



United Nations in Timor-Leste



Challenges and Ways Forward to Extend Social Protection to All in Timor-Leste

Assessment-Based National Dialogue report



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United Nations in Timor-Leste



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Challenges and Ways Forward to Extend Social Protection to All in Timor-Leste

Assessment-Based National Dialogue report

This report collates the current development challenges for social protection in Timor-Leste. It covers the social protection schemes in place for each of the four social protection floor guarantees, the policy gaps and implementation issues, recommendations, a rapid costing exercise to estimate the cost of advancing the social protection floor and a microsimulation exercise to estimate the potential impacts of reforms.

FOREWORD BY THE MINISTER OF SOCIAL SOLIDARITY



Since independence in 2002, Timor-Leste has struggled daily to recover from the previous decades of conflict and create the conditions for its citizens to have a good quality of life. Despite the advances made, many challenges remain: extensive poverty, nutrition deficits and unequal access to health care, decent work and protection against social risks.

Social protection is a right guaranteed by the national Constitution. It is an important element for cohesion and social peace. The Government reflects that commitment with its investments in policies and programmes that support diverse groups of the population. Most of those policies and programmes to date, however, were developed in isolation, without a broad strategic vision.

The time has come to renew efforts to develop protection policies that ensure that all Timorese have opportunity to lead a decent life. The Government initiated a participatory dialogue process through which government actors, social partners, civil society and the United Nations were invited to plan together the future of social protection in the country.

This report is part of that dialogue process. It offers guidance for a more efficient, effective and integrated social protection system.

The observations and analyses carried out during the dialogue process provided a broad and honest view of the social protection policies in place. The coverage gaps and problems that were analysed provide important insights into the limitations of and the obstacles to the current system. Now we begin moving forward to improve access and the protection levels available to all Timorese.

The proposed recommendations are the result of the experience and expertise of the many actors involved in the dialogue process, combined with evidence from recent and reliable data and studies. They represent a joint vision for the advancement of social protection.

The results presented in this report are an excellent basis for finalizing the National Social Protection Strategy. I am confident the proposed reforms will bring about significant changes in the living conditions of all people in Timor-Leste, regardless of their age, gender or municipality, and will especially protect and support the most vulnerable.

Dr. Florentina da Conceição Pereira Martins Smith
Minister of Social Solidarity

FOREWORD BY THE UNITED NATIONS

The social protection floor is a basic set of social protection guarantees that should be extended to all persons. It is a United Nations joint initiative launched by the Chief Executive Board in 2009 and adopted globally in 2012 by the International Labour Conference as International Labour Organization Recommendation No. 202 on social protection. The concept of a social protection floor is in line with the Sustainable Development Goals, particularly target 1.3 on nationally appropriate social protection systems and measures for all. The Government of Timor-Leste understands social protection as an important element for peace and stability. It also sees it as a platform to support the well-being of its citizens.

The United Nations recognizes that improving social protection is an effective way for a country to reduce its poverty level, promote social and economic development and support economic growth on a sustainable and inclusive basis. In Timor-Leste, the Constitution enshrines the right to social protection in Article 56. It is translated into many government programmes and measures, such as the Allowance for the Support of the Elderly and Invalid, the School Feeding programme, the Bolsa da Mãe child cash transfer, the newly launched General Social Security Scheme, among many others. These schemes, however, are not yet under an integrated strategic approach to social protection.

Despite significant public investment in social protection provisions, a large portion of the Timorese population lives in poverty, lacks access to essential services and decent employment opportunities and is exposed to social and economic risks. Children, women, workers in the informal economy and people with disabilities are particularly vulnerable.

To realize the rights protected by the Constitution, to achieve the Sustainable Development Goals, the National Strategic Development Plan 2011–2030 and to fulfil other international commitments made by Timor-Leste, significant efforts are required from the Government as well as development partners, including the United Nations.

An important part of this process is bringing together stakeholders to jointly identify existing policy gaps and implementation issues and to develop policy recommendations to advance a social protection floor in Timor-Leste. The exercise began in 2016 and was complemented by a costing exercise to estimate the potential impacts of reforms, essential for defining feasible and affordable priorities.

The results of the Assessment-Based National Dialogue process and the policy recommendations presented in this report offer an important basis to the Government for finalizing the National Social Protection Strategy. We are confident that the participatory approach used in this exercise has helped increase awareness among national stakeholders and development partners regarding the importance of social protection and a common vision for the future of social protection in Timor-Leste.



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United Nations in Timor-Leste



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International Labour Organization
Director for Indonesia and Timor-Leste



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The author is solely responsible for the content and any opinions expressed in this report.

Dili, May 2018



EXECUTIVE SUMMARY

Timor-Leste's commitment to human development and social protection is explicit in the country's Constitution and policies. Impressive advances have been made since independence in 2002, with visible improvements in the economy, in health, education, poverty reduction and access to essential services. The country's economy increased more than fourfold in real terms, mostly driven by revenues from the oil sector. These revenues were primarily invested into a wealth fund that was created to assure that future generations benefit from the country's natural resources.

However, the rapid economic growth has not been fully accompanied by needed improvements in living conditions. Many challenges remain so that all Timorese can enjoy a decent life and have opportunity to reach their full potential – in 2014, 41.8 per cent of the population lived on less than \$1.54 per day, which is the national poverty line.

Progress is slower in rural areas and uneven among municipalities. Even a significant percentage of people living above the poverty line are usually not far from it – more than 90 per cent of the population lives on income that is less than \$5 per day. Households from all income levels frequently experience difficulties to satisfy basic needs, such as nutrition, education, health care and housing.


Under the National Strategic Development Plan 2011–2030, the Government set ambitious targets to work towards becoming a high-middle-income country, including: develop infrastructure; provide access to electricity, safe water, sanitation, health care and education to all; build strong and efficient institutions; enable a diverse and flourishing private sector; eradicate poverty; and develop human capital.

The country is a strong supporter of the 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs). This report reflects the commitment to SDG target 1.3 on implementing “nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable”. In 2015, the Community for Portuguese-Speaking Countries Member Countries reinforced their commitment to the social protection floor concept, and the Government committed to developing a national social protection strategy.

A social protection floor is a set of nationally defined basic social guarantees, with the goal to secure access to essential health services and basic income security throughout life for all people. The social protection floor concept was adopted by all International Labour Organization (ILO) Member States, although it must be developed and adjusted to each national context.

In respect of the rights guaranteed by the Constitution and the international commitments made by the Government, the Ministry of Social Solidarity set out to develop a national social protection strategy based on the social protection floor concept. It began with an Assessment-Based National Dialogue (ABND), with technical assistance from the ILO as part of its global programme ACTION/Portugal.

The ABND is a participatory process for analysing the social protection context. It is used to identify policy gaps and operational issues, develop recommendations to extend the social protection floor to all residents and estimate the cost of proposed reforms. The process had the ultimate goal of laying the foundation for what has become the first National Social Protection Strategy. In



Timor-Leste, the ABND process took place between 2016 and 2018 and involved more than 20 national and international institutions and their representatives.

The Timorese social protection system offers a range of programmes, including broad-based cash transfer schemes, social services to vulnerable groups and free public health and education services. But the system is fragmented and shows divergence between broader national objectives and the investments allocated to programmes.

The 26 social protection programmes analysed during the ABND process use diverse methods to achieve their goals, which range from reducing vulnerability and mitigating shocks to supporting human development and access to essential services. The lack of an overarching and coordinated framework for social protection has resulted in many gaps, with many people left without coverage or adequate support. The ABND-drafted National Social Protection Strategy provides the overarching and coordinated framework for social protection in Timor-Leste.

Social protection consumes a hefty share of the Government's expenditures, equivalent to 15.5 per cent of the non-oil gross domestic product (GDP) in 2015. The programmes for veterans, however, account for more than 50 per cent of total social protection investments, which limits the fiscal envelop of other programmes. The imbalanced distribution of resources has led to large disparities in the level of protection offered to the population, and the generous rules for inheritance of veterans' entitlements can result in growing inequalities between veterans' families and non-veterans.


Due to the shrinking fiscal space expected over the coming decade, it is important that the sizable budget of the veterans' programmes be gradually redistributed to other social protection programmes (but not diverted to other purposes), as the number of beneficiaries naturally decrease over time. The sooner a strategy for the gradual transference of a portion the veterans' programme resources can be arranged, the easier it will be to cope with the changes.

Across the operational issues associated with the social protection programmes, there is a similarity in many of the problems. Most programmes suffer from the lack of resources (financial and human resources); the lack of mechanisms for quality assurance, monitoring and evaluation; and the late release of funds for operating. These issues often relate to other underlying problems, such as inadequate or outdated management and information systems, the lack of coordination mechanisms or the dense bureaucracy. Much still can be done to enhance institutional capacity to better manage, deliver, monitor and evaluate programmes.

Among such improvements, better information exchange is needed between government agencies, which in turn can lead to comprehensive databases, facilitating data access and analysis and more efficient operations. The availability of data and coordinating mechanisms are especially valuable for smaller, more specialized programmes that typically do not have a large administrative team or budget.

The analysis through the ABND process echoes the lack of a social protection floor in Timor-Leste and that improvements are needed to guarantee that all individuals can access essential health care services and income security throughout all stages of life.

The difficulties to date in delivering quality essential health services to all Timorese relate to both supply and demand issues. Improving the supply and quality of health services requires reinforcing the infrastructure with new facilities and expanding human resources, equipment and the stock of medicines. It also requires expanding outreach, such as through the Integrated Community



Health Service Programme and the Health in the Family Programme, and better helping individuals overcome barriers to reaching medical facilities (due to lack of transportation or means of communication).

To increase the demand for health care services requires better educating the population on healthy practices and the importance of health care. Among the challenges that lie ahead are improving maternal and child health care, coping with the rise in chronic and non-communicable disease incidence and ending the widespread prevalence of malnutrition.

Malnutrition is perhaps the most critical health issue for Timor-Leste currently. The high prevalence rates of conditions related to malnutrition, such as stunting and wasting, encumber the country's development. Nutritional problems alone hinder economic growth by one to two percentage points per year. Undernourishment can reduce an individual's prospects for developing to their full potential, which in turn impacts the well-being of their future household and the country. There is no simple solution to counter the severity and complexity of this situation. Harmonized interventions are needed to cope with the underlying causes: household preferences, low income, little education, no access to safe water or sanitation, poor health status and cultural traits.


The Government's efforts to guarantee income security across the population has had limited and unequal results. There are groups receiving generous support, while most of the population has little or no support.

Children younger than 15 represent about 40 per cent of the total population but are over-represented among the impoverished population – 55 per cent of the poor are children. Despite the social protection policies that target children, coverage gaps are considerable. And it is the age group that receives the lowest per capita government investment.

Children up to 5 years old receive the least amount of government investment in social protection. The first years of life, starting during pregnancy, are the most critical period for the physical and cognitive development of individuals; international research shows that investments in early childhood, particularly in the first 1,000 days of life, yield the highest rate of return on investments. Thus, improving the existing programmes and introducing additional provisions for this age group to guarantee proper care and provide for infants' needs will undoubtedly deliver large benefits for the long-term development of the country.

The Bolsa da Mãe Programme shows immense potential to improve the lives of vulnerable children. But its low benefit levels, difficulties in reaching the eligible population and limited budget and operational capacity prevent it from achieving greater impact. Another underfunded intervention for children is the School Feeding Programme. It reaches most children aged 6–15 years and should be helping to reduce the rates of malnutrition in Timor-Leste. Yet, insufficient budget allocation and the quality of the meals provided conspire to reduce the benefits the programme could be delivering.

Individuals at working age often find themselves in a precarious labour situation and without the support of any social protection programme. Participation rates in the labour force are relatively low, with around 30 per cent of the population aged 15–59 engaged in productive activities. Women have an even smaller participation rate. And a quarter of all working-age individuals are involved exclusively in subsistence agriculture.



Most of the social protection programmes to date were designed to respond to specific and extreme vulnerability situations, such as natural disasters or gender-based violence; the labour-related programmes offer limited coverage.


The introduction of the country's first contributory social security scheme in 2017 will increase the coverage and protection levels of workers and their families. However, its coverage will be mostly linked to formal employment (which encompasses a minority of jobs in Timor-Leste) and as any contributory scheme, without subsidies, it will take decades for the scheme to reach maturity. For individuals in informal employment, including farming activities, the public works programmes offer an income source and help drive the development of community infrastructure. Yet, the coverage of the two available programmes is low and the quality of outcomes reportedly could be improved. Expanding and improving the effectiveness of the public works programmes would generate jobs, reduce poverty, improve community assets and boost local economies, especially in rural areas. The combination of the contributory social security scheme and the non-contributory programmes show great potential to guarantee adequate benefit levels and coverage of the working-age population.

The most comprehensive social protection is available for persons aged 60 and older. The Allowance for the Support of the Elderly and Invalid (SAII) Programme has near universal coverage. Its benefits, although low, have positive impact on poor and vulnerable households. However, the benefit has lost purchasing power because the amount has not been adjusted since 2010. The benefit level needs to keep pace with inflation to avoid eroding its impact. Older persons often struggle to access specialized medical and other care services due to the lack of provision (public or private) or inability to afford such services. As the older population increases in number and life expectancy, improving the supply and access to specialized services will be essential for the well-being of this age group.

The costing of proposed reforms during the ABND process relied on the Rapid Assessment Protocol, which is a simple tool that uses demographic, economic, labour force and government revenue and expenditure projections. For this exercise, 64 cost-estimation scenarios were developed, covering reforms of existing programmes, such as the Bolsa da Mãe and the SAI, and the introduction of new provisions, such as allowances for children with disabilities and incentives for infant and maternal care. Additionally, a microsimulation exercise was conducted using the latest household survey data to assess the potential change in poverty incidence that a given reform or introduction of provisions might bring about.

The exercises indicated that a combination of universal coverage with adequate benefit levels offers the most promising and cost-effective approach to reducing poverty. The simulations made for the Bolsa da Mãe and the SAI proposed reforms made this evident – increasing coverage and benefit level of the Bolsa da Mãe produced significant poverty reduction results, while restricting the SAI benefit to only poor individuals resulted in increased poverty rates, thus undoing most of the advances accomplished since the country's independence. The introduction of benefits for children younger than 5 years and for children with disabilities also appear to be great cost-effective reforms because they would support extremely vulnerable groups and improve well-being considerably for relatively low cost.

The financial costs of these policy changes need to be carefully considered. Investments in social protection represent a substantial share of public expenditure, and the effectiveness of these investments needs to improve. Priorities should gradually shift from policies that were designed to support cohesion and social peace towards measures with higher impact on the reduction of vulnerabilities and poverty reduction.



Given these findings and recommendations, a few paths stand out as either imperative or as a most promising reform for the extension of social protection for Timorese. Among the reforms that should be prioritized due to their potential impact are the **strengthening measures to support early childhood development**, especially for the first 1,000 days of life, starting during pregnancy, and expanding the protection to people of working age by **implementing the contributory social security scheme** and by **improving the protection of informal sector workers**. But for any of these reforms to succeed, **improving institutional capacity to budget, manage, deliver, monitor and evaluate policies** and **aligning policy priorities with better budget distribution** are essential. They will be key factors in translating investments in social protection into advances in human development and the well-being of the population.

The existing social protection system offers an excellent base. With adequate resources and sound policy choices, it will produce further advances towards a social protection floor to all people in Timor-Leste and work towards achieving the goals of the National Strategic Development Plan 2011–2030 as well as the SDGs.

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ABBREVIATIONS

ABND	Assessment-Based National Dialogue
ASEAN	Association of Southeast Asian Nations
GDP	gross domestic product
ILO	International Labour Organization
MSS	Ministry of Social Solidarity
NSPS	National Social Protection Strategy
PPP	purchasing power parity
SAII	Allowance for the Support of the Elderly and Invalid
SDGs	Sustainable Development Goals
SEPFOP	Secretariat of State for Professional Training and Employment Policy
SISCA	Integrated Community Health Service Programme
TLCLS-3	Timor-Leste Standard of Living Survey 2014
UNICEF	United Nations Children’s Fund
WHO	World Health Organization

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1. INTRODUCTION

The advances made by Timor-Leste to expand social protection and social guarantees to its citizens are undeniable. Since the country's independence, different governments developed new layers of social protection policies and programmes targeting vulnerable individuals and families, as required by Article 56 of the Constitution.¹

For a country at its development stage, there is an ambitious set of policies and programmes in place. Several broad-based non-contributory programmes offer free public health services and education to all citizens. And government investments also focused on expanding access to other essential services to all communities (transport, electricity, safe water, sanitation) over the past decade. The social protection system was conceived to improve social cohesion and peace. Until 2016, all programmes and schemes were financed by the General Government Budget and amounted to a large share of the public expenditure.

Despite the progress, the investments have not necessarily translated into adequate coverage. The gaps for some groups are significant. The biggest gap overall is the lack of a coherent and integrated approach to social protection due to the absence of a strategic vision. The recent approval of the General Social Security Scheme is a milestone for the development of an integrated social protection system. It will strengthen the civic spirit by connecting the rights and responsibilities of each citizen and improve the protection of vulnerable groups.

