USAID | TIMOR-LESTE

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Country Development Cooperation Strategy (CDCS)

2013 – 2018

USAID | TIMOR-LESTE
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ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AusAID	Australian Agency for International Development
BSP	Basic Service Package
CCT	Cooperativa Café Timor
CSO	Civil Service Organizations
CVA	Conflict Vulnerability Assessment
DRR	Disaster Risk Reduction
DHS	Demographic and Health Survey
DNTPSC	Land and Property Department
DOD	Department of Defense
DWASH	District Water Supply, Sanitation and Hygiene
EC	European Commission
EITI	Extractive Industries Transparency Initiative
F-FDTL	Defense Forces of Timor-Leste
FTF	Feed the Future
GBV	Gender-Based Violence
GCC-A	Global Climate Change-Adaptation
GHI	Global Health Initiative
GOTL	Government of Timor-Leste
IFC	International Finance Corporation
ILO	International Labor Organization
LDP	Local Development Program
MAF	Ministry of Agriculture and Fisheries
MCC	Millennium Challenge Corporation
MDG	Millennium Development Goals
MOH	Ministry of Health
MOJ	Ministry of Justice
MSME	Micro, Small and Medium Enterprises
MTI	Ministry of Trade, Industry and Environment
NCBA	National Cooperative Business Association
NGO	Non-Government Organization
NZAID	New Zealand Aid Programme
OPD	Office of the Public Defender
PDHJ	Office of the Ombudsmen for Human Rights and Justice
PNTL	National Police of Timor-Leste
RDTL	Democratic Republic of Timor-Leste
SDP	Strategic Development Plan 2011-2030
SISCa	Sistema Integradu de Saude Comunitaria
TCN/PSC	Third Country National /Personal Services Contractor
TLDPM	Timor-Leste Development Partners Meeting
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Program
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNMIT	United Nations Integrated Mission in Timor-Leste
UNPOL	United Nations Police
UNWomen	United Nations Development Fund for Women
USAID	United States Agency for International Development
USG	United States Government
WHO	World Health Organization

1 Development Context, Challenges, and Opportunities

Timor-Leste is one of the newest nations in the world. For more than four centuries, it was a Portuguese colony. Portugal's 1974 revolution was the catalyst for a hasty de-colonization that culminated in a brief civil war between rival political factions from which a pro-independence party emerged victorious. The victory was short-lived, however, as Indonesia invaded in December 1975, annexing the country as its 27th province. Observers estimate that Indonesia's 24-year occupation of Timor-Leste caused more than 200,000 deaths, a quarter of the population. In 1999, the United Nations (UN) administered a referendum putting Timorese independence from Indonesia to a vote. The overwhelming majority of Timorese voted for independence. Mass violence and destruction at the hands of withdrawing Indonesian forces and their proxy militias followed the announcement of the results. The international community mobilized a peacekeeping operation and after over two years of UN administration, Timor-Leste obtained its independence on May 20, 2002.

Underdeveloped political institutions and unresolved divisions within the national political leadership gradually undermined the fragile nation, leading to a collapse of state security in 2006. The Government of Timor-Leste (GOTL) requested the return of international peacekeepers. With UN support, Timor-Leste held presidential and parliamentary elections in 2007. More than 80% of registered voters turned out for three rounds of generally peaceful balloting. While the overall results were accepted quickly, no single party obtained an absolute majority in the parliamentary elections and the ensuing disagreement over the right to assume leadership triggered a new wave of violence in Dili and the country's east. On February 11, 2008, a group of former members of the armed forces, known as 'petitioners,' tried to assassinate the President and Prime Minister. The President sustained near-fatal injuries. The Government then negotiated an agreement with the petitioners and, as stability returned, redoubled efforts to reintegrate the 100,000 persons who had remained internally displaced since 2006.

Since 2006, the rebuilding of a professional, disciplined, and responsive police force that can ensure public safety, preserve the integrity of democracy and uphold the rule of law has been a national priority. In March 2011, Timor-Leste's national police (PNTL) resumed executive policing responsibility from the UN. In 2012, the country held parliamentary and presidential elections heralded internationally as free and fair. International military forces withdrew, and the UN's mandate concluded at the end of December 2012.

Timor-Leste has made a number of important gains in governance and its responsiveness to citizens. The country has entered into agreements with Australia to share royalties from oil and gas reserves in the Timor Sea, establishing an important means to improve the country's socio-economic indicators. Offshore petroleum production generates significant revenues; the GOTL deposits them into a petroleum fund that was valued at $11.8 billion at the end of 2012. Withdrawals from the fund finance the majority of the national budget.

At this stage, the challenge for Timor-Leste is to use its limited petroleum wealth to create a sustainable basis for economic growth. The Government's goal is to spend its resources effectively and efficiently to address the critical development constraints of the country. Government spending is targeted at repairing and upgrading basic infrastructure, strengthening institutions so they can deliver public services, and developing human resources. The benefits of rising state spending are not seen as being equitably shared, at least partly due to limited state capacity to reach a largely rural citizenry. The country has been independent for 10 years, but its population still remains one of the poorest in the world, currently ranking 134 out of 187 countries on the 2013 UN's Human Development Index. Underdeveloped infrastructure, high unemployment, recent emergence from conflict and the potential for renewed insecurity pose major development challenges as the country transitions from post-conflict recovery to long-term economic and political development.

Despite its small size, Timor-Leste is very diverse in terms of language, peoples, and geography. The country has more than 20 languages, including Tetun and Portuguese (the official languages), Indonesian and English (the working languages) and more than 15 indigenous languages. The terrain is mountainous with highlands in the central part of the island and a more fertile, but sparsely populated, southern coast. There are two seasons: a rainy season that is characterized by very harsh downpours and a dry season that brings very little rain to the point of drought.

