will continue assistance in expanding access to markets, business information, and business service providers (e.g., accounting, legal, and financial institutions). The program will continue providing technical assistance to domestic investors, entrepreneurs, MSMEs and cooperatives in business skills and market awareness. Principal Implementers: NCBA, DAI, and others TBD.

### **Increase Trade and Investment**

Increase Trade and Investment (\$500,000 ESF). USAID will continue to support activities related to diversifying and increasing exports, markets, and foreign investment with the aim of creating new jobs and reducing poverty. Principal Implementers: TBD.

### **Protect and Increase the Assets and Livelihoods of the Poor**

Protect and Increase the Assets and Livelihoods of the Poor (\$2,500,000 ESF). USAID assistance will support the shift from a subsistence farming system to more diversified income generation activities. Technical assistance will help increase access to financial products and services (micro and commercial) and the range of products and services available, improving the performance of microfinance providers. USAID will also work to increase employment opportunities for youth. Principal Implementers: NCBA, CRS, DAI, and others TBD.

### **FY 2006 Program**

#### **SO: 472-005 Key Foundations of Good Governance Strengthened**

#### **Program Support**

Program Support (\$1,000,000 ESF). Congressional authority has allowed USAID to use up to \$1 million for USAID administrative and management expenses.

### **Promote and Support Credible Elections Processes**

Promote and Support Credible Election Process (\$1,500,000 ESF; \$1,155,000 ESF Prior Year Unobligated). USAID is providing technical assistance and operational support to the electoral management body in planning and executing the first Timorese-managed national elections for parliament and president scheduled for 2007. The program is providing an advisor, funding, and an orientation training course to the newly appointed independent electoral commission, as well as technical assistance and information technology training to government staff in managing the voter registration process and database. In addition, USAID is providing technical assistance to democratic political parties, and is both conducting a training course and developing manuals for party poll watchers. Training and funds are being provided to local NGOs involved in election monitoring, promotion of women candidates, and voter education campaigns. USAID is also funding training for independent media on balanced

election reporting, and provides technical assistance for media outlets in expanding electoral information coverage to the rural areas. Principal Implementers: International Republican Institute (IRI), the National Democratic Institute (NDI), the International Foundation for Election Systems, and others To Be Determined (TBD).

### **Strengthen Public Sector Executive Function**

Strengthen Public Sector Executive Function (\$1,200,000 ESF). USAID is providing support to the Government of East Timor (GoET) through the Consolidation Support Program (CSP), a multi-donor program managed by the World Bank that provides capacity building and balance of payment support to the GoET. USAID is providing an advisor for the Office of the Inspector General for investigations and audits, and is funding public awareness campaigns on corruption and transparency in government. Principal Implementers: Management Sciences for Development (MSD), Development Alternatives Inc., and the United Nations Development Program.

### **Strengthen the Justice Sector**

Strengthen the Justice Sector (\$1,750,000 ESF). USAID is providing technical assistance and advisors, and is conducting a 14-month training course for the administrative and finance staff of the Ministry of Justice, courts, public defenders, and prosecutor's offices. USAID is providing legal aid services, mediation, and counseling support services for women and children who are victims of domestic and/or gender-based violence. USAID is training legal aid and government staff in mediation skills, ethics, business management, and specialized legal issues such as land tenure, children's rights and commerce. USAID will provide advisors and training in strategic planning, case management, auditing, and anti-corruption investigations to the newly recruited ombudsman staff. USAID is funding organizations monitoring the courts and human rights violations, and is supporting public awareness campaigns on East Timor's new laws and citizens' rights and responsibilities. USAID is providing a legislative drafting advisor to the parliament, and is providing technical assistance to the legislative support staff. Principal Implementer: The Asia Foundation (TAF), International Development Law Organization, and MSD.

### **Support Democratic Local Government & Decentralization**

Support Democratic Local Government and Decentralization (\$550,000 ESF; \$500,000 ESF Prior Year Unobligated). USAID is providing technical assistance to the government in developing a training module for over 4,400 newly elected village council members on their roles, how to organize public meetings, recordkeeping, administration, and numeracy skills. USAID is also providing training and funding to local non-governmental organizations to deliver the training courses at the village level, with particular focus on involving women and youth. Principal Implementers: NDI, IRI, and TAF.

### **FY 2007 Program**

#### **SO: 472-005 Key Foundations of Good Governance Strengthened**

#### **Program Support**

Program Support: (\$1,000,000 ESF) Congressional authority has allowed USAID to use up to \$1 million for USAID administrative and management expenses.

### **Strengthen Public Sector Executive Function**

Strengthen Public Sector Executive Function (\$1,000,000 ESF). USAID will provide support to the GoET in the final year of CSP, a multi-donor program managed by the World Bank that monitors government performance. USAID will continue funding an advisor for the Inspector General's office and funding for

public awareness campaigns on corruption and transparency in government. After the elections in 2007, USAID plans to provide technical assistance as needed to the government in reviewing lessons learned from the national elections, and in improving voter registration and election management skills and systems. Principal Implementers: TBD.

### **Strengthen the Justice Sector**

Strengthen the Justice Sector (\$1,250,000 ESF). USAID will continue to provide advisors, technical assistance, and training to the justice sector institutions as newly trained Timorese judicial personnel replace the international advisors currently serving in the courts, and offices of the public defender and prosecutor general. USAID will fund local organizations providing legal services and counseling to victims of gender-based violence, and fund groups working on conflict prevention, mediation processes, legal education, and raising public awareness of laws. USAID will provide advisors and technical assistance to the ombudsman's office as it completes its first year of operation, and expands its services to the rural areas. Principal Implementers: TBD.