There is still much to be done to deliver on the rights bestowed in the Constitution to all Timorese citizens and to achieve the goals set by the National Strategic Development Plan 2011–2030 as well as the Sustainable Development Goals (SDGs). At the XIII Meeting of Ministers of Labour and Social Affairs of the Community of Portuguese-Speaking Countries organized in Timor-Leste (30 April–1 May 2018), the Member States reinforced their commitment (Tíbar Declaration) to the concept of the social protection floor. And the Government of Timor-Leste committed to developing a national social protection strategy.


As part of the ACTION/Portugal Programme, the Ministry of Social Solidarity is working in partnership with the International Labour Organization (ILO) to draft the national social protection strategy. To facilitate that objective, an Assessment-Based National Dialogue (ABND) was organized to build consensus and collaboration on what is working and what is needed in terms of the social protection floor concept.

This report is an outcome of that dialogue. It is an overview of the country's human development situation and social protection system, with emphasis on gaps and implementation issues. The analysis includes exploration of the potential impacts and costs of the recommended reforms.

Social protection floor

The social protection floor, which forms the conceptual basis for the ABND, is useful for analysing contributory and non-contributory social protection programmes and to determine which reforms will offer a more comprehensive and rights-based social protection system. The social protection floor concept was developed through a United Nations initiative to help countries in planning and implementing social protection schemes and essential social services. The social protection floor was translated into ILO Recommendation No. 202, which was approved by ILO Member States in 2012.

¹ According to para. 1, "All citizens have the right to social security and social assistance, according to law."



As stated in Recommendation No. 202, the social protection floor must be adjusted to the national context, with the goal of access for all citizens to a set of defined basic social guarantees throughout their lifetime. The social protection floor should be implemented respecting each country's conditions, and gradually improve levels of protection to assure that four essential guarantees are in place:²

- Access to a nationally defined set of goods and services that constitute **essential health care**, including maternity care, that meets the criteria of availability, accessibility, acceptability and quality.
- **Basic income security for children**, at least at a nationally defined minimum level in order to provide appropriate nutrition, education, care and any other necessary goods and services.
- **Basic income security**, at least at a nationally defined minimum level, **for persons of working age** who are unable to earn sufficient income, especially in cases of sickness, unemployment, maternity and disability.
- **Basic income security for older persons**, at least at a nationally defined minimum level.

The four guarantees set minimum standards for access, scope and the level of income security and health care in national social protection systems rather than advocating for a specific framework or policy instruments. The manner in which each country pursues the social protection floor is a national decision that can entail transfers in cash, transfers in kind and direct provision of services, such as health, education, safe water and sanitation, that ultimately allow and empower all members of society to access a minimum of goods and services at all times. While not all countries will be able to immediately put in place all components for the whole population, the social protection floor provides an outline to design the progressive implementation, within a comprehensive vision for the social protection system.

The social protection floor concept is widely recognized (by the G20, the Community of Portuguese-Speaking Countries, the Association of Southeast Asian Nations (ASEAN) and the United Nations Committee on Economic, Social and Cultural Rights, among others). It features prominently in SDG target 1.3: “Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.” Several other SDGs and targets have a direct relationship to social protection (such as SDG 1 on ending poverty in all its forms everywhere and SDG 3 on ensuring healthy lives and promoting well-being for all at all ages).³


Assessment-Based National Dialogue

The ABND is a participatory process used to assess policies and programmes. In this case, it was applied to define the social protection floor in the Timor-Leste context and then to create a technical basis for extending social protection to all Timorese. Thus, it has established the foundation for the first National Social Protection Strategy (NSPS).

Through the ABND, all essential stakeholders (representatives of government ministries, United Nations agencies, workers' and employers' organizations, civil society and development partners) were brought together to assess the social protection situation, formulate shared policy priorities and define a vision for the advancement of social protection. The ABND process thus sought different points of view and ideas. The dialogue was designed to reach commitment on following through with the eventual recommendations for reforms.

² ILO, 2012.

³ United Nations, 2015.



The process aimed to answer several questions: What is the current social protection situation? What are the gaps to achieve the social protection floor? What should be done to achieve the social protection floor? How much does the system cost today and how much will it cost in the future? Can the Government afford it? Or is more fiscal space needed?

The ABND in Timor-Leste comprised five steps: (i) vulnerability assessment; (ii) developing the social protection assessment; (iii) costing of policy scenarios; (iv) finalization of the report for endorsement; and (v) drafting the NSPS.

Step 1: Vulnerability assessment

The vulnerability assessment looked at human development, poverty and vulnerability in Timor-Leste to produce a portrait of the social protection situation. It covered living conditions of the population, people's met and unmet needs; who and where are the most vulnerable households; and what patterns can be observed in the national socioeconomic dynamics. The analysis provided evidence and indicators for the next steps. The best available data were drawn from the latest census findings, household surveys, government and international organization reports, scientific research and direct consultation with stakeholders. Greater attention was given to groups typically considered vulnerable, such as women, children, older persons and people with disabilities. The analysis was carried out through the lens of the social protection floor's four basic guarantees.

Step 2: Developing the social protection assessment

The second step looked at the social protection system to identify policy gaps (groups left out of coverage, guarantees not fully provided, etc.) and implementation issues (logistic flaws, lack of technologic or human capacity, inadequate budgets, etc). Policy recommendations to close the gaps and improve the delivery of programmes were then drawn out. They ranged from new schemes and expanding existing programmes (in coverage and/or benefit levels) to reviewing policies, improving the administrative processes and improving coordination. The assessment matrix was completed through collaboration of all stakeholders in consultations, seminars and workshops.

The work relied on an assessment matrix (table 1), which was organized around the four social protection floor guarantees and thus provided a framework to develop the outputs.

The recommendations were divided into two types: (i) those for new schemes or extension of non-contributory benefits and coverage of existing ones and (ii) those to create social insurance or contributory programmes, improvements in coordination between schemes and qualitative improvement of services. The first type was analysed in the third step of the ABND (only the recommendations prioritized by the stakeholders) to estimate the cost of such reforms. The second type requires additional studies, which are outside the scope of the ABND exercise because more sophisticated methods are necessary to estimate their costs.

Table 1 Assessment matrix structure

	Objectives	Existing provisions	Planned provisions	Policy gaps	Implementation issues	Recommendations
Health	Four social protection floor guarantees	Identifying existing situation in the country		Identifying policy gaps and implementation issues, addressing which would complete the social protection floor		Priority policy options, decided through national dialogue
Children						
Working age						
Older Persons						

Source: ILO, 2013, p. 32.

Step 3: Costing of policy scenarios

The Rapid Assessment Protocol is a tool developed by the ILO to estimate the cost of providing social protection floor benefits (for health care for all persons, children, the working-age population and older persons) by projecting them to a horizon of 15 years. The costs of execution are estimated to the present day and in terms of socioeconomic, demographic and labour market elements. The model is then used to project the cost for the future, as a share of gross domestic product (GDP) and of government expenditure. The cost estimates are useful for discussion on the government budget, fiscal space availability and to prioritize the many social protection policy options and recommendations (this step and its methodology are discussed in Chapter 5).

Step 4: ABND finalization

The ABND report (this report) reflects the results of the previous three steps, to be reviewed by all involved stakeholders for technical validation. This includes endorsement of the description of the social protection system and the overall picture, the validation of the proposed recommendations and scenarios and the endorsement of the parameters and assumptions used in the cost calculations.

In addition to the technical validation, political endorsement is vital to move the recommendations and policy options into reality. The final technical document was presented to higher levels of government and serves as the foundation for the NSPS, which will also be submitted for political endorsement.

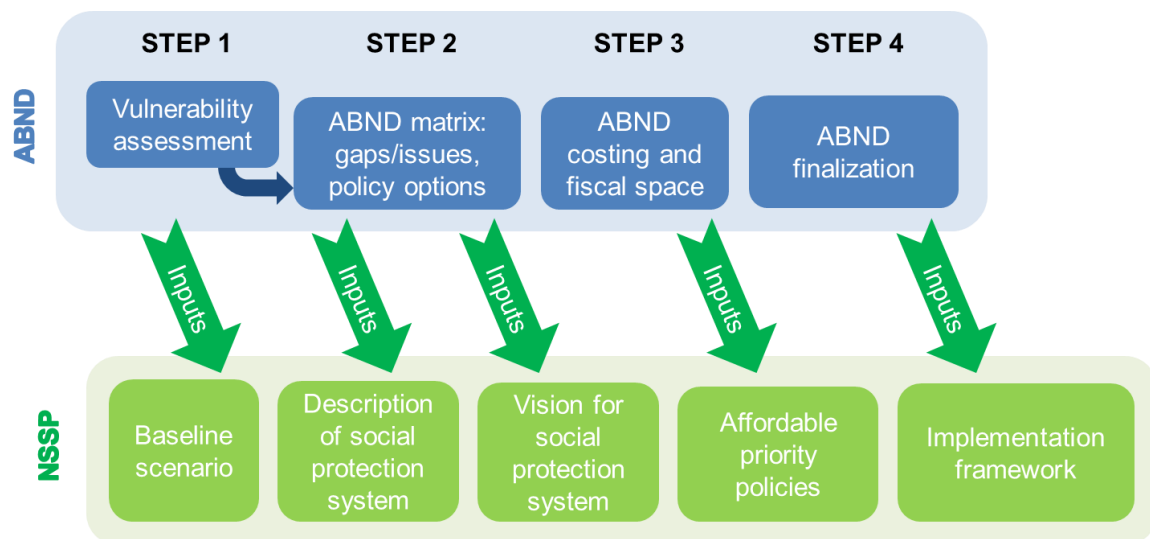
Step 5: National Social Protection Strategy

In this final step, the ABND process is distilled into an overarching strategy that will guide the development and integration of the social protection system. The NSPS document sets the conceptual and practical path for the development of the national social protection system. It is the guide for turning the social protection system into a more effective, efficient, comprehensive and integrated framework by 2030, based on technical evidence and a single vision agreed upon from the diverse views of relevant stakeholders.

All the work and discussion of the stakeholders in the previous steps fed into a draft version of the NSPS (figure 1). Building from the situation analysis, the inventory of the country's social protection policies and programmes, stakeholders' vision for social protection and the estimated costs, at this point the goals, definitions and recommendations of stakeholders were aligned into

a coherent, feasible and sustainable strategy to advance the social protection floor in Timor-Leste (see Chapter 4).

Figure 1 ABND process and development of the National Social Protection Strategy



The ABND in Timor-Leste

The ABND process started in March 2016, with the VI Constitutional Government of Timor-Leste. The first draft of the NSPS was finished in the first half of 2017. This report was finalized by the VII Constitutional Government. The VIII Constitutional Government is expected to conclude the process of developing and approving the NSPS, which will reflect the views and positions of three successive governments.


Participatory process

The process was carried out under the supervision of the Government, with the technical leadership of the Ministry of Social Solidarity (MSS) and with assistance from the United Nations, under the technical leadership of the ILO. The stakeholders were organized into groups, which had different roles and levels of engagement in the process: a decision committee, an extended consultative group, a document drafting committee and four specialized technical groups.

The decision committee consists of members appointed by the Government⁴ and is responsible for approving documents, analysis and developments under the ABND process. Due to the high profile of the institutions in the committee, its members are expected to support the political endorsement process for the NSPS. The decision committee first met in October 2016 for a mid-project review and is expected to meet for the final time for the conclusion of the NSPS, before it is submitted for formal approval by the Government.

The document drafting committee was responsible for the preparation of the documents, the production of the technical report and the NSPS draft. It was composed of MSS officials and ILO

⁴ The decision committee includes representatives of the Office of the Prime Minister, of the Office of the Coordinating Minister for Social Affairs (MECAS), the Office of the Coordinating Minister for Economic Affairs (MECAE), the Ministry of Finance and three representatives of the Ministry of Social Solidarity (MSS) (Director General for Social Protection and National Liberation Combatants Affairs, National Director of the Social Security Contribution Scheme and National Director of the Non-Contributory Social Security Scheme).



specialists and was the facilitator for the approval of materials by the decision committee. The document drafting committee met on a regular basis throughout the year.

Most discussions and analyses took place within the specialized technical groups. Stakeholders participated in one or more working groups that fitted their goals, expertise and mandate. The four groups reflected each social protection floor essential guarantee (universal health care access and basic income security for children, working-age adults and older persons).⁵ Each of the four groups was led by a government institution and supported by a United Nations agency. The groups each had five meetings in 2016 and finalization meetings in 2017. The four groups met together in two seminars (June 2016 and October 2016) to discuss overarching issues, common challenges and a unified vision for social protection for Timor-Leste in 2030.

Given the technical detail of most discussions and the many recommendations that resulted from the work of the specialized technical groups, an additional seminar was organized in March 2017 with directors, high-level officials and the Minister of Social Solidarity. They reviewed what had been achieved to date and made strategic choices from among the proposed policy options to generate a more coherent set of recommendations, based on defined concepts of what should constitute the national social protection system.

The extended consultative group comprised representatives from the Government, social partners, civil society and international partners, including United Nations agencies involved in social protection. The group was created to ensure a broad evaluation and validation of the final results of the ABND process and to confirm with civil society that the outcomes expressed the interests and needs of the population. A workshop was arranged in March 2018 to review and approve the results of the ABND process and this associated report.


The report

This report presents the assessment findings and policy recommendations on the extension of social protection that was developed through the consultative process organized by the Government, with technical assistance from the United Nations and the participation of social partners, development partners and civil society.

Given the broad spectrum of social protection measures, it has many synergies with policies related to health, education and employment. Of course, these areas are under other mandates of the Government and have their own strategies and long-term plans. As this report emphasizes, social protection can support the mandates of health, education and employment, but the aim is to avoid duplication or overlap.

The report is structured with six chapters, including this introduction. Chapter 1 describes the ABND process in Timor-Leste. Chapters 2–4 correspond to the results of steps 1 and 2 of the methodology, presenting the findings of the vulnerability assessment and the social protection

⁵ (i) Children Technical Group, led by the MSS, with UNICEF technical support and including representatives of MECAS, the Committee on the Rights of the Child, the Ministry of Justice, the Ministry of Education and the Ministry of Health. (ii) Working Age Technical Group, led by the Secretariat of State for Professional Training and Employment Policy (SEPFPOPE), with ILO technical support and comprising representatives from the MSS, MECAS, MECAE, the Ministry of Health, the Secretary of State for the Support and Socio-Economic Promotion of Women, General Inspection of Labour, Public Servants Commission, National Police of Timor-Leste, representatives of the Confederation of Workers Unions of Timor-Leste and the Chamber of Commerce and Industry of Timor-Leste. (iii) Old Age Technical Group, led by the MSS, with technical support from the ILO and comprising representatives of MECAS and the Ministry of Health. (iv) Health Technical Group, led by the Ministry of Health, with technical support from the World Health Organization and comprising official from MSS, MECAS, MECAE and the Commission Against HIV/AIDS.



assessment as well as details on the Timorese context, its human development status, the current social protection framework and programmes and the recommendations and scenarios developed through the ABND process. Chapter 5 presents the costing of the selected policy options. Chapter 6 concludes with the main findings and an overview on the challenges for advancing the country's social protection system.

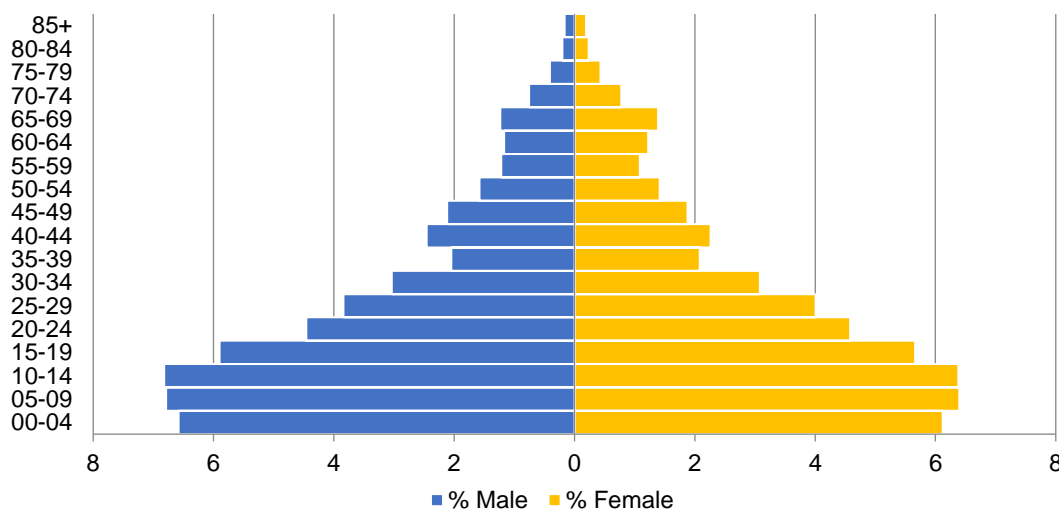
2. TIMOR-LESTE – SOCIOECONOMIC OVERVIEW

Timor-Leste is one of the youngest countries in the world. Since its independence in 2002, the small nation has been regarded as an example of democratic transition. But its short history as a sovereign State has not been without many struggles to maintain peace and to lift its population out of extreme poverty and guarantee a decent life for all Timorese. At the outset of its independence, the country was laid to waste by opposition groups that destroyed much of the infrastructure and displaced thousands of people during the conflict. In 2006–07, protests and violence resurfaced to threaten political stability, again leading to destruction and displacement. Since then, the country has repeatedly flexed its resilience and commitment to peace and development. This chapter steps back to overview the factors that influence social protection.