The total population is estimated at approximately 1.2 million people.[1] The country has a very high fertility rate with an estimated 5.7 children per woman.[2] The health system has made progress over the past 10 years in establishing basic services but has struggled to provide vital maternal and child health services, family planning, immunization coverage and emergency care in the more remote and mountainous areas where the majority of the population resides. Maternal and child mortality rates are declining but still high. The under-five mortality rate is estimated at 64 per 1,000 live births.[3] Almost 60 percent of children under 5 years of age are stunted and 45 percent are underweight.[4]

Timor-Leste is a patriarchal society with strong social norms that dictate gender roles and cultural practices that often result in gender inequality. Using a measure of gender equality developed by the UN for the Human Development Report, Timor-Leste currently ranks toward the high end (indicating high

[1] UNDP, 2013 Human Development Report
[2] National Statistics Directorate (NSD) Ministry of Finance, Timor-Leste, and ICF Macro. 2010. Timor-Leste Demographic and Health Survey 2009-2010; Dili, Timor-Leste.
[3] Ibid
[4] Ibid

gender inequality) at 111 out of 187 countries. The UN Gender Inequality Index (GII) aggregates data on reproductive health, political participation, education attainment and labor force participation to calculate the index. Timor's high GII is mainly due to the severe rate of maternal mortality and the difference in male and female labor force participation. The relatively high representation of women in national parliament (38 percent of parliamentarians are women) keeps Timor-Leste from ranking even higher on the index. This high rate of representation is resultant of a law that requires that one of every three candidates on party electoral lists be a woman.

Poor agricultural production practices with resulting low yields and a lack of income to supplement home-grown products contribute to high levels of food insecurity and inadequate nutrition throughout Timor-Leste. Approximately 80 percent of the population is engaged in agriculture, fisheries or forestry. According to the 2012 Global Hunger Index (GHI), Timor-Leste has one of the highest prevalence of underweight children under 5 years of age, contributing to its ranking of 73 out of 79 low and middle-income countries included in the index. This rate has increased to 45 percent from 40 percent in 2001. The overall proportion of underweight individuals in the population increased from 28 to 31 percent between the 2001 GHI and 2012 GHI. At 58 percent Timor-Leste also has the third highest prevalence of stunted children in the world, according to the 2009-10 DHS. Wasting is estimated at 19 percent among children under 5. DHS data confirmed that there was an increase in stunting, wasting, and underweight rates between 2003 and 2009.

Poverty is correlated with significant gaps in infrastructure, distinguished by a poor national road network; very limited telecommunications (less than one percent of households has access to the internet); a single, increasingly congested seaport; and an electricity grid that is improving in gross output in recent months but supplies power to only a third of the country's households. [5] This is compounded by the fact that human capacity has been affected by continuous disruptions to Timor-Leste's educational system. While some improvement has been seen in the education sector, 37 percent of women and 30 percent of men have never been to school. More than 70 percent of the population is functionally illiterate.[6] The country is still at the very early stages of nation building and development. Notwithstanding the courage and persistence of the Timorese to create democratic institutions, the key development challenge for at least the next 5 years is the limited human and institutional capacity to drive development.[7]

The lack of human and institutional capacity has shaped the way USAID/Timor-Leste has approached this Country Development Cooperation Strategy (CDCS). This is highlighted in USAID/Timor-Leste's Democracy, Human Rights, and Governance Assessment:[8] "Underlying the challenges for democracy and governance are persistently high rates of poverty and a growing equality gap. The benefits of rising state spending, which draws on the Petroleum Fund, are not seen as having trickled down to citizens in an equitable manner, at least in part because state capacity to reach its citizens must still be developed." Timor-Leste is a young democracy with a leadership that has demonstrated the political will for reform—precisely the type of partner the United States seeks to support. U.S. investments include the three Presidential Initiatives: Global Health Initiative (GHI), Feed the Future (FTF), and Global Climate Change (GCC). This CDCS emphasizes capacity development as the integrated theme across the portfolio. Without addressing the fundamental limitation of human and organizational capacity, the country cannot make sustainable progresses toward its development goals.

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[5] The government is developing a national power grid system with the intention of providing nation-wide access. The government currently subsidizes electrical services.

[6] Timor-Leste Demographic and Health Survey 2009-2010; Dili, Timor-Leste.

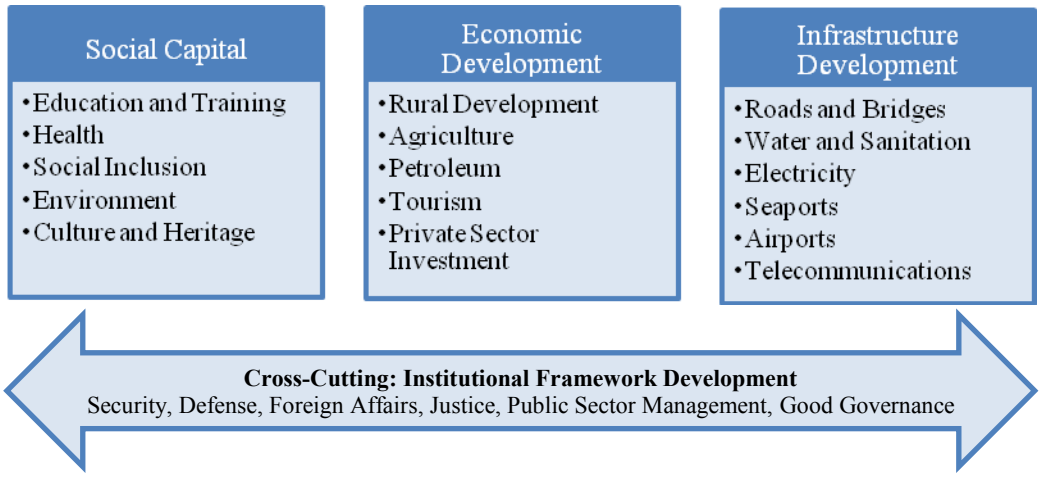
[7] USAID/Timor-Leste Public Financial Management Risk Assessment Framework: Stage 1 Rapid Appraisal, November 7-18, 2011.

