

Data Sheet

| | |
|--|--|
| USAID Mission: | East Timor |
| Program Title: | Accelerated Economic Growth |
| Pillar: | Economic Growth, Agriculture and Trade |
| Strategic Objective: | 472-004 |
| Status: | New in FY 2005 |
| Planned FY 2005 Obligation: | \$9,956,000 ESF |
| Prior Year Unobligated: | \$4,711,000 ESF |
| Proposed FY 2006 Obligation: | \$6,500,000 ESF |
| Year of Initial Obligation: | 2005 |
| Estimated Year of Final Obligation: | 2009 |

Summary: USAID's Accelerated Economic Growth program focuses on improving the policy environment that supports free trade and investments to improve East Timor's access to regional and global markets, accelerating economic growth and job creation. The economic growth program will support improved production of selected products and services such as expanding rural families' access to financial markets, promoting cooperative development, increasing micro enterprises and small business development, and improving agricultural productivity and diversification of farming systems. These will be supported by increasing technical and managerial/leadership skills within in key public institutions, private sector businesses, and farmer organizations with an emphasis on women.

Inputs, Outputs, Activities:

FY 2005 Program: Strengthened Financial Sector's Contribution to Economic Growth (\$3,000,000 ESF, \$2,511,000 ESF Prior Year Unobligated). USAID will enhance local economic growth and create new employment opportunities by expanding financial markets to rural families. To this end, USAID will provide technical assistance and targeted training to strengthen the microfinance network and the organizational and staff capacity of local microfinance institutions (MFIs). USAID will work with selective MFIs and their borrowers to create appropriate lending instruments that better serve rural borrowers and their enterprise needs. Implementing partners will be determined through a competitive process.

Increase Private Sector Growth (\$3,956,000 ESF, \$2,200,000 ESF Prior Year Unobligated). USAID will focus its policy and economic assistance towards activities that foster accelerated economic growth in the private sector through a more business-friendly policy environment. USAID will support key government ministries and offices to build capacity and draft new legislation that promote private sector development in trade and investment, land tenure and property rights, non-banking and rural finance, and business development. USAID will build research capacity at the National University and other educational institutions to conduct economic policy research (including data collection and analysis) on policies and legislation identified by the Government of East Timor (GoET) and increase their collaboration with key ministries such as the Ministry of Development and Tourism, the Ministry of Agriculture, and the Prime Minister's Office. USAID will provide targeted technical assistance and training to expand land lease opportunities and improve land tenure mechanisms and practices for domestic and foreign investors. USAID will support activities designed for 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. USAID will provide training and workshops to increase the skills in basic business management, entrepreneurial skills, financial management, marketing, human resource development, and cooperative and credit union management through the use of local service providers and training centers including the USAID-supported Kibur center. Customers will include micro, small, and medium entrepreneurs, laborers, and the unemployed (especially women and youth) in targeted communities. Implementing partners will include ARD, Inc. Additional partners will be determined through a competitive process.

Increased Agricultural Productivity (\$3,000,000 ESF). Over 80% of the population depends on subsistence agriculture with many households facing severe food shortages during part of the year. Farmer productivity with respect to basic food crops (maize and rice) is low due to low-quality varieties, low use of appropriate technologies, cultural practices, and lack of access to farm services for farmers cultivating marginal hillside lands. Many farmers have not diversified their farming systems to higher value market-

driven crops or livestock enterprises to supplement income and increase household food security. USAID will focus on improving agricultural diversification by promoting technology transfer, assisting producers and businesses to reduce constraints along the value chain (e.g., quality, productivity, information), increasing domestic food supply, and expanding access to outside niche markets. Training and farmer schools provided in collaboration with the Ministry of Agriculture and the Timor Coffee Cooperative (CCT) will be used to increase farmer skills in the utilization and management of appropriate technologies supporting improvement of basic crop yields, coffee quality, vanilla production and processing, livestock management, candlenut and tree crops, and the management of fragile lands using sound environmental and water management practices. Implementing partners will include National Cooperative Business Association. Additional partners will be determined through a competitive process.

FY 2006 Program: Strengthened Financial Sector's Contribution to Economic Growth (\$2,000,000 ESF). USAID will continue technical assistance to programs initiated in FY 2005 and deepen its involvement with the finance sector, by strengthening technical, managerial, and financial management skills in the area of performance monitoring, policy advocacy, and self-regulation for credit-only and member-based institutions.

Increase Private Sector Growth (\$2,500,000 ESF). USAID will continue to support a free market and business-friendly environment including further work on the legislative agenda for laws on land dispute mediation, land registration and compliance, investment, bankruptcy, collateral, intellectual property, cooperatives, contracts, and trade. Technical and training assistance will be provided to build the private sector's capacity in advocating for policy reforms, improving business skills and firm competitiveness, expanding cooperative development, and strengthening urban-rural market linkages.

Increased Agricultural Productivity (\$2,000,000 ESF). USAID will continue assistance for activities related to improving agricultural productivity and farm diversification to market-driven commodities, strengthening market institutions and selected value chains, and increasing the flow of market information to rural producers responding to new regional market opportunities.

Performance and Results: Current activities build on the previous USAID program which focused on the revitalization of the local economy. USAID's transitional strategy to support East Timor post-conflict promoted economic recovery through (1) increasing coffee production and sales to generate jobs and income for 50% of the coffee farming population in East Timor; (2) establishing a network of sustainable farming cooperatives managed by East Timorese producing a mix of cash crops to contribute significantly to East Timor's rapid economic recovery; (3) rehabilitating critical rural infrastructure through participatory community development projects; and (4) increasing the number of rural families being covered by CCT cooperative sponsored health clinics. In 2004, the coffee harvest season increased 30% above the average of previous years and doubled the volume of its 2003 purchases. In addition to increasing farmer incomes, the CCT's washed processing methods created significant numbers of seasonal jobs and provided income for several thousand persons involved in the CCT's transporting, pulping, fermenting, washing, sun drying, dry processing, and hand sorting activities. Additionally, a new cooperative was organized when numerous small-scale traders and retailers from several areas of the country joined together to form the East Timor Purchasing Cooperative (CLTL). The CLTL is now self sustainable and providing low-costs food items to rural communities. USAID's assistance focused on crop processing and marketing and improvements to physical facilities supporting job creation.

US Financing in Thousands of Dollars

East Timor

| | |
|---------------------------------------|--------|
| 472-004 Accelerated Economic Growth | ESF |
| Through September 30, 2003 | |
| Obligations | 0 |
| Expenditures | 0 |
| Unliquidated | 0 |
| Fiscal Year 2004 | |
| Obligations | 0 |
| Expenditures | 0 |
| Through September 30, 2004 | |
| Obligations | 0 |
| Expenditures | 0 |
| Unliquidated | 0 |
| Prior Year Unobligated Funds | |
| Obligations | 4,711 |
| Planned Fiscal Year 2005 NOA | |
| Obligations | 9,956 |
| Total Planned Fiscal Year 2005 | |
| Obligations | 14,667 |
| Proposed Fiscal Year 2006 NOA | |
| Obligations | 6,500 |
| Future Obligations | 0 |
| Est. Total Cost | 21,167 |