Demographics

Timor-Leste is also a young country. Of its 1.18 million population, nearly 60 per cent is younger than 25, with the median age at 18.5 years (in 2015). Only 8.2 per cent of the population is older than 60 years (figure 2).⁶ The fertility rate is one of the highest in the world, with an average of 5.9 children per woman,⁷ although the rate has been declining in recent years. According to projections, the scenario will change slowly, with dependency ratios staying low for decades to come (table 2). Life expectancy at birth is increasing at an impressive speed, rising from 60.2 years in 2001 to 68.2 in 2014 – an improvement of more than six months per year.⁸

Figure 2 Timor-Leste population, by age group, 2015



Source: Ministry of Finance, 2016e.

The majority (70.5 per cent) of the population lives in rural areas. The urban population concentrates in the capital, Dili, the most populous municipality in the country, with 70 per cent of the urban population. The average household has 5.7 members. Only 16 per cent of households are headed by women.⁹

⁶ Ministry of Finance, 2016e.

⁷ DESA, 2015.

⁸ UNDP, 2016.

⁹ Ministry of Finance, 2016e.

Table 2 Expected demographic development in Timor-Leste, 2015–2100

Dependency ratio*	2015	2030	2050	2100
Total dependency ratio	95.3	85.1	68.8	73.4
Child dependency ratio	82.0	73.1	55.4	32.4
Old-age dependency ratio	13.3	12.0	13.3	40.9

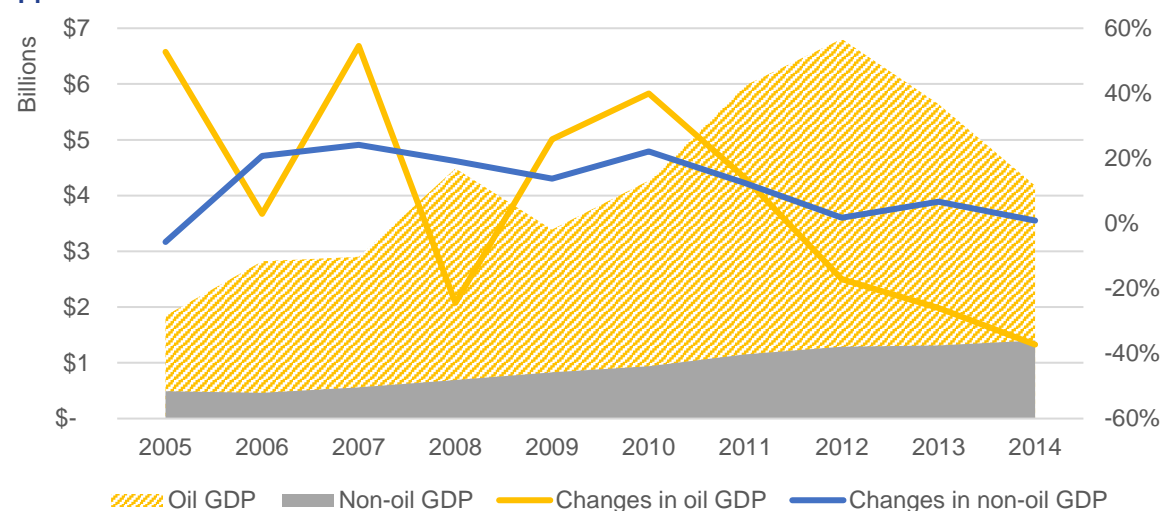
Note: * = (i) Total dependency ratio (%): A measure showing the number of dependants (aged 0–14 and aged 60 or older) to the total working-age population (aged 15–59). The total dependency ratio is the sum of the child and old-age dependency ratios. (ii) Child dependency ratio (%): a measure showing the number of child dependants (aged 0–14) to the total population (aged 15–59). (iii) Old-age dependency ratio (%): population aged 60 or older to the population aged 15–59.

Source: For 2015: Ministry of Finance, 2016e. For 2030 and 2050: National Statistics Department, 2011. For 2100: DESA, 2015.

Economy

Timor-Leste is also a relatively small economy. Yet, it is one of the most oil-dependent countries in the world. Its petroleum and natural gas revenues have delivered impressive growth rates and have provided more than 80 per cent of the total government budget since 2005.¹⁰ The oil reserves are modest, however. The current fields are projected to deplete by 2026 and, along with them, the flow of revenue. If no other reserves are found, the country will have only its non-oil sectors to rely upon. Growth in the non-oil economy¹¹ is progressing steadily, having doubled in real terms between 2006 and 2014.¹² But it is driven mainly by government expenditure – growth in critical sectors of the economy, such as agriculture or manufacturing, is lagging (figure 3).

Figure 3 Timor-Leste economy, by oil GDP and non-oil GDP and respective change, 2005–14



Source: Ministry of Finance, 2016c.

The Government plans to use oil revenues to rebuild the infrastructure and the human capital needed for the country’s sustainable and diversified economic growth and to improve the quality of life for the whole of the population. Investment in infrastructure projects have grown by 448 per cent since 2010. This considerable government expenditure represents a sizeable portion of non-oil GDP; economic growth has followed those increases. Private sector investment and household consumption, however, are lagging as a share of GDP. To maintain growth in the medium and long terms, it is vital that the economy diversifies.¹³

¹⁰ Ministry of Finance, 2016c.

¹¹ The small connection of the oil sector to the rest of the economy and that all revenues follow directly to the Petroleum Fund means that economic analysis is usually made observing the non-oil economy.

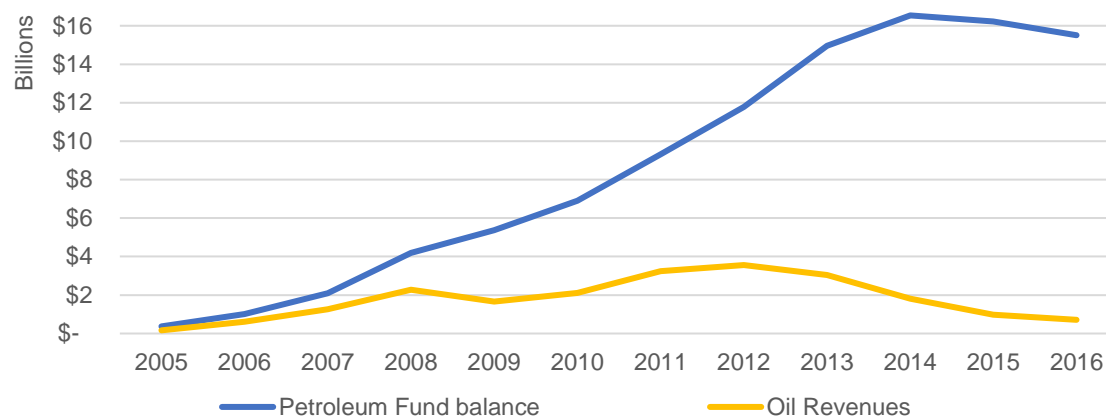
¹² From \$594 million in 2006 to \$1,174 million in 2014 (Ministry of Finance, 2016c).

¹³ IMF, 2016.

Petroleum and gas

All revenue from the oil and gas reserves are directed to the Petroleum Fund, which is a sovereign wealth fund for stabilizing the Government's finances against shocks associated with oil prices and to improve revenue management. The fund was designed to guarantee that the resources are used in line with national interests and to the benefit of present and future generations. The Petroleum Fund provides most of the government budget. At the end of 2016, it had a balance of \$15.5 billion – around 12 times the non-oil GDP (figure 4).¹⁴

Figure 4 Petroleum Fund balance and oil revenues, 2005–16 (\$ billion)



Source: Ministry of Finance, 2016d.

The Government can withdraw annually what is designated as estimated sustainable income,¹⁵ which is a measure that should guarantee that the fund's wealth remains constant in real terms and thus provides future generations with a yield of the country's natural riches. However, since the 2006–07 political crisis, the Government has been systematically withdrawing more than the estimated sustainable income. In 2016 alone, the excess withdrawal amounted to more than 128 per cent.¹⁶ In 2015, withdrawals from the Petroleum Fund beyond the estimated sustainable income, coupled with negative interest returns, led to the fund's first decline since its creation.

Non-oil economy

The non-oil economy has shown less volatile growth because it has little connection to the oil economy. It doubled in real terms between 2006 and 2014.¹⁷ But its growth remains highly dependent on government expenditure, which represented an average of more than 95 per cent of non-oil GDP from 2010 to 2014.¹⁸

Despite high expectations of the private sector, its development remains limited. There is little evidence that investments in infrastructure are translating into private sector growth. The Government prioritizes agriculture, tourism and petrochemicals for economic development. Investments are being made, but the positive returns have yet to be seen.


¹⁴ Ministry of Finance, 2016d.

¹⁵ Set at 3 per cent of total petroleum wealth, which represents the balance of the Petroleum Fund and the net present value of expected future petroleum revenue.

¹⁶ Ministry of Finance, 2017.

¹⁷ From \$594 million in 2006 to \$1,174 million in 2014 (Ministry of Finance, 2016c).

¹⁸ Ministry of Finance, 2016c.



Agriculture shows potential to improve the quality of life countrywide. It is the main livelihood source for four of five Timorese and represents approximately 30 per cent of non-oil GDP. Despite the Government's commitment to the sector it has shown irregular results over time. There is little evidence of productivity gains.¹⁹ Agriculture yields are far below the levels of neighbouring countries, and the typical farming household is characterized as “low-input, low-output producers”.²⁰ An illustration of this is the significant number of subsistence agriculture workers, at 179,000, or about 25 per cent of all working-age individuals (aged 15–59 years).²¹ The lack of quality infrastructure and access to markets, combined with the low use of agriculture-enhancing techniques or products are the main obstacles to growth in the sector.

In its 2017 Article IV Consultation with Timor-Leste, the International Monetary Fund stressed that the successful diversification of the economy will be essential for the country's long-term economic growth, especially as oil revenues decline and withdrawals from the Petroleum Fund increase.

Fiscal position

With the global fall in oil prices, revenue has been dropping fast since 2012. Budget surplus fell from 25.9 per cent in 2014 to 4.2 per cent in 2015. Prospects for the near future are not encouraging. Domestic non-oil revenue represented an average of 11.7 per cent of total public expenditure from 2008 to 2016. Despite a steady economic growth rate in that period, it lagged behind the expenditure growth rates (table 3). Production of current reserves is expected to cease in 2023, leaving the country without its main source of revenue.

This comes at a time when expenditure is at its highest level since independence due to the heavy investment in infrastructure. Government spending rose from \$241 million in 2007 to \$1,952 million in 2016, mainly supported by the estimated sustainable income but increasingly by the excess withdrawals from the Petroleum Fund. In the short term, the Petroleum Fund will maintain security and fiscal stability, despite the diminished revenue, the increased expenditure and the alarming non-oil deficit. But the excess withdrawals from the Petroleum Fund are reducing its long-term worth. In turn, they are reducing the estimated sustainable income and, consequently, leading to higher excess withdrawals, which is a difficult circle to maintain. If not controlled, this will quickly erode the Petroleum Fund and may lead to a subsequent sudden lack of resources for public expenditure.

The expenditure by the Ministries of Social Solidarity, Education and Health represent a significant share of the General State Budget. The level of expenditure in the social sectors has varied over the years, with an overall increasing trend (in current prices), despite decreases in the 2016 budget. Furthermore, the large increases in infrastructure have led to relative decreases in the share of public expenditure, even if the allocated budget was not reduced in nominal terms (see Chapter 3).

In the long-term, fiscal sustainability will depend on the returns to the government investments in infrastructure and human capital and the creation of favourable conditions for private sector growth, which should lead to higher levels of non-oil revenue. The social protection budget, one of the larger items in the government accounts, will be affected by these challenges. All recurrent expenses will face multiplying problems to maintain current levels, let alone increase them.²²

¹⁹ ADB, 2016b.

²⁰ ADB, 2016b.

²¹ SEFPOPE, 2015.

²² World Bank, 2015; IMF, 2016; ADB, 2016a.

Table 3 Economic and fiscal indicators for Timor-Leste, in current prices, 2011–16

	2010	2011	2012	2013	2014	2015	2016
Total GDP (oil GDP) (\$ million)	4 267	5 973	6 809	5 641	4 175	2 620	2 100
Non-oil GDP (\$ million)	941	1 149	1 291	1 313	1 400	1 412	1 480
Petroleum Fund balance (\$ billion)	6.9	9.3	11.7	14.9	16.5	16.2	15.6
Domestic revenue (\$ million)	2 202	3 351	3 739	3 240	2 416	1 228	1 368
Oil (% of revenue)	96.1	96.7	95.2	93.9	75.2	77.9	77.7
Non-oil (% of revenue)	3.9	3.3	3.7	4.8	7.0	15.8	14.5
Public expenditure (\$ million)	804	1 118	1 197	1 344	1 395	1 448	1 952
Social Solidarity (% of expenditure)	12.8	10.6	13.5	11.1	10.5	13.5	8.2
Veterans' pensions	6.2	6.5	9.5	6.9	5.7	9.2	5.4
Other Social Solidarity	6.6	4.1	4.0	4.2	4.8	4.3	2.8
Health (% of expenditure)	4.4	3.6	4.2	4.5	4.4	4.3	1.9
Education (% of expenditure)	8.6	6.4	6.9	6.3	8.0	7.0	4.8
Infrastructure (% of expenditure)	24.7	52.6	43.5	43.7	34.9	29.7	45.6
Government financing (\$ million)	1 013	1 371	2 020	1 857	1 084	1 640	2 050
Estimated sustainable income (% financing)	49.5	53.5	32.9	42.4	58.3	39.0	26.0
Petroleum Fund excess withdrawal (% financing)	30.5	23.4	41.1	0.0	9.2	39.0	55.1
Non-oil revenues (% financing)	8.4	8.1	6.8	8.3	15.5	11.8	8.4
Grants (% financing)	26.0	19.9	12.6	13.2	17.0	10.1	10.0
Loans (% financing)	0.0	0.0	2.1	2.3	2.9	4.3	5.2
Other (% financing)	0.0	0.0	6.7	36.1	0.0	0.1	0.0
Balance – % oil GDP (incl. oil revenue)	41.9	46.3	46.1	43.8	36.8	-18.2	-94.3
Balance – % non-oil GDP (excl. oil revenue)	-76.4	-87.6	-78.8	-87.3	-56.9	-83.3	-111.4

Source: Ministry of Finance, 2016b, 2016c and 2016d; and Timor-Leste transparency portal, 2016, www.transparency.gov.tl (accessed 20 June 2018).

Labour force

Labour force participation in Timor-Leste is one of the lowest in the region, at an average of 30.6 per cent of the working-age population (21 per cent for women, and 39.5 per cent for men). Yet, 11 per cent of workers are unemployed.

More workers are in the services sector, at 45.1 per cent, while 40.5 per cent work in agriculture. Only 12.7 per cent of the labour force has an industrial job. The most common occupations are in agriculture, forestry or fishery work (at 39 per cent of jobs), followed by services and sales workers (at 17.7 per cent of the labour force).

But there is another side to the Timorese labour picture. Among the working-age population, some 25.7 per cent of people engage in subsistence foodstuff production – a significant group who have little overlap with the labour force.²³ This population represents almost as many people as the labour force. When factoring in that more than half of existing jobs are considered

²³ Given the methodological definitions and international standards, workers dedicated exclusively to subsistence activities are not considered as part of the labour force and, consequently, not included in the employment numbers.

vulnerable employment (at 55 per cent) and only 29 per cent are formal positions, the precarious conditions of labour in Timor-Leste are clear (see Chapter 3).²⁴

Resilience, poverty and inequality

The scars associated with the years of foreign occupation and conflict remain visible in Timorese society. Reversing the impact on the country's infrastructure, education and health systems, productive capacities and household well-being is a long and difficult road. The Government is striving to undo the damage and help the nation thrive. Many challenges and risks persist and affect the processes for reducing poverty, enhancing living standards and creating sustainable and equitable economic growth.

The differences between urban and rural areas are huge in most development indicators. And there is wide variation among the municipalities. Urban areas, such as Dili, display distinct progress, while distant or isolated communities have received a much smaller share of the development dividends from the recent economic growth.