[8] USAID/Timor-Leste Democracy, Human Rights and Governance Assessment, May 30, 2012.

1.1 Government of Timor-Leste Strategic Plan

Through its Strategic Development Plan 2011-2030 (SDP),[9] the GOTL outlines "a twenty year vision that reflects the aspirations of the Timorese people to create a prosperous and strong nation." It addresses three key areas: social capital, economic development and infrastructure development. Social capital development includes policies to improve education, health, social inclusion, the environment, and culture and heritage. Infrastructure development encompasses building, repairing and maintaining roads, bridges, water and sanitation facilities, and ports, and improving telecommunications and electricity. With regard to economic development, the GOTL seeks to boost rural development in particular, through support to agriculture, the petroleum industry, tourism, and private-sector investment. Underpinning these priority areas are cross-cutting issues such as security, public financial management and good governance. Additionally, the SDP calls for shorter-term, heavy investment in two areas considered to be most critical for the country's development—infrastructure and human capital.

GOTL Strategic Development Plan 2011 – 2030 Framework



The SDP outlines the transition from the country's current district structure to a system of decentralized municipalities, with the roll out of a phased pilot program scheduled for 2015. In preparation for this transition, the GOTL launched multiple initiatives to develop technical capacity at the local level. These initiatives include activities to empower district administrations with a greater role in development activities; however, local financial and human resources within these district administrations remain limited. The country's 442 suco (village) councils are community-level elected bodies that facilitate local public services, maintain social infrastructure and provide dispute resolution. They are not part of the formal government structure; however, the GOTL envisions that suco councils will play a major role in local government service provision through articulating and representing community concerns and transmitting important feedback to the district administration as well as to the line ministries' representative offices based in the districts. In addition to this over-arching strategy, many of the GOTL line ministries have also developed five-year plans. In the sectors targeted through this CDCS, USAID/Timor-Leste has consulted with the relevant ministries.

1.2 Development Partner Coordination and Aid Effectiveness

Timor-Leste leads the g7+ which is a global forum that represents fragile and conflict-affected states internationally. Led by the GOTL's Minister of Finance, the g7+ provides a country-owned and country-

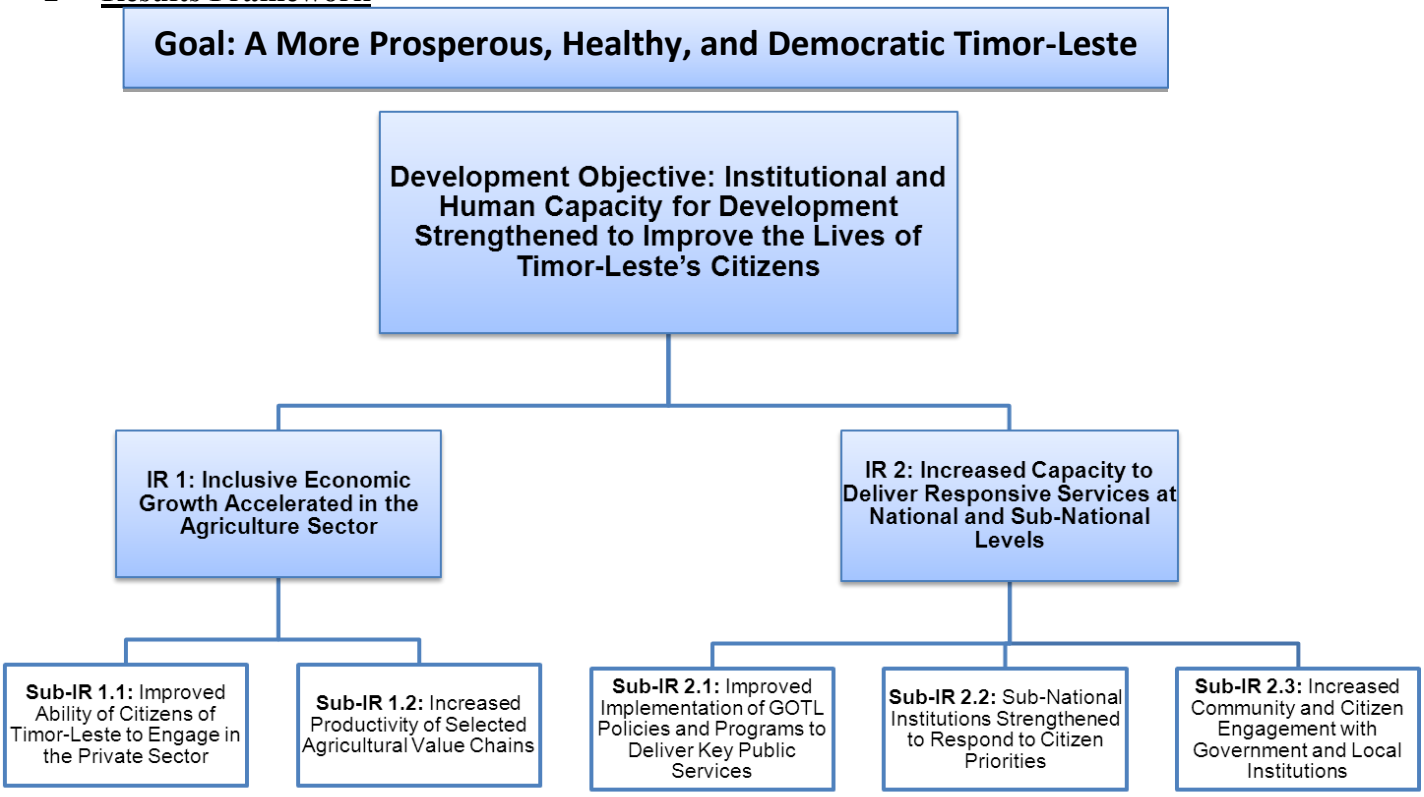
[9] Timor-Leste Strategic Development Plan 2011-2030.

led platform to draw attention to the unique challenges faced by fragile and conflict-affected states. The GOTL hosted an international conference on the Post-2015 Development Agenda in Dili in February 2013. Outcomes from the event fed into the UN High-Level Panel report to the Secretary General of the UN on the global development agenda beyond 2015 – the original target date for achievement of the Millennium Development Goals (MDGs). A range of bilateral and multilateral donors work in Timor-Leste. USAID is currently implementing several joint programs with other donors and will actively seek future collaboration.