### **Support Democratic Local Government & Decentralization**

Support Democratic Local Government and Decentralization (\$750,000 ESF). USAID will provide technical assistance and training for government and local community councils as decentralization moves forward. USAID will provide technical assistance to local volunteer councils on planning, communication, and oversight of government services. Principal Implementers: TBD.

### **FY 2006 Program**

#### **SO: 472-006 Improved health of the Timorese people**

### **Improve Child Survival, Health & Nutrition**

Improve Child Survival, Health, and Nutrition (\$2,500,000 ESF; \$1,750,000 ESF Prior Year Unobligated). USAID is increasing the demand for and quality of essential maternal and child health services, such as oral rehydration therapy, immunization, and treatment of pneumonia and malaria. USAID's new health program, Timor-Leste Asistencia Integrada Saude (TAIS) is providing technical and advisory support to the Ministry of Health, health professionals, and non-governmental and community-based organizations. USAID will help the Ministry of Health (MOH) strengthen a targeted immunization program to reduce child mortality under the age of five. USAID is providing a small grant to the Peace Corps to promote best practices in preventive health at the community level, and is fostering a more effective community health network among local partners, including church groups. USAID is supporting MOH providers and local partners in improving the quality of care for pregnant women, mothers, and newborns. A major focus of this program is ensuring that Timorese women deliver with a skilled provider, and that they receive appropriate prenatal and postnatal care (e.g. antenatal monitoring and counseling, safe delivery, and breastfeeding). Local health professionals and Cooperative Cafe Timor clinics are continuing to receive technical training. USAID is also making contingency plans for emergency nutritional interventions such as food supplementation for children in hunger-affected regions. Principal Implementers: TAIS, CARE, Health Alliance International, National Cooperative Business Association (Cooperative Cafe Timor-CCT), U.S. Peace Corps, and others To Be Determined (TBD).

### **Prevent & Control Infectious Diseases Of Major Importance**

Prevent and Control Infectious Diseases of Major Importance (\$2,410,000 ESF; \$1,206,000 ESF Prior Year Unobligated). Malaria, tuberculosis, dengue fever, and HIV/AIDS are priority infectious diseases in East Timor. USAID's malaria control efforts focus on the reduction of mosquito populations in and around households, and on the distribution of 80,000 long-lasting insecticide-treated bednets for pregnant women and children under the age of five. USAID is working at the national policy level to promote adoption of

best practices for pregnant women and young children, including intermittent presumptive therapy during pregnancy, and the establishment of new protocols to ensure proper treatment and prevent anti-malarial drug resistance. USAID is also strengthening national capacity and the support for epidemiological surveillance of priority infectious diseases and management of tuberculosis at the district level. Principal Implementers: TAIS, Cooperative Cafe Timor, U.S. Naval Medical Research Laboratory, U.S. Peace Corps, Catholic Relief Services (CRS), and others TBD.

**FY 2007 Program**

**SO: 472-006 Improved health of the Timorese people**

**Improve Child Survival, Health & Nutrition**

Improve Child Survival, Health, and Nutrition (\$1,500,000 ESF). USAID funds will continue to support improvements in the quality and utilization of essential maternal, newborn, and child health services. USAID programs will focus on the promotion of best practices through interventions that can be sustained over the long term at the local and national level. Local health professionals and non-governmental organizations will continue to receive technical training on best health practices. Principal Implementers: TAIS, Cooperative Cafe Timor, Health Alliance International, CRS, and others TBD.

**Prevent & Control Infectious Diseases Of Major Importance**

Prevent and Control Infectious Diseases Of Major Importance (\$1,500,000 ESF). USAID will continue efforts to reduce the threat of priority infectious diseases such as malaria, dengue fever, tuberculosis, and avian influenza with a focus on reducing mortality and morbidity and increasing the capacity of health providers. Technical assistance will be provided to the MOH to support strategic planning, policy reforms, and program management. USAID will continue to build MOH capacity for epidemiological surveillance. Principal Implementers: CRS, Cooperative Cafe Timor, U.S. Naval Medical Research Laboratory, U.S. Peace Corps, and others TBD.

## **Results Framework**

### **472-001 Revitalization of the Local Economy**

**Program Title: Accelerated Economic Growth**

**IR1:** Business Environment Improved

**IR2:** Markets Improved and Production of Selected Products Increased

### **472-003 Democratic Development Strengthened**

**Program Title: Support for Democratic Transition**

**IR1:** Increased Public Participation in Governance

**IR2:** Improved Citizen Access to Justice

**IR3:** Strengthened Independent and Government Institutions

### **472-004 Accelerated Economic Growth**

**Program Title: Accelerated Economic Growth**

**IR 4.1:** Business environment improved

**IR 4.2:** Markets improved and production of selected products and services increased

**Discussion:** Real non-oil GDP growth: FY2005 actual is 1.8 (but had to be rounded up to 2.0)

Gross domestic investment: data pending development of investment registry in 2006

Poverty rate: to be determined when livelihood survey is conducted in 2006.

### **472-005 Key Foundations of Good Governance Strengthened**

**Program Title: Good Governance Strengthened**

**IR2.1:** Rule of Law Strengthened

**IR2.2:** More Effective Democratic Governance

### **472-006 Improved health of the Timorese people**

**Program Title: Improved health of the Timorese people**

**IR3.1:** Increased use of key maternal and child health practices

**IR3.2:** Increased use of effective interventions to reduce the threat of priority infectious diseases

**Discussion:** Percentage of women who delivered with a skilled provider for their last pregnancy is an IR indicator being reported during this Annual Report.