Shocks and resilience

Individuals and families face a diverse range of risks, which, combined with the high levels of poverty and few coping mechanisms available, place most households in a vulnerable position. Between 2010 and 2011, almost all households (93 per cent) experienced at least one type of shock. Natural and economic shocks were the most frequent among them, with increases in the prices of food and other essential commodities (82.2 per cent), floods, mudslides, storms (52.2 per cent) and pest infestation, crop and livestock diseases (35.4 per cent) reported as the most common. When compared with 2007 data, there is a clear decrease in risks related to socio-political, health or family situations and natural conditions. But there is a stark increase in economic risks.²⁵

With only 30 per cent of the population living in urban areas, a large share of households engages in agricultural or animal husbandry activities to help in their subsistence. A significant number of these households rely completely on their production to survive, leaving them particularly exposed to both natural and economic risks, such as the recent droughts resulting from the El Niño phenomenon and other climate change consequences.

Resilience against these shocks does not seem high. More than half of the recorded shocks reduced household income. Coping mechanisms turned to spending savings (30.6 per cent), borrowing money (19.5 per cent), sending an adult to work elsewhere (18.7 per cent), selling productive assets (19.7 per cent) or reducing non-food expenditure, such as health care and education (15.1 per cent). About 80 per cent of households who had suffered a shock in the 12 months prior to the 2013 Food and Nutrition Survey had not fully recovered.²⁶

Poverty

The Timorese economy has been one of the fastest growing in the world since independence. GDP per capita increased from \$866 in 2001 to \$2,591 in 2014.²⁷ Economic growth, however, has not translated as directly into poverty reduction. Given the small connection between the oil sector –

²⁴ SEPFOPE, 2015.

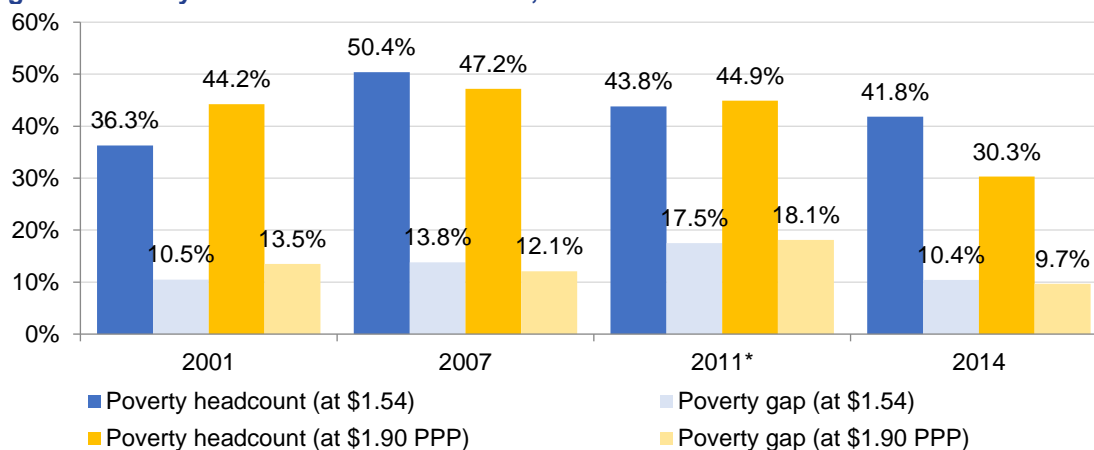
²⁵ World Bank, 2013b.

²⁶ Ministry of Health, 2015b.

²⁷ At constant prices (Ministry of Finance, 2016c).

the main driver of GDP growth – and the rest of the economy, job creation and productivity improvements in other sectors have developed at a slower pace, thus limiting the direct poverty reduction effects of the GDP hike. Based on the national poverty line (at \$1.54 per capita per day), a slightly larger share of the population lived in poverty in 2014 than in 2001, with similar poverty gaps. The outbreaks of conflict (in 1999–2002 and in 2006–07) took a toll on the living standards, increasing significantly the incidence and depth of poverty in the country. Only recently have living standards started returning to pre-independence levels.²⁸

Figure 5 Poverty indicators for Timor-Leste, 2001–14



Note: PPP=purchasing power parity.
 Source: Author's calculations, based on: for 2001: World Bank, 2005; for 2007: Ministry of Finance, 2008; for 2011: Ministry of Finance, 2011a; and for 2014: Ministry of Finance, 2016b.

By the international poverty line (at \$1.90 per capita per day at 2011 purchasing power parity (PPP)), the poverty levels in 2014 are the lowest recorded level. However, the use of the PPP dollar for Timor-Leste is problematic because the country does not participate in the International Comparison Programme. And the PPP dollar used is an estimation based on the Consumer Price Index and inflation. Even though it is a useful measure for international comparison, the national poverty line is more adequate to show the situation of poverty in Timor-Leste.²⁹

Nonetheless, using only the national average can hide differences between the sexes, regions, education and so forth because poverty affects some groups more than others.³⁰ When the data are analysed by different ways of disaggregation (as shown in table 4), poverty alleviation efforts seem to have produced remarkable progress in urban areas from 2007 to 2014, while rural areas experienced little change. Possible factors driving this difference are access to goods, services and markets. Some *sucos* (hamlets) are located far from administrative centres, and many villages are even farther from the *suco* centre. This places a burden on individuals who must walk for hours or spend resources for transportation just to access their social benefits, medical services, education or sell surplus production. In many cases, the cost of the trip outweighs the potential economic gain. Reaching isolated communities to deliver services is a primary challenge for any social protection programme struggles with. The lack of roads and administrative infrastructure creates impediments to the promised coverage.

Poverty reduction for female-headed households has occurred at a faster pace than for male-headed households. The reasons for this difference need further study. But the difference is remarkable and understanding its reasons would provide insight on how to rectify the situation.

²⁸ The results from 2011 are based on a different methodology than the other years and are not directly comparable. The estimates from 2011 are based on the income of households, while data from 2001, 2007 and 2014 are based on consumption levels.

²⁹ Ministry of Finance, 2016c.

³⁰ World Bank, 2008.

Poverty is reducing faster among older persons than among children. As discussed in the next chapter, the social protection system has largely focused on older persons, which could be one of the reasons for the different rate of poverty reduction.

Table 4 Poverty headcount in Timor-Leste, disaggregated by groups, 2007–14

		2007	2011	2014	Change 2007–14
National average, at \$1.54 day		50.4	43.8	41.8	-17.0%
National average, at 2011 PPP \$1.90 day		47.2	77.8	30.3	-35.8%
Location	Urban	45.2	20.0	28.3	- 37.3%
	Rural	51.5	53.4	47.1	- 8.5%
Head of household	Male	50.6	44.0	43.4	-14.2%
	Female	43.5	32.3	27.6	-36.5%
Age	Children (0–15 years)	56.1	50.3	49.0	-12.6%
	Adults (16–59 years)	45.9	39.0	38.6	-12.6%
	Elder (60 and older)	33.6	30.0	26.8	-20.2%
Primary employment (head of household)	Self-employed, farm	49.0	51.2	53.0	+8.1%
	Self-employed, non-farm	-	38.5	31.7	-
	Paid worker	28.0	12.6	27.5	-1.7%
Highest completed level of education (head of household)	University	17.7	3.8*	24.7	+39.5%
	Secondary	34.3	21.6	34.3	0.0%
	Primary	50.1	45.0	41.9	-16.3%
	Pre-primary	54.3	38.5*	46.8*	-13.8%
	No formal education	57.5	47.0	48.0	-16.5%

Note: *—Based on a small number of observations.

Source: Author's calculations based on: for 2007: RDTL, Ministry of Finance. 2008. Timor-Leste 2007 Timor-Leste Survey of Living Standards; for 2011: RDTL, Ministry of Finance. 2011. Timor-Leste Household Expenditure and Income Survey 2011; and for 2014: Ministry of Finance, 2016c.

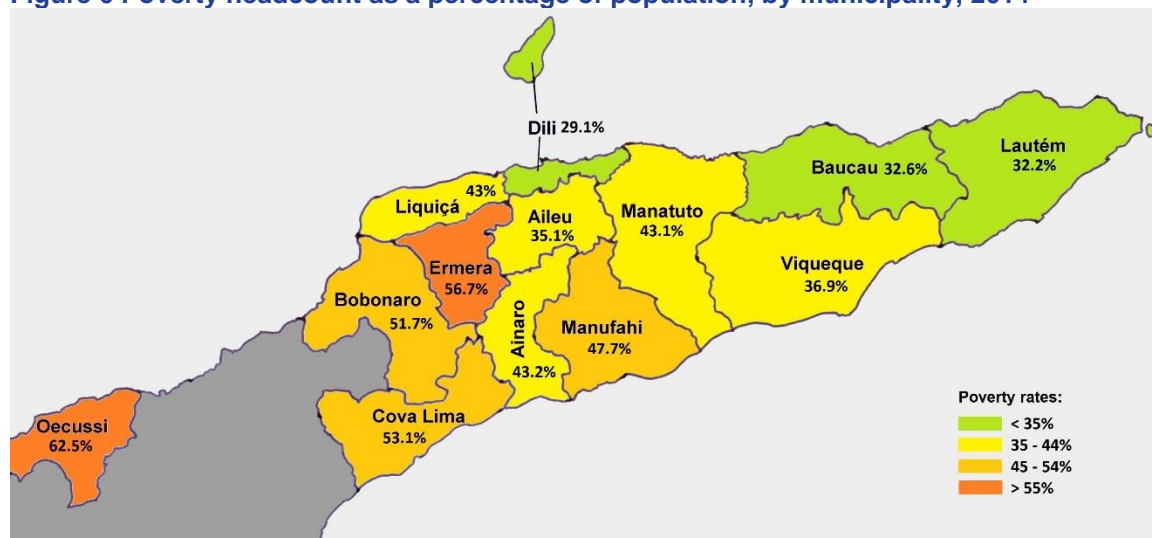
Heads of household engaged in jobs that pay regular wages are in a better position than people in own-account work. Own-account labourers in agriculture are at higher risk of poverty. The incidence of poverty among heads of household in own-account agriculture work increased by 8 per cent between 2007 and 2014 (table 4). When considering education attainment, heads of household with a higher level of education have a lower poverty incidence than the average for the whole population. But the difference in poverty incidence among people with no formal education and with only a primary school education is not great. Heads of household with no education and with only a primary school education make up around 45 per cent of the workforce. This suggests a predominance of low-skill, low-income jobs in the country.

The difference in poverty rates among municipalities can be quite large. Dili had a smaller poverty rate among its population in 2014, at 29.1 per cent, which was less than half the rate for Oecussi, at 62.5 per cent, the municipality with the highest level of poverty (figure 6).

A key driver of the high poverty rates is the combination of low incomes and large families – at an average of almost 5.8 persons per household. If a family of six has only one breadwinner, and even if this person earns the average wage from the formal sector, at \$530 per month in 2013, they will live on only about \$3 per capita per day. Unfortunately, this scenario is not the most frequent: Even though the average wage provides enough resources to put all family members above the poverty line, the median wage is only \$272 per month (in the formal sector). Thus, an average-sized family surviving on the median wage will have slightly more than \$1.56 per day for each person – barely above the national poverty line. But the situation is actually more difficult for most households because most workers are not employed in the formal sector (and receiving a regular

and reliable salary). Instead, they work in the informal sector, which of course is characterized by lower and irregular earnings. In Timor-Leste, this represents about 70 per cent of employment.³¹

Figure 6 Poverty headcount as a percentage of population, by municipality, 2014

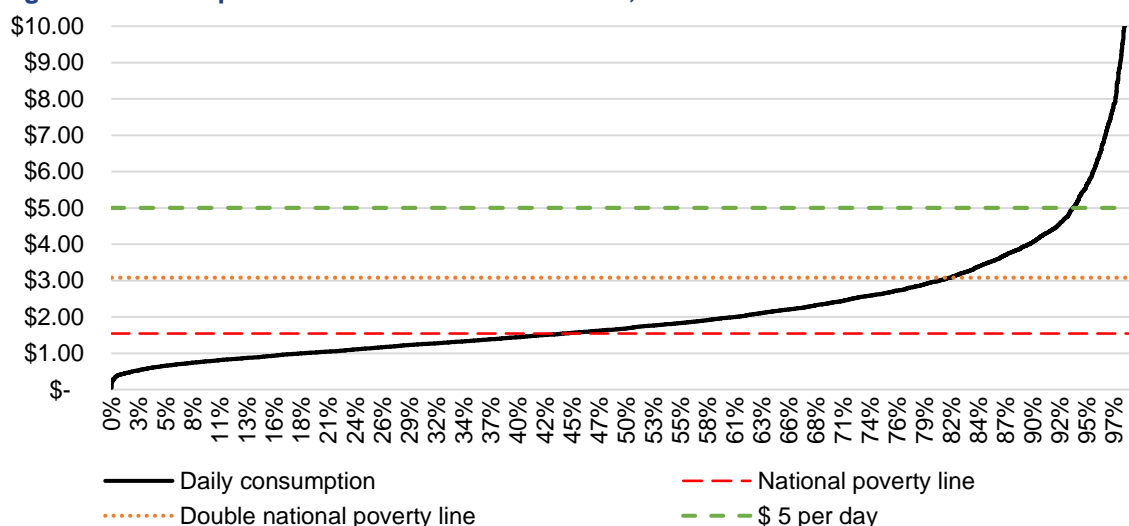


Note: Rates based on the national poverty line.
Source: Ministry of Finance, 2016c.

Inequality

Poverty in Timor-Leste is of difficult delimitation, beyond the usual shortfalls of monetary poverty lines. Determining who is and who is not poor is a difficult task when income and consumption distribution are relatively flat among the population. As figure 7 shows, 93.8 per cent of the population lives on income that is less than \$5 per day, with 80.8 per cent living with less than \$3.08 – only double the national poverty line. In this scenario, placing a cut line for who is poor and who is not seems misguided because income volatility can change an individual’s status with ease within this distribution.

Figure 7 Consumption distribution in Timor-Leste, 2014

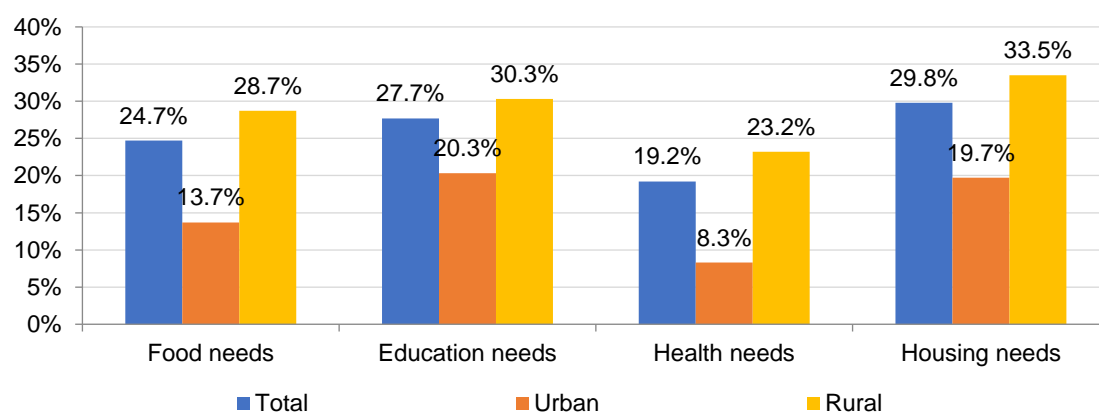


Source: Ministry of Finance, 2016c.

³¹ Ministry of Finance, 2016e; SEPOPE, 2015.

Even households living on income above the poverty line often run into difficulties to satisfy their basic needs. Figure 8 reflects the share of the population living in households that experienced problems satisfying different needs in 2014. Acquiring enough food was a challenge for almost a quarter of households, although there was enormous difference between urban and rural households. Securing education, health care and housing-related needs were common problems for a large parcel of the population. Even in these predicaments, cultural norms, which are an important part of Timorese society, dictate that a significant part of family expenditure be allocated to festivities and ceremonies. Even though most likely under-reported, government data indicate that each household spent an average of \$36.37 per month in festivities and ceremonies in 2014, or around 8.3 per cent of average household consumption.

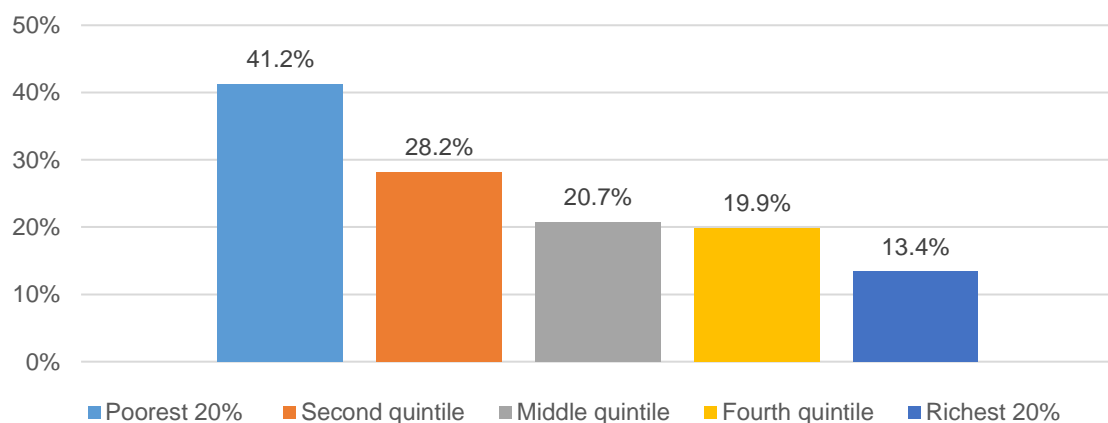
Figure 8 Households that experienced problems satisfying basic needs, by type, as a percentage of total households, 2014



Source: Ministry of Finance, 2016c.