Private-sector partnerships also play a growing part in USAID's development strategy. In Fiscal Years 2012 and 2013, a partnership with ConocoPhillips made it possible to expand horticulture activities to additional farming communities. Related to this partnership is a partnership with local wholesalers and retailers which facilitates farmer access to a reliable supply of inputs that would otherwise be difficult for them to obtain, and provides direct links to the country's market for high-value produce. USAID will expand on these initial efforts to build relationships and leverage funds from Timor-Leste's private-sector companies.

USAID/Timor-Leste coordinates with other U.S. Government agencies working in the country, including the Departments of State, Justice, and Defense. For the foreseeable future, U.S. Navy ships will visit Timor-Leste each year. USAID will seek to maximize the benefit of resources that the ships' medical personnel provide and ensure that these resources are aligned with the Ministry of Health's (MOH) objectives as stated in the National Health Sector Strategic Plan 2011-2030. Partnering with other U.S. Government agencies allows for flexibility in responding to requests for assistance that are outside of USAID's core areas of expertise and funding capabilities.

2 Results Framework



Development Hypothesis

Goal:

USAID/Timor-Leste's goal for the strategy period is a more prosperous, healthy, and democratic Timor - Leste. Increasing Timor-Leste's capacity for development increases the ability of the country to reach its development goals, including long -term, substantive improvements in income, health outcomes, and democratic practices. Achievement of improved capacity for development will be evidenced by improved budget execution, reduced loss of public funding to corruption, higher levels of knowledge in administrative and core technical areas, and improved delivery of public services. This approach is in keeping with the Paris Declaration on Aid Effectiveness, "capacity to plan, manage, implement, and account for results of policies and programs, is critical for achieving development objectives." When a country has the capacity for development, it has the sufficient resources available and can deploy those resources in an effective and efficient way, and on a sustainable basis, in pursuit of development goals.

Intermediate Result 1 (IR 1)to Development Objective (Economic Growth): If USAID improves the ability of Timor-Leste's citizens to engage in the private sector and increase the productivity of agriculture value chains, then we will help accelerate inclusive economic growth. Inclusive economic growth, in turn, sustainably increases the returns of economic activity and availability of resources for development. If these resources are used in a judicious manner, the country can strengthen its human and institutional capacity for development.

Intermediate Result 2 (IR 2) to Development Objective (Health and Governance): Strengthening institutional capacity at the central level and decentralization of training at the district level, combined with supportive supervision and follow up, will improve health worker compliance with maternal, newborn and family planning guidelines. Improvements in the individual capacity of health system workers, combined with improved implementation of standard operating procedures and protocols, and increased community participation in seeking health services will strengthen the MOH's capacity to deliver responsive services. Strengthening the monitoring of key MOH data at the district level will help district health teams to understand communities' health care needs and enable them to plan activities based on need, leading to more efficient use of budgetary resources.

Technical assistance to government institutions at the national and district levels--to develop standard planning and operating procedures and oversight mechanisms--will enable the GOTL to more effectively implement key policy reforms. Capacity development of local organizations, including suco councils, local NGOs and political parties will strengthen their ability to meet the needs of constituents and to support their interaction with GOTL institutions. Building the capacity of both governmental and non-governmental institutions to engage civil society will improve community participation, service delivery, and accountability at local and national levels.

2.1 Goal: A More Prosperous, Healthy, and Democratic Timor-Leste

For USAID investments to have an impact on the overall goal of a more prosperous, healthy, and democratic Timor-Leste, it is critical that the GOTL and other donors remain committed to the country's development. Achievement of progress toward the goal requires that Timor-Leste's police and military be able to maintain security and stability throughout the country. Additionally, the GOTL must make substantial progress in improving basic infrastructure, including roads, electricity, water, and communications. Other donors will need to continue to support the GOTL in key areas, including strengthening national ministries, improving primary education, reforming the justice sector, and improving budget planning and management.

USAID will support two of the three development pillars that the GOTL believes must be addressed in order to achieve the country's development aspirations. The third pillar, infrastructure development, is

being addressed in large part by the GOTL and other donors. USAID does not have the resources in Timor-Leste to have a meaningful impact in this third pillar; however, we will continue to coordinate with the U.S. Department of Defense (DOD)-funded engineering projects in areas of commonality such as health facilities and community center renovations.

2.2 Development Objective: Institutional and Human Capacity for Development Strengthened to Improve the Lives of Timor-Leste's Citizens

The most pressing development issue in Timor-Leste now and for the next five years will be achieving the necessary capacity to implement the SDP and effectively and efficiently deliver public services. Political will exists throughout the GOTL to further development goals and improve governance. An evaluation of the World Bank's involvement in Timor-Leste from 2000-2010 reiterated the need to build Timor-Leste's capacity for development, citing "uneven and weak institutional capacity, as well as scarcity of skills in-country."[10] In January 2012, a team of USAID economists conducted a growth diagnostic study[11] that explored the constraints to growth in Timor-Leste and identified key impediments to economic growth across all sectors. The study identified human capital as a binding constraint to growth in Timor-Leste, leading the team to explore some of the issues directly affecting the labor force and ability of the Timorese population to maximize their development. The study concluded that malnutrition, and more generally poor health, remain a major impediment to educational attainment and labor productivity.

