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EAST TIMOR

CASE STUDY

Supporting Small Businesses

East Timor works to improve the poor's access to credit



Photo: MFWG

Lola Dos Reis and Jose Gusmao, sign East Timor's first code of conduct.

The code of conduct, reporting format and performance monitoring system have enhanced transparency and promoted accountability.

Challenge

East Timor is the world's newest nation and one of the poorest, with 41 percent of its people earning less than 55 cents a day. After three centuries of Portuguese colonialism, 25 years of military occupation by Indonesia and the violence, displacement and destruction that surrounded the 1999 referendum, East Timor faces serious challenges to rebuilding its economy. Most Timorese rely on simple farming to survive and supplement their income by operating small businesses outside the formal economy. Employment opportunities are limited.

Initiative

USAID supported a small grant program that helped international and Timorese organizations form a group to improve the poor's access to credit. Because consistency and cooperation are so important to the initiative, the group conducted a three-week workshop to ensure that members and international donors would work from the same

standpoint and with the same information. The workshop defined the group's goals, developed performance standards, and created a code of conduct, format for reporting and system for monitoring performance.

Results

Under the new practices adopted by the group, lenders are now held accountable to fixed standards. In addition, the group's system for monitoring performance allows organizations involved in the sector to measure the results of their efforts and benchmark their results against others.

The code of conduct, reporting format, and performance monitoring system have enhanced transparency and promoted accountability. They also enable creditors to collaborate on approaches that alleviate poverty and promote sustainable economic growth in the world's newest nation.