While poorer households can be expected to go through this type of problem in a poor country, lack of food occurs for families at all levels of income in Timor-Leste, although the problem is more prominent in the lower-income quintiles (figure 9).

Figure 9 Food-insecure households, as a share of total households, by income quintile, 2014



Source: Ministry of Finance, 2016c.

Summary of findings

- Timor-Leste has a young and growing population, which means it has a large proportion of children in the total population and a low old-age dependency ratio. This scenario will start to change slowly only after 2030.
- The economy is fuelled by petroleum and gas and driven by public expenditure. Long-term economic growth will depend heavily on the diversification of the economy and increases in productivity.
- Decent jobs are rare, and most of the workin-age population engages in the agriculture sector.
- The population is exposed to a variaty of risks, in particular to climate-related shocks. Due to the lack of efficient coping mechanisms, shocks often lead to long-lasting loss of income.
- Poverty is decreasing. But 41.8 per cent of the population lives in poverty, and progress has been uneven. Urban areas are reducing poverty four times faster than rural areas. Poverty rates among older persons are decreasing faster than for children.
- Even when not poor, most individuals are not far from poverty. Only 6 per cent of the population lives on income that is more than \$5 per day, while 81 per cent lives on less than \$3 per day.

3. SOCIAL PROTECTION IN TIMOR-LESTE

In the years that followed independence, the Government focused its social protection endeavours on the resettlement of people displaced during the conflict of 1999 and on providing support to their most essential needs, using mostly in-kind benefits, such as food. High expectations for the new country and frustration with the slow pace of change, among other issues, led to a political crisis in 2006–07, which resulted in several deaths and the displacement of around 150,000 people. After the crisis, the Government changed its approach to respond to the claims that led to the conflict and to provide more visible benefits to the population and thus improve social peace and cohesion.

The Constitution makes clear commitment for human development. It recognizes health care, education, social assistance and social security as rights for every citizen.³² Even though free and universal health care and education systems were established shortly after the country's independence in 2002, broad-based, non-contributory social programmes did not appear until 2007 and 2008, as a response to the crisis at that time. Most of those programmes remain nearly unchanged.³³

This chapter looks at the social protection framework and elaborates on the reach and effectiveness of the system and how the different programmes contribute – or not – to advancing the social protection floor in the country.

The social protection system consists of 26 policies and programmes implemented by five ministries (Education, Justice, Health, Public Works and Social Solidarity) and one secretariat of state (Secretariat of State for Vocational Training and Employment Policies). The programmes are of seven types:

1. Regular cash transfer schemes, aimed at poverty reduction and income replacement;
2. Work-related social protection schemes;
3. Small-scale social assistance programmes providing response to specific situations of vulnerability;
4. National liberation combatants and martyrs' transfers;
5. Humanitarian aid and response to natural disasters and social conflict;
6. Programmes to improve access to education, such as material support and nutrition; and
7. Services to promote and provide access to health care, such as mobile services and programmes for specific life stages.

As emphasized previously, these elements do not function in an integrated or strategic manner.

The programmes range widely in coverage and budget. They offer benefits in cash, in kind and through services (figure 10). Several programmes cover all age groups, with a greater concentration on policies aimed at the working age (17–59 years). Benefits in cash are the most common, with in-kind benefits and service provision frequently offered jointly. Of them, 14 programmes make a cash transfer to their beneficiaries, six deliver in-kind benefits and 12 offer services. The challenges that arise from each of these types of benefits are distinct.

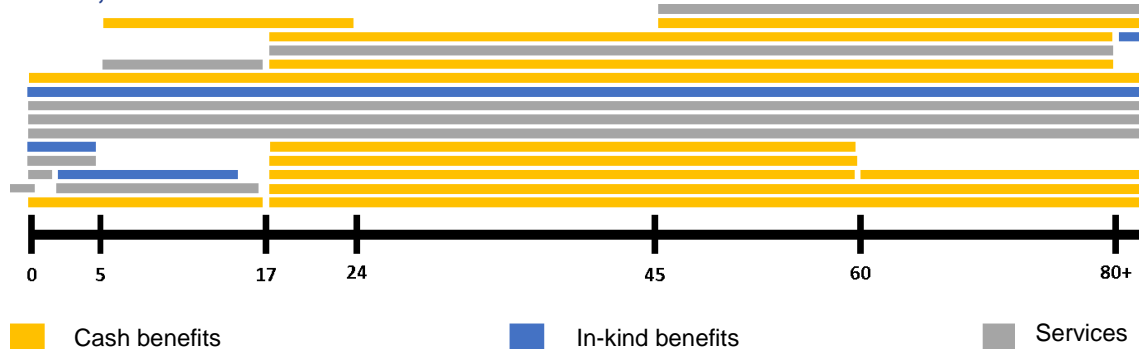
The availability of services is concentrated in the administrative centres of the municipalities, limiting the access of communities located far away. Reaching some communities can be difficult due to precarious conditions and/or lack of roads. In rural areas, it takes an average of 52 minutes for someone to access a health facility from their home, a route typically done on foot. Education

³² Government of Timor-Leste, 2002, Articles 57, 59 and 56, respectively.

³³ World Bank, 2013b.

services, in-kind benefit delivery, vocational training and social services also experience similar difficulty.

Figure 10 Social protection policies and programmes, by target age groups and type of main benefit, 2016



Source: Specialized technical groups, Ministry of Health, Ministry of Education, Ministry of Agriculture and Fishing, Ministry of Justice, Ministry of Social Solidarity and SEPFPOE.

Programmes that make cash payments typically do so in a lump sum (for specific situations of vulnerability). But they often are dependent on the decision of social workers who have only subjective parameters on which to base their decision – there are no clear rules for eligibility. Among the programmes that make periodic payments, only the Transitory Social Security Scheme and the National Liberation Combatants and Martyrs' Pension (hereafter referred to as veterans' pension) are paid every month by bank transfer. The Bolsa da Mãe (Mothers' Allowance) and the Allowance for the Support of the Elderly and Invalid (SAII) programmes pay benefits only once and twice a year, respectively. This is in contradiction of the two principles for the effectiveness of income transfers: predictability and regularity of payments.

Initiatives to overcome these challenges are underway. For health service delivery, for example, two programmes are now dedicated to reaching all communities with medical services. Pilot projects to improve the payment mechanisms of the Bolsa da Mãe and SAII programmes are planned or taking place. The national decentralization policy was approved in March 2016, which aims to expand the reach of public services, including services that are part of the social protection system.

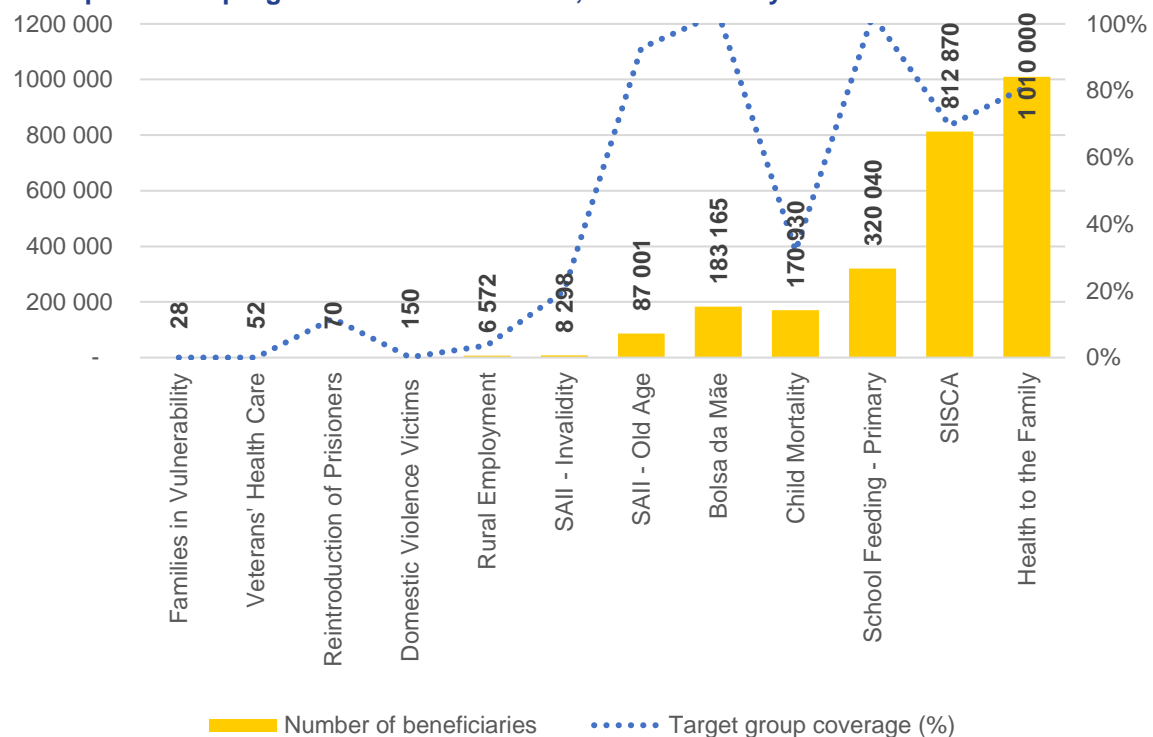
Coverage

ILO Recommendation No. 202 on social protection floors states that all persons should have access to essential health care and income security at all stages of life. In essence, it encourages social protection to as many people as possible. The coverage offered by each of the 26 programmes that comprise the social protection system varies radically: from the SAII Programme, which has universal coverage of all older persons, to the Integrated Community Health Service (SISCA) Programme, which reaches almost 70 per cent of the population, to others that service only a few dozen individuals, such as the Families in Vulnerability Programme.

The number of beneficiaries may not be the most appropriate measure of comparison of reach capacity because the target groups also heavily vary. A more accurate indicator is the share of the targeted population that is covered. Figure 11 shows the number of beneficiaries and the share of the targeted population covered by the six largest and the six smallest programmes (based on number of beneficiaries). Several of them reach a large share of their targeted population, even if they do not offer benefits to a large number of people. Each of these programmes and others are detailed further on in this chapter in terms of targeted populations, benefits offered, delivery

mechanism and financing. The absolute and relative coverage of all the programmes analysed in this report are elaborated in Appendix I.

Figure 11 Number of beneficiaries and percentage coverage of target groups of selected social protection programmes in Timor-Leste, 2016 or latest year



Source: Specialized technical groups, Ministry of Health, Ministry of Education, Ministry of Justice, Ministry of Social Solidarity and SEPFPOE.

Benefit adequacy

For social protection programmes to fulfil their goals, the benefits or services provided need to have a minimal level of adequacy. For example, health services can be free and universal, but if there are no available health facilities or doctors, medicines or other vital elements of health care, the service offered is not adequate to achieve the objective of providing health care to the population. Measuring the adequacy of services is a complex task and falls beyond the scope of this report. However, the adequacy of cash benefits is analysed.

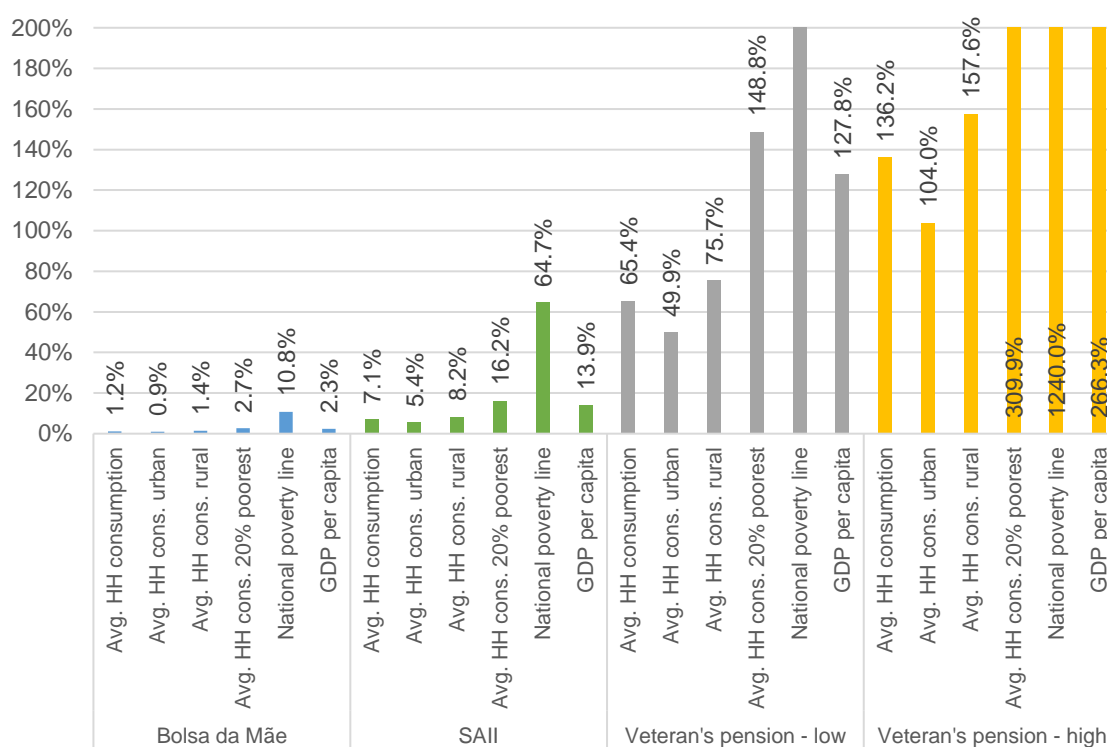
Of the 14 programmes that offer cash payments (as of 2017), most offer lump-sum or circumstantial payments to alleviate a specific situation of vulnerability. Five of them provide regular and predictable cash transfers: the Bolsa da Mãe, the SAIL, the veterans' pension, the Transitory Social Security Scheme and the General Social Security Scheme. The benefit amount provided by each of these regular cash transfer programmes varied broadly.

The social security schemes pay benefits that are directly linked to wages earned and a period of contribution or time of public service. Both schemes have generous benefit formulas when compared with the international experience. The Transitory Social Security Scheme has a fixed replacement rate of 75 per cent of average wages during time of service in the public sector for all provisions – without contributions, until the introduction of the General Social Security Scheme. The pensions provided (for old age, invalidity and survivors) by the General Social Security Scheme aim at a replacement rate of 100 per cent of the average wage of the best ten years of contribution for workers who have a full contributory career (30 years). To give this a

regional perspective, replacement rates vary between 45 per cent and 75 per cent of insurable earnings among ASEAN member countries. The Social Security (Minimum Standards) Convention, 1952 (No. 102) and the Invalidity, Old-Age and Survivors' Benefits Convention, 1967 (No. 128) prescribe a minimum replacement rate of 40 per cent and 45 per cent, respectively, after 30 years of contributions for periodic payments for old age, invalidity and survivors.³⁴

The Bolsa da Mãe, the SAIL and the veterans' pension schemes have fixed benefit levels. Bolsa da Mãe offers \$5 per month per child (up to three children). The SAIL pays \$30 monthly. And the veterans' pension varies from \$276 to \$575 monthly, depending on duration of exclusive service to the resistance efforts. While the goals of these programmes are not the same, the difference between benefit values is huge – the higher veterans' pension pays 115 times more than the Bolsa da Mãe benefit (figure 12).

Figure 12 Benefit adequacy, by economic measure of cash transfer programmes, 2014



Note: Average household consumption was \$422.22 per month; urban average household consumption was \$553.11 per month; rural average household consumption was \$364.76 per month; average household consumption – 20 per cent poorer \$185.54 per month; national poverty line was \$46.37 per month; and GDP per capita was \$215.92 per month. The “y” axis of graph was limited at 200 per cent to allow better visualization of Bolsa da Mãe and SAIL data.

Source: Author's calculation based on Ministry of Finance, 2016c and 2016e.

International experience has taught that to have real impact on the level of consumption of poor households, cash transfers should, at the least, amount to within 15–20 per cent of the average household income.³⁵ None of the cash transfer programme benefits in Timor-Leste falls within this parameter. The benefit from the Bolsa da Mãe represents a tiny fraction of most of the measures it was compared with; even its highest result – against the poverty line – represents little more than 10 per cent of the poverty line. This leaves little question that the benefits offered by the programmes are below an adequate level to have optimum impact on poverty reduction. Thus, none of them provides adequate support for vulnerable families, despite their goal to achieve this.