USAID will support the GOTL to increase its capacity for development. This signifies that USAID will not be seeking to increase capacity for its own sake but with the stated purpose of assisting the GOTL in reaching its development goals. USAID will focus on capacity development as a process of empowering local agents to change constraining characteristics, or augment enabling ones, to advance reforms and development goals. Capacity development interventions will lead to an increase in resources available for development, such as finances, human resources, technology, and infrastructure. In turn, the increased availability and sound deployment of such resources will improve the quality of life for Timorese.[12]

2.3 Intermediate Result 1: Inclusive Economic Growth Accelerated in the Agricultural Sector

IR 1 *Inclusive Economic Growth Accelerated in the Agricultural Sector* will focus on sustainably reducing poverty and sharing the benefits derived from economic growth across gender and urban-rural divides. This IR includes two sub-IRs: improved ability of Timor-Leste's citizens to engage in the private sector (sub-IR 1.1) and increased productivity of selected agriculture value chains (sub-IR 1.2). Results for IR 1 will be achieved by improving the ability of Timorese to engage in the private sector and by increasing productivity in selected value chains. To date, USAID's private-sector investments have focused almost exclusively on the agriculture sector—the sector that is widely viewed as key for reducing hunger and poverty in the country. USAID's involvement in supporting farmers to supply the domestic market with fresh vegetables has proved to be a successful model, and data indicate there is a large unmet demand.[13]

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[10] IEG (Independent Evaluation Group). 2011. Timor-Leste Country Program Evaluation, 2000-2010. Washington, DC: Independent Evaluation Group, the World Bank Group.
[11] USAID/Timor-Leste Growth Diagnostic: An Assessment of the Binding Constraints to Growth, 2012.
[12] The Capacity Development Results Framework: A strategic and results-oriented approach to learning for capacity Development, The World Bank, June 2009.
[13] An Evaluation of the Development Communities through Intensive Agriculture (DOCIA)/Dezenvolve Agricultura Comunitária (DAC) Project, USAID, June 2012

The country is predominantly an agricultural-based economy--with about 77 percent of the population living and working in the sector. Agriculture still consists primarily of subsistence farming with limited access to inputs, technical knowledge, and market linkages. There is a heavy reliance on traditional agricultural practices such as slash-and-burn cultivation (primarily in corn), lowland cultivation of rice (both rain-fed and irrigated), household gardens, harvested forest products (including tamarind, candlenut and fuel wood) and livestock production. The yields for the main crops are consistently very low by international norms, and Timor-Leste currently experiences a significant food deficit that is projected to last until 2020 at a minimum.[14]

A team of USAID economists recently identified agriculture as a cross-cutting area with the greatest near-term potential for achieving broad-based economic growth in Timor-Leste,[15] and the GOTL's Ministry of Agriculture and Fisheries (MAF) identified agriculture as a priority sector as articulated through the SDP.[16] Furthermore, the Mission completed an interagency, cross-sectoral assessment in April 2013[17] to serve as the foundation for a project design that will seek to integrate Feed the Future (FTF), Global Climate Change-Adaptation (GCC-A) and disaster risk reduction (DRR) investments with the goal of supporting sustainable and resilient livelihoods. The assessment team explored programming options in agriculture, tourism, natural resource management and environment. The analysis resulted in the recommendation that horticulture is the best area for future programming and provides the most promising option for achieving near-term inclusive economic growth. Corroborating findings from the evaluation of USAID's Consolidating Cooperative and Agribusiness Recovery (COCAR) Project,[18] the assessment team concluded that USAID's work over the past two decades in the coffee sector has been successful, and profits support a sustainable business model.

Impact will be measured at the national level, taking into account the combined efforts of many partners, most importantly the GOTL itself. Investments in GCC-A will also support sustainable economic growth. Implementing practical adaptation responses to environmental threats is an important element of risk mitigation, to ensure both the livelihoods and health of target populations and the sustainability of past, current and future development investments. "Additionally, integration of climate change and agriculture interventions can save farmers costs for irrigation and fertilizer, reduce land clearing, and improve productivity and efficiency through on-farm energy production." [19]

With an eye toward building resilient livelihoods, USAID/Timor-Leste will integrate GCC-A and DRR programming to support climate-smart, nutrition-sensitive agriculture. Activities included under IR 1 could include better coping mechanisms to recover from shocks. As highlighted in FTF guidance, gains in productivity can be driven by a number of factors. Interventions will seek to increase access to agricultural inputs and technical knowledge, support more efficient use of land, improve management of natural resources, and develop inputs and technologies that are adapted to local conditions. Additionally, interventions that seek to strengthen property rights to land and other productive assets will help promote investment and sustainable resource use. Land systems that ensure strong and clear rights create incentives to increase productivity and better manage natural assets to optimize economic opportunities.

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[14] USAID/Timor-Leste Growth Diagnostic: An Assessment of the Binding Constraints to Growth, 2012.
[15] Ibid
[16] Timor-Leste Strategic Development Plan 2011-2030.
[17] Accelerating Inclusive Economic Growth in Timor-Leste: An Assessment of Opportunities for Inclusive Economic Growth in Timor-Leste, USAID, April 2013.
[18] Mid-Term Performance Evaluation of the USAID/Timor-Leste Consolidating Cooperative and Agribusiness Recovery (COCAR) Project, Mendez England and Associates, USAID, March 2013.
[19] USAID Climate Change and Development Strategy, January 2012.

In considering programming options, the Mission recognized the importance of utilizing funding sources effectively to achieve a common objective. Within these three sectors there are significant areas of overlap. An integrated programming approach will maximize the impact of these funding sources and address key sustainability concerns. Because of the Mission's emphasis on GCC-A and DRR, the approach to designing and implementing agriculture activities will use a watershed or landscape modality. Decisions on actions that should be taken and placement of project interventions should reflect the impacts of those actions within a given watershed. Ideally, these decisions should be made within a community decision framework. Local communities should be engaged in mapping risk and the potential for environmental degradation in project activities. Formation of community user groups for the sound management of forests and water would protect these resources and contribute to an integrated watershed management strategy. A watershed perspective will be an overarching theme in any EG programming. Proper watershed management can provide resilience to climate change, increase agricultural productivity, and protect and conserve natural resources.

If opportunities are identified in other economic sectors in which USAID has a comparative advantage and available funding, the Mission will be poised to respond, bearing in mind the need for such programming to demonstrate potential to increase the capacity for development through raising incomes and improving nutritional status. Programming under IR 1 will encompass agriculture, GCC-A, and private-sector competitiveness activities. These efforts will capitalize on opportunities to address under-nutrition and food insecurity, which are major challenges to development and continue to hinder progress towards improving economic development. Lessons learned from past and current horticulture activities have demonstrated that expanded vegetable production raises incomes and provides access within the household to purchase food. Greater production of vegetables also increases the availability of nutritious foodstuffs. Nutrition training for health workers and life skills training in nutrition education, food preparation, hand washing, and proper water storage and purification supports better health and food utilization, and a focus on resilience promotes stability. Opportunity also exists for maximizing the benefits of GCC-A programming--USAID/Timor-Leste efforts could build upon OFDA's efforts in conservation agriculture, seed storage, and community-based disaster risk management.

Women will be a pivotal force in achieving the desired gains in economic growth. Empowering women to become more economically active in their communities will be a focus of this strategy. USAID's 2013 economic growth opportunities assessment[20] found that women are significant contributors in decision-making at the household level and are active participants in community groups, including savings clubs, health groups, and cooperatives for handicrafts and agriculture. Women tend to influence or even control household financial management, and there are possibilities for women within emerging marketplaces. In addition, many microenterprises are women-run. Focus group discussions during the evaluation consistently indicated that women manage household finances with most household financial decisions made by consensus.[21]

As noted in the recent economic growth assessment, "women do face many challenges in participating in economic growth, including lower incomes and fewer employment opportunities than men, reduced participation in community-planning processes, gender-based violence, a high birth rate, and a lack of access to education."[22] The Mission will address many of these barriers through its complementary work under IR 2 focused on health and governance activities. Studies show that when gains in income are

[20] Accelerating Inclusive Economic Growth in Timor-Leste: Assessment of Opportunities for Inclusive Economic Growth in Timor-Leste, USAID, April 2013.
[21] Mid-Term Performance Evaluation of the USAID/Timor-Leste Consolidating Cooperative and Agribusiness Recovery (COCAR) Project, Mendez England and Associates, USAID, March 2013.
[22] Accelerating Inclusive Economic Growth in Timor-Leste: Assessment of Opportunities for Inclusive Economic Growth in Timor-Leste, USAID, April 2013.

controlled by women, they are more likely to be spent on food and children's needs, benefitting the entire household. USAID's recent evaluation of the COCAR Project found that 71% of women and 59% of men indicated that if they could earn extra income their first priority would be to use it to pay school fees for their children. Increasing women's participation in economic activities is expected to increase women's empowerment, as well as contribute to gains in household health and nutrition status.

Geographic Focus:
It is anticipated that USAID's work under IR 1 will focus on up to five target districts of the country's 13, forming a zone of influence in which activities will be concentrated to increase impact. A corridor-type approach will enable goods and service providers to more readily move to and from markets during the production and consumption phases of the agricultural value chain. Criteria for selecting the zone of influence included suitability of horticulture production, sustainable access to water, population density, levels of stunting, and other poverty and vulnerability measures.

Sub-Intermediate Result 1.1: Improved Ability of Timor-Leste's Citizens to Engage in the Private Sector

An individual's ability is determined by the power or capacity to act--physically, mentally, legally, and financially. Under this Sub-IR, USAID will seek to improve the individual and environmental conditions that constrain Timorese engagement in the private sector. The ability of Timor-Leste's citizens to engage in the private sector will be improved by expanding access to market information, building skills in critical areas, creating an enabling policy environment for private-sector growth, and supporting improved health status by strengthening the linkages between agriculture and nutrition outcomes. With a focus on building resilient livelihoods, USAID will seek to integrate GCC-A and DRR programming to support climate-smart, nutrition-sensitive agriculture.

USAID will explore the potential for expanding technical, financial, marketing, and management training to households and communities through activities designed to support participation in competitive value chains. Additionally, interventions will endeavor to continue support to strengthen property rights to land by working with the Ministry of Justice to build the institutional capacity of the National Directorate for Land, Property and Cadastral Services (DNTPSC).

This Sub-IR addresses constraints to access and participation in the private sector at the individual and household level. With a nutrition-sensitive agriculture approach that includes nutrition education, programming will help address the gender-related health concerns of maternal mortality such as anemia. Prevalence of anemia is high in both children and women in Timor-Leste -- 28 percent of pregnant women and 38 percent of children under 5 are anemic.[23]

Sub-Intermediate Result 1.2: Increased Productivity of Selected Agriculture Value Chains

Interventions under this sub-IR will seek to improve access to agricultural inputs and technical knowledge, support more efficient use of land, improve management of natural resources, and develop inputs and technologies that are adapted to local conditions. Under the previous strategy, USAID began investing in a horticulture initiative to compete with produce imported from Singapore and other countries. The locally grown products are sold in Dili, primarily to restaurants and supermarkets. The initiative involves the entire value chain, and project data indicate that activities have resulted in a significant increase in cash income for the growers. National awareness of this success has encouraged private-sector investment. Such partnerships help ensure sustainability by linking farmers with access to needed inputs and a stable demand.

[23] Timor-Leste Demographic and Health Survey 2009-10.