³⁴ ILO, 1952 and 1967.

³⁵ World Bank, 2013b.

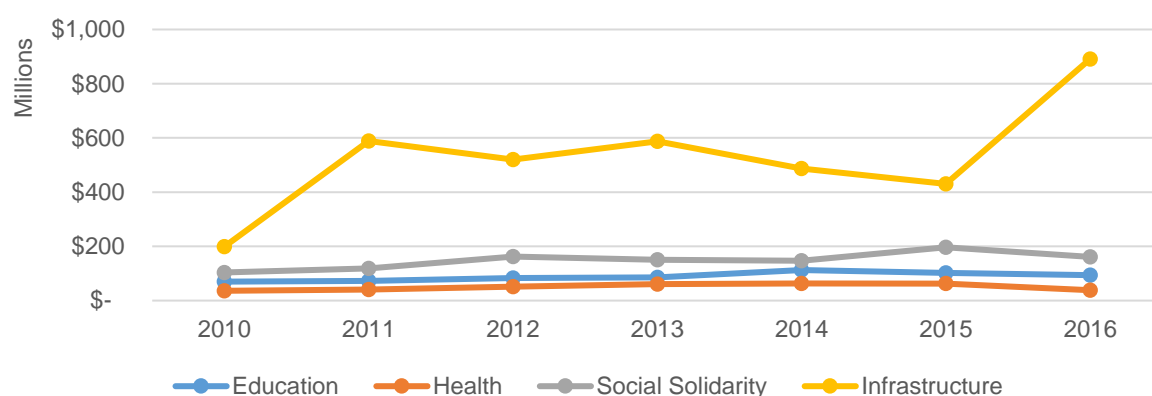
The SAI benefits are also below what is considered best practice. However, when compared to household consumption of the poorest 20 per cent of the population or to the poverty line, the benefit has good potential to contribute positively towards improving living standards of people who are poor. But the indexing mechanism used by the SAI programme, which is the minimum wage in the public sector, has been stagnating since 2010, gradually losing its purchasing power. Regular adjustments, linked to inflation, changes in average wages or other more responsive indexing mechanisms can help guarantee the real value of the transfer amount and maintain the impact of the programme.

The benefit level of the veterans' pension is far above the level of all economic measures used. The lowest benefit is equivalent to about 65 per cent of average household consumption, and the highest benefit is about 125 per cent of it. When compared to the consumption levels of the poorest 20 per cent of the population or to the national poverty line, any of the two pension payments are enough to easily lift a family out of poverty. This sky-high benefit level is the main driver of the elevated costs of the programme (discussed in the next section), despite being the scheme with the fewest beneficiaries among the three schemes.

Investment in social protection

After the conflict of 2006–07, investment in social protection increased significantly. Despite the fast increase in total government expenditure, however, investment in the social sectors did not keep pace. As figure 13 illustrates, the budget for the Ministries of Social Solidarity, Education and Health increased at much slower speed over the years, especially in comparison with investment in infrastructure.

Figure 13 Government expenditure for selected items, in current prices, 2010–16 (\$ million)



Note: Infrastructure investments entails the budget of the Ministry of Public Works and the Infrastructure Fund.
Source: Government of Timor-Leste, "Timor-Leste transparency portal", 2016, www.transparency.gov.tl (accessed 21 June 2018).

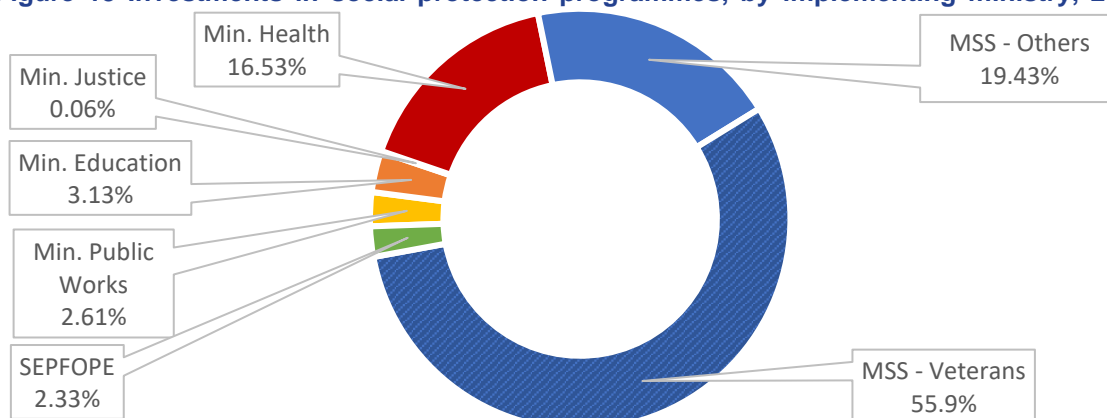
The education budget rose from about \$70 million in 2010 to \$93 million in 2016, while the budget for health services barely increased, from \$36 million to \$38 million over the same period. The increases in the social solidarity budget were mainly driven by the veterans' pension expenditure, which accounted for about 65 per cent of the Ministry of Social Solidarity budget in 2016.

The three ministries' budgets have suffered dramatic cuts from their peak years. The Ministry of Health, for instance, experienced a stark 40 per cent reduction of its budget from 2015 to 2016. At that same time, investments in infrastructure increased from \$199 million in 2010 to \$891 million in 2016. The increasing concentration of public resources in infrastructure, together with

decreases in the social sector budgets, indicate a clear preference by the Government towards investment in physical assets – at the cost of human development investment.

The 26 programmes that comprise the social protection system add up to government investment of approximately \$212 million, equivalent to 15.5 per cent of the non-oil GDP and 8 per cent of oil GDP in 2015 and an average investment of \$179.45 per capita.³⁶ Perhaps not surprising, the distribution of that investment is not equitable. As figure 14 illustrates, the Ministry of Social Solidarity concentrates most of its budget for social protection, given its mandate over the veterans' pensions, which consumes more than half of the country's investment in social protection.

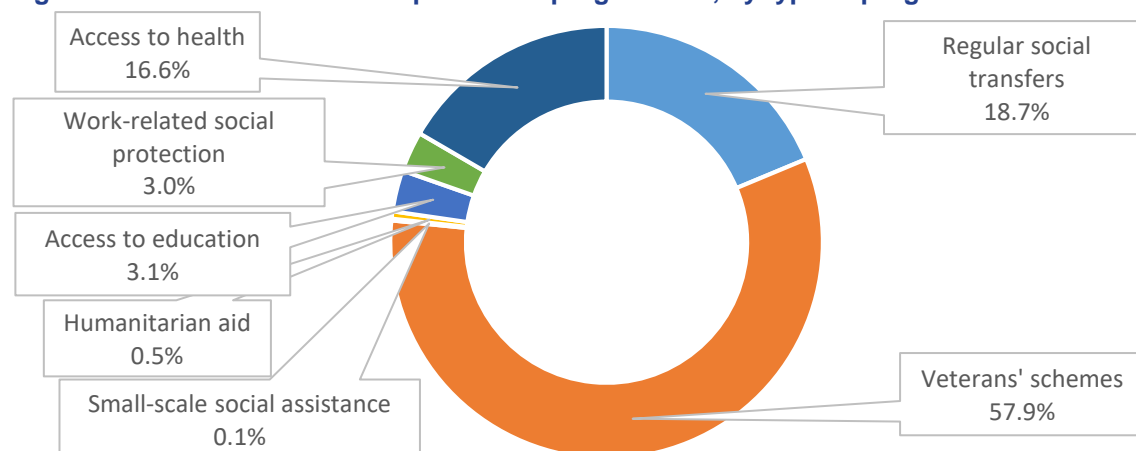
Figure 13 Investments in social protection programmes, by implementing ministry, 2015



Note: Data for 2015 or more recent year available. MSS=Ministry of Social Solidarity. Source: Specialized technical groups, Ministry of Health, Ministry of Education, Ministry of Agriculture and Fishing, Ministry of Justice, Ministry of Social Solidarity and SEPFPOE.

Noting the programme classification presented in the beginning of this chapter, investments are significantly concentrated in veterans' pensions and, to a lesser extent, government investment also favours regular social transfer programmes, health promotion and “access” programmes (figure 15). Combined, the programmes that facilitate access to education, small-scale social assistance schemes, humanitarian aid and work-related social protection account for less than 10 per cent of the Government’s total investment in the social protection system.

Figure 14 Investments in social protection programmes, by type of programme



Source: Specialized technical groups, Ministry of Health, Ministry of Education, Ministry of Agriculture and Fishing, Ministry of Justice, Ministry of Social Solidarity and SEPFPOE.

³⁶ Projected GDP for 2015, from IMF, 2016 (latest available).

Depending on the perspective, the investment in the veterans' pension can be seen as disproportionately larger than the investment in other groups of vulnerable citizens. The level of benefits paid to veterans is certainly high when compared with the other programmes, despite the limited coverage of the total population. Additionally, the high political priority attributed to the veterans' programmes could be placing budget pressure on other programmes within the Ministry of Social Solidarity due to efforts to limit its budget, which have disproportionate impact on non-veteran spending. From 2010 to 2016 (table 5), total expenditure in the Ministry increased by 54.3 per cent. There was large variation within and between the programmes' budgets and marked differences in the overall trends. In the same period, for instance, the veterans' schemes budget increased by 110.8 per cent in 2016, while expenditure in other social solidarity programmes increased by only 1.7 per cent.

Table 5 Expenditure of Ministry of Social Solidarity programmes, 2010–16

	2010	2011	2012	2013	2014	2015	2016
Total expenditure (\$ million)	\$103.7	\$118.5	\$161.6	\$149.2	\$146.5	\$195.5	\$160.1
Change (%) from previous year	39.1%	15.2%	36.4%	-7.7%	-1.8%	33.5%	-18.1%
Veterans' schemes (\$ million)	\$50.0	\$72.7	\$113.7	\$92.7	\$79.5	\$133.2	\$105.4
Share (%) of Ministry budget	48.2%	61.3%	70.4%	62.2%	54.3%	68.1%	65.9%
Other programmes (\$ million)	\$53.7	\$45.8	\$47.9	\$56.4	\$67.0	\$62.3	\$54.7
Share (%) of Ministry budget	51.8%	38.7%	29.6%	37.8%	45.7%	31.9%	34.1%

Source: Government of Timor-Leste: "Timor-Leste transparency portal", 2017, www.transparency.gov.tl (accessed 21 June 2018); and Ministry of Finance, 2016b.

There is a point of view that contends the veterans' pension was never designed as a social protection scheme – it was a way of rewarding the combatants who fought for the country's independence. In this view, it is not strictly an instrument to guarantee minimum income security for veterans.

When the veteran's pension benefit is compared with other benefits, such as programmes for children or for the working-age population, it becomes clear that the investment is not proportional to the population of these groups. As figure 12 indicates, if the budget of each programme was distributed equally to their targeted age group,³⁷ the invested amount into vulnerable groups seems to start low in early childhood, then increases during school age before dropping for people throughout their working life and then starkly increasing after the age of 50 – the inverse path of the age distribution of the population.

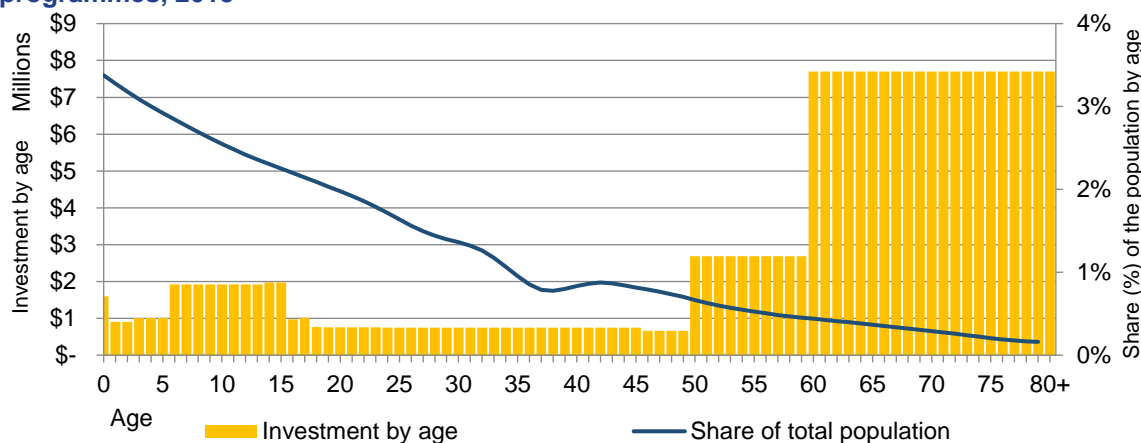
The absorption of resources by older persons is mainly driven by the programmes for veterans. Even if the veterans' schemes are ignored (figure 16), the concentration of investment on older persons and children of school age is in stark contrast with the investment in children before school age and the working-age population. Per capita investment for children per year is the

³⁷ This assumes an equal distribution of the budget for each year for each targeted age group of any given programme.

lowest among the three age groups: \$44.68 per child from birth to age 17, \$53.03 per person of working age and \$483.73 per person aged 60 or older.

It might be understandable that per capita investment on older citizens is greater than for children or the working-age population. At old age, people tend to have lost much of their labour capacity, which hinders their earning potential, and thus, they require more support for income security. Old-age pensions not only cover basic needs for older persons but they represent compensation for the work these individuals did for the country throughout their life. And pensions to older persons prevent care needs from becoming a burden to families. Intra-household transfers are not concentrated on older persons but make resources available for the household, including for children.

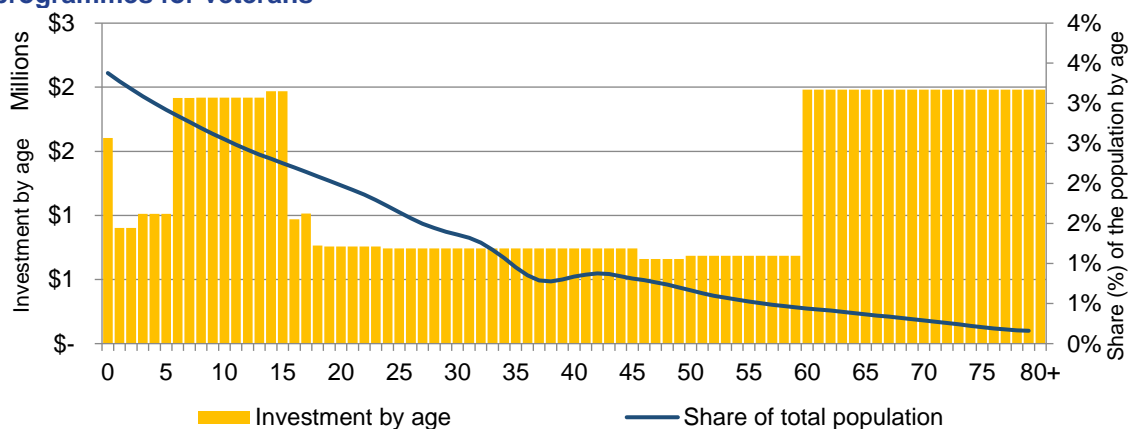
Figure 15 Social protection investment distribution, by age of target group for veterans' programmes, 2015



Source: Specialized technical groups, Ministry of Health, Ministry of Education, Ministry of Agriculture and Fishing, Ministry of Justice, Ministry of Social Solidarity and SEPFPOE.

In contrast, per capita investment of the veterans' pension is \$2,090, more than 46 times what is allocated for each child. These are only rough estimates, because programmes do not have the same number of beneficiaries in each age covered and beneficiaries have different costs for each programme.

Figure 16 Social protection investment distribution, by age of target group, exclusive of programmes for veterans



Source: Specialized technical groups, Ministry of Health, Ministry of Education, Ministry of Agriculture and Fishing, Ministry of Justice, Ministry of Social Solidarity and SEPFPOE.

Scientific evaluation reveals that investments in early childhood yield higher returns throughout a person's life, especially investments during the first 1,000 days of life when the mind and body of children go through the most critical stage of their development.³⁸ Investments at early ages facilitate the full-potential growth of children due to good nutrition, improve the return on education and health investments and ultimately lead to more productive and healthy adults.

Investing in children will yield greater returns to the country's development in the medium and long terms. Although the Government's investments in social protection heavily concentrate on older citizens, they are not to blame for the low investment in children. Excluding the veterans' pension, the amount invested by the Government for older persons is slightly more than \$1.30 per capita per day, with the social pension responsible for most of it (\$1 per capita per day). But that is not enough to even reach the national poverty line. Certainly, reducing investments for older persons is not the solution to providing the needed attention and resources for children.

The next section analyses the policies and programmes within the four minimum guarantees proposed by the social protection floor: access to essential health services and basic income security at all stages of life (childhood, working age and old age). It explains in more detail how the social protection system is structured, including the main risks and human development constraints faced by the population, how the programmes respond to these situations and what are the gaps and implementation problems.