USAID anticipates supporting efforts in the competitive production of commodities that provide opportunities to increase incomes and improve nutrition status. Sub-IR 2 will focus on the availability and quality of services needed to link and support productive value-chain activities from the primary producer level to the end user.

2.4 Intermediate Result 2: Increased Capacity to Deliver Responsive Services at National and Sub-National Levels

IR 2 *Increased Capacity to Deliver Responsive Services at National and Sub-National Levels* will focus on improving the ability of key local institutions to effectively deliver services that respond to citizens' needs. This IR includes three sub-IRs: improved implementation of government policies and programs (sub-IR 2.1), strengthened institutions (sub-IR 2.2), and increased community and citizen engagement (sub-IR 2.3). Increased capacity of key organizations at the national and sub-national levels, such as the MOH, Ministry of Justice (MOJ), MAF, Ministry of Trade, Industry and Environment (MTI), local health facilities, and suco councils (local government institutions) will contribute to the achievement of the Development Objective, *Institutional and Human Capacity for Development Strengthened to Improve the Lives of Timor-Leste's Citizens*.

USAID will support the GOTL's SDP, focusing on decentralization of service delivery to local-level institutions. USAID's 2012 Democracy, Human Rights and Governance Assessment found that the capacity level of government institutions is a key constraint to effectively implementing decentralized local government. "A key issue is that of developing sufficient capacity at the proposed municipal level to run local governments effectively." USAID will support GOTL's efforts to strengthen line ministries and administrative agencies to carry out their public mandates to provide a number of basic services, including delivering health care, maintaining the rule of law, and securing land tenure. In the health sector, USAID will offer interventions such as providing the MOH with technical support for implementation of the National Health Strategic Plan 2011 - 2030. This support could focus on maternal, neonatal and child health system strengthening, with a particular emphasis on helping district-level health committees to prepare for and support the decentralization of health services. USAID will also be prepared to support the MOJ's institutionalization of land tenure reforms.

At the district, sub-district and suco levels, USAID will support capacity development of local government and non-governmental service providers in the areas of health, rule of law, and local governance. USAID projects will not provide direct service delivery, but will equip local institutions with the improved organizational frameworks, human resources, and technical skills in areas needed to effectively implement the GOTL's SDP. Health and governance-related activities under IR 2 will be implemented in alignment with Agency initiatives and priorities, including the Global Health Initiative, Ending Preventable Child and Maternal Deaths, and the National Action Plan on Women, Peace, and Security. Activities related to Women, Peace, and Security will focus on building the capacity of women leaders to participate in democratic governance.

Gender-based violence (GBV) also remains one of Timor-Leste's most pressing challenges. The 2009-2010 DHS found that 38% of all Timorese women have experienced physical violence since the age of 15.[24] A recent study showed that 75 percent of community leaders from two sucos in Dili cited domestic violence as the most common form of violence in their communities, but that awareness of, and access to GBV-related services was extremely limited among community members.[25] Past USAID-funded

[24] National Statistics Directorate (NSD) Ministry of Finance, Timor-Leste, and ICF Macro. 2010. Timor-Leste Demographic and Health Survey 2009-10. Dili, Timor-Leste.
[25] Ba Futuru/For the Future Policy Recommendations, Vol. 1, February 2013

activities have helped build awareness of GBV as a problem and increase knowledge of the services available to victims of GBV. USAID plans to continue to address GBV by helping to strengthen both GOTL and non-governmental organizations that provide services to victims and raise awareness of GBV-related issues. USAID will continue to coordinate with the DOJ's Resident Legal Advisor to maximize the U.S. contribution in this area.

Geographic Focus:

USAID's work under IR 2 will emphasize coordination between the health and governance programs, particularly those related to suco council strengthening. Both health and governance activities will seek to focus on the exclave district of Oecusse, which is among the districts with the lowest development indicators[26] and is cut off geographically from the rest of the country. Democracy and governance activities are expected to center on three areas where district courts have been established (Baucau, Oecusse and Covalima), and potentially two additional districts to be determined. These additional districts would likely overlap with the focus areas for USAID's ongoing health project, which were selected based on consultation with the MOH.

Sub-Intermediate Result 2.1: Improved Implementation of GOTL Policies and Programs to Deliver Key Public Services

In recent years the GOTL has made progress in overcoming the challenges involved in effectively operationalizing provision of public services, including human and financial resource obstacles. USAID assistance under Sub-IR 2.1 *Improved Implementation of GOTL Policies and Programs to Deliver Key Public Services* will increase the overall effectiveness and efficiency of the government institutions responsible for these services. Institutions targeted will include the MOH, MOJ, Office of the Ombudsman for Human Rights and Justice (PDHJ), and District Courts.

USAID support for institutional reforms will seek to equip line ministries, government agencies and local administrative bodies with the improved policy, procedural and protocol systems needed to effectively implement decentralized governance and health service delivery. These needs are expected to increase, particularly among service providers at the local level when the GOTL begins implementation of its *Program for Accelerating Suco Development* in late 2013. This government program will seek to provide grants directly to suco councils that will then use the funds to implement community development projects. USAID support will strengthen institutional and technical capacity to deliver services to key constituencies at the national, district and suco levels. For example, USAID could support decentralization of health service delivery by strengthening district technical health working groups, helping to improve their linkages to community health and suco councils and increasing their capacity to collect and analyze data. Capacity building in these areas will help district working groups to make evidence-based decisions in targeting health care services, including allocation of personnel, thus improving their ability to address health care needs of local communities.

Sub-Intermediate Result 2.2: Sub-National Institutions Strengthened to Respond to Citizen Priorities

The GOTL's SDP outlines the transition from the country's current district structure to a system of decentralized municipalities, with the roll out of a phased pilot program scheduled for 2015. In preparation for this transition, the GOTL has launched multiple initiatives to develop technical capacity at the local level. These initiatives include the creation and implementation of Local Development Plans and a Referendum Package designed to empower communities with a greater role in development activities. The Local Development Plans will be implemented by suco councils, which are quasi-

[26] National Directorate of Statistics, Ministry of Finance. Final Abstract, Timor-Leste Survey of Living Standards 2007; July 2008.

governmental local governing bodies that are not part of the formal government system. In the health and democracy and governance sectors, USAID assistance will strengthen the role of the these suco councils in up to 5 of the country's 13 districts, so that they can better represent citizens' interests and more effectively coordinate service delivery with local line ministry offices. The final evaluation of USAID's 2008 – 2011 Support to Local Governance, Elections and Civil Society project found that support for suco council development is a continuing need, especially as Timor-Leste moves towards decentralized government.[27] From 2013 to 2018, greater decentralization will transform the relationships between suco councils, line ministries and constituents and create new relationships.

USAID also plans to strengthen legal aid organizations that provide services to the many communities that depend on legal aid assistance to fill the gaps in the absence of a broader formal system. With only four district courts and occasional mobile courts to serve more than 1 million citizens, local communities will continue to depend on legal aid until the district court system is more fully developed. The final evaluation of USAID's Access to Justice project recommended that USAID "continue supporting the concept of a hybrid legal aid system on the basis that it is needed to ensure access to justice in the first instance until the Office of the Public Defender offers greater coverage and better standards, and to offer choice to clients in the second instance especially for disputes such as land.[28]" USAID support will enable legal aid organizations to overcome institutional capacity limitations and to develop the financial management and internal control systems necessary to provide services over the next several years.

Sub-Intermediate Result 2.3: Increased Community and Citizen Participation with Government and Local Institutions

Responsive public service providers require information from constituents in order to ensure that the resulting services are in adequate supply and appropriate to meet the needs of diverse communities. USAID assistance under Sub-IR 2.3: *Increased Community and Citizen Participation with Government and Local Institutions* will facilitate more robust citizen input in local governance and the provision of health services. Increased citizen engagement will support the achievement of IR 2 and enable local service providers to develop public feedback mechanisms to evaluate current performance and become aware of emerging needs.

As the GOTL implements its planned decentralization program, authority for determining how services are provided to the country's citizens will increasingly be devolved to local-level governing entities. USAID assistance is intended to increase citizen involvement in local governance by developing new mechanisms for communication between citizens and local government entities. Improved communication between government institutions and citizens will enable local public servants and officials to identify and respond to problems before they manifest into crisis. To increase understanding of the legal system, and to generate demand for services, USAID will endeavor to support legal aid organizations to sustainably disseminate legal information with a special focus on women. The USAID-funded 2008 law and justice survey[29] found that there is a persistent lack of knowledge about the formal justice system. Basic awareness of the existence of the formal system remains low, and more so for women. Increasing awareness of the legal system, including the availability of legal aid through non-governmental organizations, and the role of the PDHJ, is expected to increase demand for legal services.

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[27] de Sagun, Napoleon E. "External Evaluation: Support for Local Governance, Elections and Civil Society in Timor Leste Project", Submitted to Silas Everett, Country Representative, The Asia Foundation; September 2011

[28] Coughlan, Matthew and Selma Hayati "Final evaluation of Component One of the Access to Justice Program" September 2012

[29] Everett, Silas. "Law and Justice in Timor-Leste: A Survey of Citizen Awareness and Attitudes Regarding Law and Justice" The Asia Foundation, USAID, AusAID, GOTL , 2008.

Community demand for health services and pro-active involvement in health care issues also needs to be strengthened in Timor-Leste. The MOH is increasing efforts to provide adequate and appropriate health information at the community level, through use of micro-planning tools and support to the MOH's outreach program, SISCa (Servisu Integradu Saude Communitaria/Community Health Integrated Services). However, many challenges remain in motivating communities to fully participate in these initiatives. The MOH's SISCa program is designed to increase demand and community understanding of key health issues and participation in health services and enhance community involvement in health programming and activities, by providing monthly outreach services to communities far from district and sub-district centers. While the MOH may modify outreach services in the future, activities under Sub-IR 2.3 will support the MOH to implement community health services, and will facilitate the development of district micro-planning in order to expand access to key maternal, child health and family planning services to those hard to reach areas. USAID intends to support the MOH with the formation of suco health councils, an extension of local government committees of suco councils. USAID will also explore opportunities to strengthen information sharing between the MOH and communities, capturing "lessons learned" to feed into scale-up opportunities for the GOTL through its decentralization efforts. USAID will explore opportunities to build on successful pilot innovations, particularly community-based interventions implemented through health team strengthening and working with decision makers within suco councils and volunteer networks. Operations research will focus on improved understanding of maternal and child morbidity in communities and barriers to accessing health services.

3 Monitoring and Evaluation

USAID seeks to create a continuing cycle of data gathering, analysis, reflection, and strategic adjustment as it implements the CDCS. This involves regular collection and review of data from USAID projects and other sources against set targets and adjustment of strategies and project implementation based on which approaches have been effective and which need improvement. Within this framework, USAID/Timor-Leste will establish a more comprehensive monitoring and evaluation (M&E) system, including a Mission-wide Performance Management Plan (PMP), within four months of the approval of the CDCS. The M&E system will include indicators at each level of the Results Framework and will reflect the contribution of each activity to achieving the results described in the Results Framework.

Understanding and incorporating gender into the program cycle will be an important aspect of USAID/Timor-Leste's approach. Gender-sensitive indicators that measure gender equality will be included in the Mission's PMP. USAID will seek to better understand both the impact that gender relationships have on activities, as well as how USAID activities are impacting gender relationships.

Evaluation data and recommendations will also serve as key drivers of project-level adaptation. Informally, minor course corrections to activities, projects and the overall USAID strategy will be discussed and implemented on an as-needed basis.