Summary of findings

- The commitment of the Government of Timor-Leste to human development is explicit in the country's Constitution, which states that all citizens have the right to social assistance, social security, health and education. The guarantee of these rights was translated into a series of social protection programmes and significant public investment.
- The focus of investment has been to promote social cohesion and peace, with poverty reduction initiatives receiving relatively less attention and budget.
- The 26 social protection programmes that make up the social protection system are diverse, using a range of methods to achieve broad set of development objectives, from preventing vulnerability (with regular universal cash transfers), mitigating shocks (with humanitarian and disaster response) and supporting human development and access to essential services (through health and education assistance programmes).
- The reach and coverage of programmes vary widely. Universal and rights-based programmes have higher coverage rates.
- Most benefits are cash based. Programmes with smaller coverage or target groups often use one-time or lump-sum payments, while regular cash transfers are a characteristic of larger programmes. Direct service provision is also a common type of benefit, although service delivery is often limited to administrative posts and municipality centres. The populations of more distant *sucos* and villages do not have easy access to these services.
- The benefit levels of regular cash transfers reflect stark contrasts. Programmes with broader coverage or target groups (Bolsa da Mãe and SAII) offer low benefit levels, which limit their impact on the livelihoods of beneficiaries. Programmes targeting veterans deliver immensely generous benefits, many times greater than other transfers.

³⁸ Heckman, 2015.

- Investment in social protection represents a significant share of government expenditure. However, programmes for veterans consume more than 50 per cent of that total investment in social protection. In the scenario of shrinking fiscal space, the dominance of a veteran-related budget results in additional pressure on other social protection budgets.
- From the perspective of age groups, older individuals receive greater per capita investment than children or working-age adults. This is not a reflection of excessive expenditure on older persons but a result of insufficient investment in other age groups.
- The increasing concentration of public investment in infrastructure while social sector budgets are reduced reflects a changing priority for the Government towards creating physical assets, at the cost of human development, including social protection.

Access to health care

Public health care services in Timor-Leste are free for all citizens and guaranteed as a right in the Constitution.³⁹ There has been considerable progress in health outcomes over the past years. Life expectancy at birth increased from 60.2 years in 2001 to 68.2 in 2014, an improvement of more than six months per year.⁴⁰

Even though public health care services are free for all citizens, many variables hinder the achievement of universal health care coverage. The first obstacle is the limited health infrastructure, which is composed of 280 health posts, 68 Community Health Centres, 43 Maternity Clinics and only six hospitals.⁴¹ This results in an average of 36 minutes to reach a health facility – 52 minutes in rural areas – a route usually made by walking (for 78.6 per cent of the population). The lack of ambulances and in some cases the lack of roads is a serious issue for isolated communities needing medical care.⁴²

Another issue is the shortage of qualified human resources. This is changing due to heavy investment in the training of doctors. There are now more doctors in Timor-Leste than the minimum recommended by the World Health Organization (WHO).⁴³ In 2014, there were 0.8 doctors per 1,000 people, which was a jump up from 0.3 in 2007. However, the number of non-doctor direct service delivery staff – nurses and midwives – remains below the international minimum standards of three nurses or midwives per 1,000 people. There were 1.4 nurses and midwives per 1,000 people in 2014, up from 0.9 in 2007.

The distribution of the medical staff is not equal either. Some regions have a surplus of human resources for health care while others barely have any. For some specific issues, such as mental health, the number of trained professionals in the country can be counted on one hand – there were only 0.26 psychiatrists working in mental health per 100,000 people in 2011. Patients in need of such care have few options; even at the few clinics that offer treatment, there are few encounters with the doctor. The lack of medical equipment and medicine is a frequent issue, especially for health clinics in remote *sucos*, despite significant non-salary pharmaceutical and supplies expenditure (31 per cent in 2015). This situation underscores issues of distribution and inefficiencies.

³⁹ Government of Timor-Leste, 2002, Article 57.

⁴⁰ UNDP, 2016.

⁴¹ Ministry of Health, 2017.

⁴² UNDP, 2016; Ministry of Health, 2011; Ministry of Finance, 2011a.

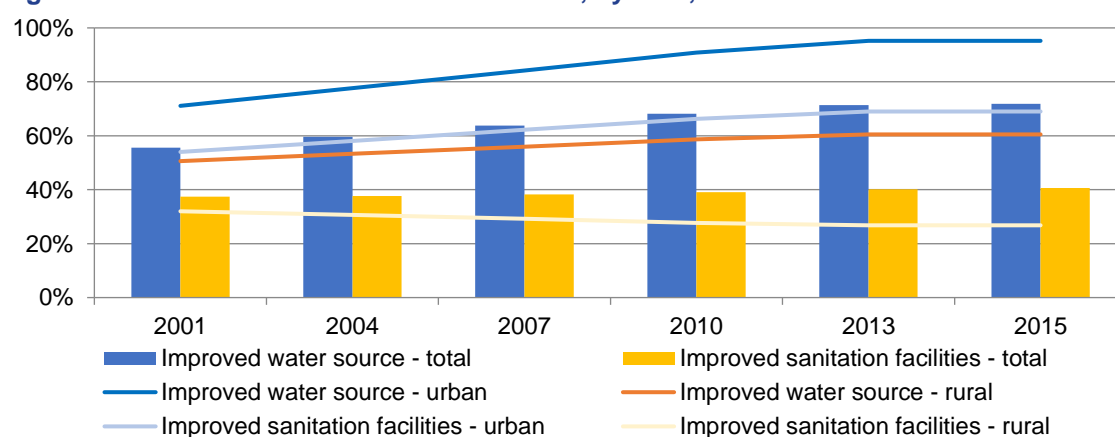
⁴³ The WHO recommends a doctor density of 0.55 doctors per 1,000 people and non-doctor service delivery staff of 1.73 per 1,000 people.

Even with the limitations of the present health system, out-of-pocket payments for health care represent only a small fraction of the total health expenditure in the country, with government expenditure representing 91.7 per cent of total health expenditure in 2013.⁴⁴ The low out-of-pocket expenditure should not be understood as if most health care demand is covered by public services. Rather, it is likely an indication that needs are going unmet. Given the access complications and the lack of private health care services outside Dili, the low out-of-pocket expenditure may mean that people do not have any access to health services, even if they are able and willing to spend money on them.

Another issue is that the use of traditional treatments is widespread in the country, which in many situations replaces modern medicine and prevents patients from receiving proper medical care. This is the result of little knowledge within the population on health or on what habits are harmful or positive, leaving many behavioural traits to be determined by folklore and ancient beliefs. Data from 2011 indicate that among individuals with severe illness, 5.1 per cent and 11.5 per cent received traditional treatments in urban and rural areas, respectively.⁴⁵ There is no record on less serious cases, but even for severe health issues, the numbers are most likely under-reported; and expenses on these services are not counted as out-of-pocket health expenditure.

Other issues that increase health risks are the low rates of access to safe water and sanitation in the country. Improved water sources and sanitation can prevent several diseases, from diarrhoea to cholera, and access to these essential services is significantly associated with lower rates of malnutrition for children younger than 5 years. Rural communities are at much larger risk than urban areas (figure 18). There has been progress in the expansion of safe water and sanitation since independence, although as of 2010 it seems to have stagnated, at around 70 per cent and 40 per cent, respectively.⁴⁶

Figure 17 Access to safe water and sanitation, by area, 2001–15



Source: WHO/UNICEF JMP, database for water supply, sanitation and hygiene, <http://www.wssinfo.org/> (accessed 20 June 2018).

The poor access to health services has had adverse effects on people’s well-being, allowing preventable and treatable health problems to persist in causing harm. The more vulnerable groups, namely children, pregnant women and older persons, are more exposed to health risks. The poor quality of health services can jeopardize their well-being – permanently in some cases.

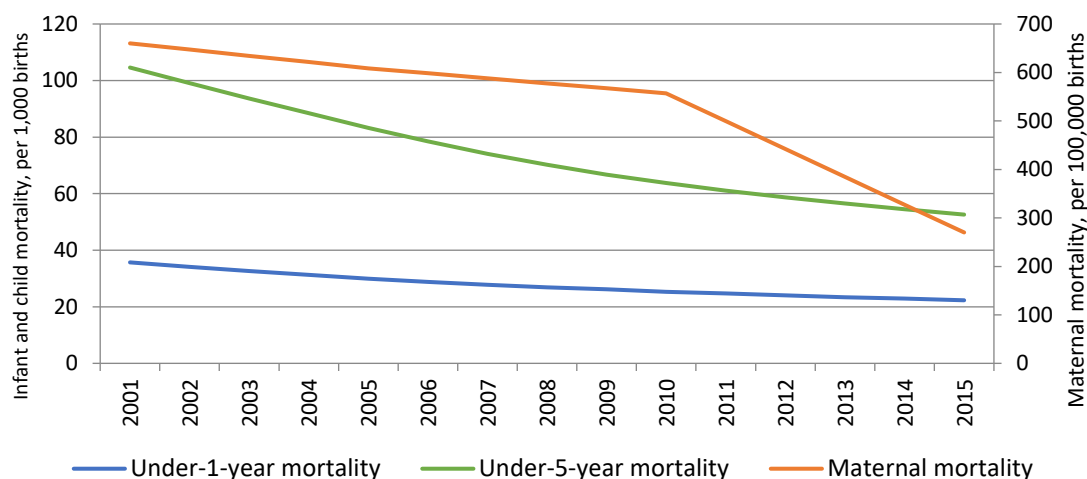
⁴⁴ World Bank, 2016b; WHO, 2017; Ministry of Health, 2011.

⁴⁵ At the national poverty line, based on the Household Expenditure and Income Survey 2011 (Ministry of Finance, 2011a).

⁴⁶ Ministry of Health, 2015b; WHO/UNICEF JMP, database for water supply, sanitation and hygiene, <http://www.wssinfo.org/> (accessed 20 June 2018).

Maternal mortality and mortality among children younger than 5 years have been in a decreasing trend since independence. The pace of child mortality reduction (for children younger than 5 years) has been somewhat steady over the years (figure 19), but infant mortality (from birth to 12 months) has not progressed as fast. Maternal mortality remained almost constant between 2001 and 2010, with 660 and 557 maternal deaths per 100,000 births, respectively. But it dropped quickly to 270 maternal deaths per 100,000 births in 2015. Women and girls in rural areas have more difficulty in accessing sexual and reproductive health services, particularly skilled care at birth, antenatal and postnatal care and family planning, which in turn hinders the decrease of maternal and child mortalities.⁴⁷

Figure 18 Infant and child mortality (per 1,000 live births) and maternal mortality (per 100,000 births), 2001–15



Source: United Nations Interagency Group for Child Mortality estimation, <http://www.childmortality.org/> (accessed 20 June 2018).

Even with these somewhat positive trends, improving access to sexual and reproductive health care remains a critical issue. The number of deliveries accompanied by a health professional has been increasing over the past few years, from 49.3 per cent in 2010 to 63 per cent in 2015. But only 22 per cent of deliveries took place in a health facility in 2015. Reaching all pregnant women with antenatal and postnatal care also remains a challenge, despite advances (figure 20). Issues that range from the lack of health infrastructure, lack of transportation to a health centre, the use of traditional medicine and the lack of understanding of the benefits of medical care during and after pregnancy work against the improvement of these indicators. In 2015, almost one in four women (23.4 per cent) did not receive any professional antenatal care, barely half (50.9 per cent) received antenatal care at least four times and only 48 per cent received postnatal care.⁴⁸

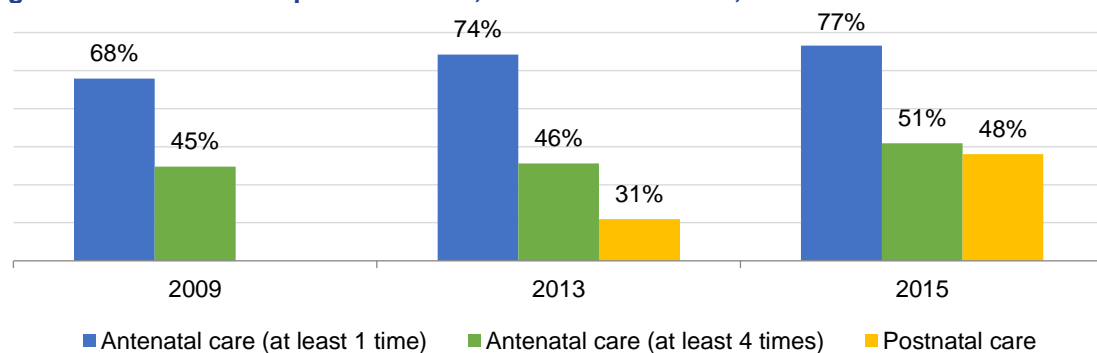
Maternal risk is decreasing, although the birth rate remains high, with a lifetime average of 5.7 births per woman and starting at a young age. The median age at first birth is 22.1 years. But in 2015, 14 per cent of women reported giving birth before the age of 18. The adolescent birth rate, as of 2013, was 52.2 births per 1,000 girls aged 15–19. Of them, 47.9 per cent left school because of the pregnancy. Family planning is still not a common practice among the Timorese; although there have been improvements in recent years. About one third of married women (31.5 per cent) had an unmet need for family planning in 2010; only 42 per cent reported having their needs met.

⁴⁷ Government of Timor-Leste, 2014; UNDP, 2016; CEDAW Committee, 2015.

⁴⁸ Ministry of Health, 2011; Government of Timor-Leste, 2014; Ministry of Health, 2015a; Ministry of Health, 2014a.

The use of contraception among women aged 15–49 has increased, from 6.6 per cent in 2001 to 21.1 per cent in 2010, when the trend began to stagnate. It remained at 22 per cent in 2015.⁴⁹

Figure 19 Antenatal and postnatal care, as a share of births, 2009–15



Source: Government of Timor-Leste, 2014; and Ministry of Health, 2015a.

Perhaps the most serious health issue in the country is malnutrition. By WHO standards, it is a critical public health problem. Undernutrition is the greatest contributor to premature death and disability in Timor-Leste, particularly for infants and new mothers.⁵⁰ Proper nutrition is crucial for the well-being of individuals of all ages and, as previously noted, is not a problem restricted to poor households. Malnutrition impacts not only the overall health of a person, making them more susceptible to disease and substantially reducing their quality of life, it also hinders individual productivity by reducing cognitive and physical responses. Since independence, there has been considerable progress to improve the nutrition conditions in the country. Still, one in four Timorese are undernourished.

Malnutrition in the early stages of life produces lifelong consequences. The nutrition situation of children has not shown progress in the overall population. Inadequate nutrition of children reduces their chances of survival and their school performance and holds back their physical and cognitive growth and development. As children develop their cognitive and non-cognitive skills in their first years of life, the effects of deprivations can produce long-lasting and compounding consequences.

Improving the development of children in the early ages can improve their schooling achievement, job performance and social behaviours long after interventions have ceased. The rates of return on investment in early childhood programmes are higher if started before birth and decline for interventions at older ages.⁵¹ Preventing malnutrition in the first 1,000 days of life has proven to produce the largest benefits for the development of children. Timor-Leste has shown some advances in the share of babies exclusively breastfed during their first six months of life, rising from 44 per cent in 2002 to 73 per cent in 2015.⁵² But the prevalence of stunting, wasting and underweight has not changed much from 2002 to the latest data available (at the time of the ABND, which was 2013, as shown in figure 21). And some indicators seem to be getting worse.

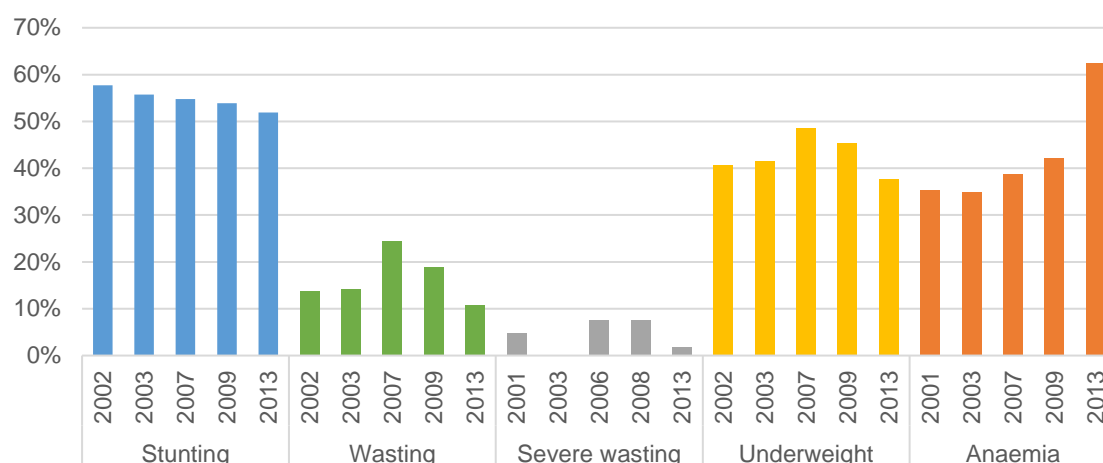
⁴⁹ Ministry of Finance, 2013; UNDP, 2016; World Bank, 2005; Ministry of Health, 2004; Ministry of Finance, 2008; Ministry of Health, 2010.

⁵⁰ Provo, et al., 2016.

⁵¹ See Heckman, 2015 and related papers for more details.

⁵² Ministry of Health, 2004, 2010 and 2011.

Figure 21 Malnutrition indicators in Timor-Leste, as a share of child population younger than 5 years, 2002–13



Note: Malnutrition indicators definition: Stunting is the height deficit for the age of the child. It represents prolonged lack of adequate nutrition and chronic malnourishment (below two standard deviations from median height-for-age reference); Wasting – Weight deficit for the height of the child. It represents failure to receive adequate nutrition in the period immediately preceding measurement and are acutely malnourished; it may be the result of inadequate food intake or a recent episode of illness (below two standard deviations from median weight-for-height reference); Severe wasting – same as wasting, but weight deficit is higher (below three standard deviations from median weight-for-height reference); Underweight – Weight deficit for the age of the child. It represents a composite measure of height-for-age and weight-for-height, and takes into account both acute and chronic malnutrition (below two standard deviations from median weight-for-age reference); Anaemia – Low concentration of haemoglobin in the blood of the child. It represents (for nutritional anaemia) deficiency intake of iron, and to lesser extent, deficiencies in folate, vitamins B and B12 and certain trace elements involved with red blood cell production (Ministry of Health, 2010).

Source: World Bank, 2005; Ministry of Health, 2004, 2010, 2011, 2015b and 2015d; Ministry of Finance, 2008 and 2013.

Despite the diverse programmes to tackle child malnutrition, more than half of children younger than 5 years suffer from stunting (at 51.9 per cent), with 20.4 per cent prevalence of severe stunting. The situation is slightly worse for boys than girls, at 53.1 per cent and 47.2 per cent respectively. Children living in rural areas have a greater chance of stunting (at 54.5 per cent) than their urban peers (at 38.9 per cent). Interestingly, almost two of every five children (39.1 per cent) in families in the richest quintile of the population suffer from malnutrition, albeit a lower rate than children from the poorest quintile (at 59.3 per cent). The data only underscore that low income is not the only factor that leads to malnutrition. Evidence indicates that the higher prevalence of malnutrition in poorer households is a partial proxy for poor education and housing conditions of the family (such as access to safe water and sanitation).⁵³

About 11 per cent of children show signs of wasting. And boys appear more affected than girls (at 12.9 per cent and 9 per cent, respectively). The problem seems to worsen as children age, with children younger than 6 months at less than half (4.5 per cent) the prevalence of children aged 6 months (at 12.7 per cent). But unlike the picture for stunting, wasting is more prevalent in urban areas, at 14.3 per cent, than in rural areas, at 9.8 per cent.⁵⁴

Underweight children are a result of both stunting and wasting. This affects 37.7 per cent of Timorese children, with 10.1 per cent severely underweight. Like wasting, the prevalence of underweight increases with age, rising from 7.6 per cent of children younger than 6 months to almost half (49.4 per cent) of children aged 36 months or older. The rates are higher among poorer families and in the rural areas than richer families and urban areas.

⁵³ Ministry of Health, 2015b.

⁵⁴ Ibid.

In addition, anaemia has reached an epidemic level but is getting worse. In 2013, 62.5 per cent of children suffered from anaemia, almost double the 2003 rate of 35 per cent.⁵⁵

The nutritional problems of children can begin before birth because a mother's nutritional status during pregnancy is vital for the baby's development and to prevent maternal mortality. About one third of child mortality in Timor-Leste is related to malnutrition of either the mother or the child. Often Timorese women suffer from malnutrition and micronutrient deficiency, a situation that worsens during pregnancy. One in four (24.8 per cent) of non-pregnant mothers of children younger than 5 years have thinness, with 2.7 per cent showing severe thinness. About one quarter (27.2 per cent) of Timorese women have a body mass index of less than 18.5. The body mass index situation is worse for girls aged 15–19 years, at 33.4 per cent. About one third of women (35 per cent) have at least one indicator of iron deficiency,⁵⁶ although the prevalence of anaemia among women in reproductive age has been decreasing steadily since 2001, from 32.7 per cent of the population to 22.5 per cent in 2011. The situation is similar for pregnant women, although slightly more frequent, with a prevalence of 24.1 per cent.⁵⁷

The reasons for such high levels of malnutrition go beyond the availability of enough food. The causes are diverse and multi-layered. Direct causes, such as insufficient nutrient intake and disease, are frequent and severe, combined with the indirect causes, such as poor hygiene, feeding practices, women's status and health and everyone's access to health services.⁵⁸ Many individuals frequently do not have adequate calorie intake. And 20.8 per cent of children do not have the recommended minimum number of meals per day for their age. Lack of dietary diversity is also a frequent issue for Timorese children's nutrition. Only 27.5 per cent of children aged 6–23 months have the recommended minimum dietary diversity, with older children showing a better yet still concerning rate, at 40.6 per cent.⁵⁹

The situation is also the result of long-term food insecurity throughout the country. Different municipalities have different levels of food security (figure 22) due to income differences, agricultural practices, weather patterns and economic activities. Dili has the smallest share of the population who have food shortage at some point during the year, at 10 per cent in 2011, while in Baucau and Aileu, more than half of the population experiences food insecurity.⁶⁰ Animal products have limited demand and production, with animals often used as tradable goods and not as a source of nutrition. And even when food is available, households tend to prefer to secure the stable supply of staple food and will often sell nutrient-rich foods grown so that they can buy rice.⁶¹

The incidence of disease can take a heavy toll on a person's nutritional status. The Timor-Leste Food and Nutrition Survey 2013 found that 47.7 per cent of children younger than 1 year had suffered from illness in the two weeks prior to the survey interview, with diarrhoea, fever, fever with cough and acute respiratory infection affecting a significant portion of them.⁶² In those reported cases of diarrhoea, only 23.8 per cent of the children received proper feeding during the illness, and only a few of them received appropriate treatment. Mothers often regard diarrhoea as a natural occurrence – only 50 per cent of them reported that they would immediately take a

⁵⁵ Ministry of Health, 2015b.

⁵⁶ For example, prevalence of 16 per cent for iron deficiency anaemia and 27 per cent for iodine deficiency.

⁵⁷ Ministry of Health, 2014a; Ministry of Finance 2013; WHO Timor-Leste, 2016a.

⁵⁸ See Provo et al., 2016.

⁵⁹ Ministry of Health, 2015b.

⁶⁰ Data by municipality is not statistically significant, however the sample can offer a rough indication of reality (Ministry of Finance, 2011a).

⁶¹ Provo et al., 2016.

⁶² The incidence of these illnesses reported is 16.7 per cent for diarrhoea; 32.6 per cent for fever; 37 per cent for fever with cough; and 9.3 per cent for acute respiratory infection (Ministry of Health, 2015b).

child to a health clinic. The frequent occurrence of diarrhoea exposes children to higher risk of stunting.

Figure 22 Food insecurity, by municipality, as a share of the population, 2011



Source: Ministry of Finance, 2011a.

Access to safe water and proper sanitation is not universal, as already noted. That situation combined with poor hygiene habits add to low nutrient absorption and increases the incidence of diseases. Open defecation is still a reality for more than one quarter (26.1 per cent) of the population, despite advances from 2001, when 46 per cent of the population had the habit.⁶³ Simple hygiene practices, such as washing hands, are also frequently neglected due to not perceiving their importance (only 35 per cent of individuals reported it is important to wash hands before feeding an infant or baby in the 2013 Food and Nutrition Survey⁶⁴) or due to lack of necessary conditions, such as having a safe water supply.

Other factors related to society norms and culture also influence nutrition in Timor-Leste. The physical and mental health of women, resulting from stress, disempowerment and neglect for their well-being can impact nutrient absorption and harm caregiving practices. Additionally, pregnancy at early ages, low access to contraception and high fertility rates are risk factors for anaemia and low birth weight, which are elements that contribute to intergenerational malnutrition.

Difficult access to health services and poor quality of public health services further limit preventive actions and treatment.⁶⁵

The nutritional landscape is a serious threat for the future of the country's development. A malnourished work force and declining oil revenues can lead to a difficult economic scenario if no advances are made urgently.

The number of children in such conditions means that the future labour force of Timor-Leste will be less productive than if they had a better nutritional status. It will also continue, slowing down growth, creating generations of adults with greater propensity for developing chronic disease and

⁶³ WHO/UNICEF JMP, database for water supply, sanitation and hygiene, <http://www.wssinfo.org/> (accessed 20 June 2018).

⁶⁴ Ministry of Health, 2015b.

⁶⁵ Provo et al., 2016.

helping perpetuate poverty traps. The impacts of malnutrition on economic development reduces non-oil GDP growth by between an estimated one and two percentage points per year, which represents around one quarter of the 8 per cent annual growth projected by the Government. This loss is based on the present value of lives lost due to nutrition issues and loss of productivity of today's and future workers and could be avoided.⁶⁶

A population with poor nutrition status is more vulnerable to both communicable and non-communicable diseases. Non-communicable diseases already cause 44 per cent of the preventable deaths in the country. As the population ages, this is likely to worsen. In 2014, 72.8 per cent of people older than 18 years had one or two of the risk factors that predict cardiovascular diseases, and 19.4 per cent had more than three risk factors, placing almost every person in the country under risk. These diseases require constant care and usually long-term use of medication to avoid aggravation and symptoms, potentially placing a burden on families' budgets and hindering individual autonomy.⁶⁷

As for communicable diseases, the country has made considerable progress, especially in reducing the incidence of tropical illnesses. In 2001, there were 113 cases of malaria per 1,000 people, which was reduced to less than 0.1 cases per 1,000 habitants in 2015. Dengue cases dropped from 780 cases per 1,000 habitants in 2001 to 0.6 cases in 2015. Tuberculosis incidence remained roughly constant during the 2000s, but it dropped from 498 cases per 100,000 habitants in 2009 to 323 in 2015. HIV, however, is spreading steadily. The first case was identified in 2003, and in 2015, there were 539 cases registered. Of them, around 60 per cent were individuals aged 25–44 years at the time of diagnosis.⁶⁸

According to several government institutions, some aspects of the Timorese culture negatively influence the take up of healthy habits. Disregard to road safety, such as the use of seatbelts, results in nearly half (49.6 per cent) of the persons involved in a traffic accident experiencing a severe injury. Smoking is popular, especially among the older population, at 63.1 per cent of persons aged 45–69 and 43 per cent of persons aged 18–44. Around 75 per cent of smokers consume more than ten cigarettes a day. Alcohol is consumed by 28.6 per cent of adults, and consumption is frequent – 45.5 per cent of persons who drink do it more than three times per week. The use of narcotics is also reported to be increasing, especially among the youth, but no data were available at the time of the ABND. The combination of these habits and their long-term health consequences is a threat to the financial sustainability of the country's health system. As the population ages, these habits will start to take their toll and increase the need for medical attention, consequently increasing the pressure on the health infrastructure and budget.⁶⁹

Summary of findings

- The national health system is free and universal but hobbled by many constraints, such as a limited number and distribution of health facilities, shortages of medical staff (in particular non-doctor staff) and lack of medical supplies, equipment and medicines. These factors create barriers to accessing to essential health services and compromise the quality of the services provided.

⁶⁶ Current workers lose work performance due to anemia, and more frequent incidence of diseases due to lack of different micronutrients. Future productivity is lost due to cognitive and physical development deficits from malnourishment during childhood (Ministry of Health, 2014b).

⁶⁷ WHO Timor-Leste, 2014 and 2016b.

⁶⁸ Government of Timor-Leste, 2014 and 2015; Ministry of Health, 2015a.

⁶⁹ WHO/UNICEF JMP, database for water supply, sanitation and hygiene, <http://www.wssinfo.org/> (accessed 20 June 2018); WHO Timor-Leste, 2014.

- The low level of out-of-pocket expenditure on health in the country is likely related to issues of supply of medical services (especially outside Dili) and low demand.
- Access to safe water and sanitation is not available for all Timorese. This increases the risk of many preventable diseases and is highly correlated with malnutrition among children younger than 5 years. Rural areas show slower progress and lower coverage rates than urban areas.
- Maternal and child mortality (younger than 5 years) has reduced significantly since independence. Infant mortality (birth to 12 months), however, has a much slower pace of reduction.
- Access to sexual and reproductive health services is limited, including delivery of babies in health facilities, antenatal and postnatal care and family planning services.
- Malnutrition, in all its forms, stands out as a health emergency in Timor-Leste. Malnutrition is the single-largest contributor to maternal and infant mortality and is a threat to the long-term development of the country.
- The high incidence of all issues related to malnutrition, particularly stunting, underweight and anaemia, are the result of a combination of many factors, including insufficient food diversity and nutrient intake, long-term food insecurity, inadequate caretaking and feeding habits, frequent and severe incidence of disease (especially diarrhoea), poor hygiene, women's status and health and difficult access to health services.
- Good progress has been achieved in reducing the incidence of communicable diseases, such as malaria. Non-communicable disease incidence, such as cardiovascular issues and diabetes, is rapidly rising.

Existing programmes

This next section covers only programmes dedicated to the direct provision of services (public health facilities) and programmes for the outreach of services to communities and families. Programmes regarding the specific health issues and conditions are not covered in this report.

National health care system

Programme description	Health services are free for all citizens in public health care facilities. Currently, there are six hospitals, 280 health posts, 68 community health centres and 43 maternities in Timor-Leste, which are operated by 1,535 regular staff health professionals (including doctors, nurses and midwives).
Implementing institution	Ministry of Health
Target group	All Timorese citizens
Benefits	Basic, specialized and emergency health care services, including medicine provision and physical and laboratory examination
Payment/delivery mechanism	The service is offered in six hospitals, 280 health posts, 68 community health centres and 43 maternities, community care programmes and through 144 ambulances.
Financing	Source - General State Budget Budget 2015: \$33,945,000⁷⁰
Coverage	Universal

⁷⁰ This is the total of the budgets allocated to hospitals, municipal health services, laboratories and direct service delivery units.

Integrated Community Health Service Programme (Serviço Integrado de Saúde Comunitária, or SISCA)

Programme description	The programme aims to bring essential health care services closer to communities through a basic package that is offered monthly in each <i>suco</i> . The services are organized as a health fair, in which visitors can access different types of care services in a single location that is closer than the nearest health centre or hospital.
Implementing institution	Ministry of Health – Municipal health services
Legal basis	There is no specific legislation to regulate the programme. Its operation is based on ministerial orders, the Organic Law of the VI Constitutional Government and the National Strategy of the Health Sector 2011–2030.
Target group	All the residents of visited communities, with special attention to children younger than 5 years, pregnant women, adolescents of reproductive age, older persons and people with disabilities.
Benefits	The delivery programme provides the following services to communities: (i) general health care, including medical consultations, and health and hygiene education; (ii) care for children, including birth registration, nutritional assessment and education for parents on healthy practices; and (iii) maternal care, including nutritional assessment, treatment and education in primary health care.
Payment/delivery mechanism	Every month, a team from the nearest health centre or hospital sets up a provisory structure (tent) in a central region of each <i>suco</i> and serves the population the whole day.
Financing	The programme does not have a specific budget. ⁷¹
Coverage	Beneficiaries (2015) – 812,870 , or 68.6% of total population ⁷²

Health in the Family

Programme description	To extend the reach of health services, the programme team makes home visits to assess the conditions of each family and respective risk factors and to provide basic preventive and curative care. The service has a strong educational component and aims to contribute to the construction of a single registry database for health care at all levels.
Implementing institution	Ministry of Health – municipal health services
Legal basis	There is no specific legislation to regulate the programme. Its operationalization is based on ministerial orders, the Organic Law of the VI Constitutional Government and the National Strategy for the Health Sector 2011–2030.
Target group	All Timorese families, especially those in isolated locations
Benefits	The programme provides the following services: (i) home medical visits; (ii) delivery of medicine and dietary supplements, according to patients' needs; and (iii) information on the personal health of each family member and on healthy habits and disease prevention.

⁷¹ Each health centre or hospital is responsible for several *sucos* and villages in its area, using its operational budget.

⁷² Based on the results of the Population and Housing Census 2015.

Payment/delivery mechanism	Home visits by a team of health professionals
Financing	The programme does not have a specific budget.
Coverage	Individuals visited (2017) – 1,010,000, or 81.3% of total population ⁷³

Vulnerable Patients

Programme description	The programme provides financial support to families of vulnerable patients so that family members can accompany the patient during the period of hospitalization (when the patient and family do not live in the same place as the health care facility). The support aims to avoid excessive spending by vulnerable families to accompany the patient during treatment or in cases of terminal illness.
Implementing institution	Ministry of Social Solidarity – National Directorate of Social Development – Department for Protection of Women Victims and Integration of Vulnerable Families
Legal basis	There is no specific legislation to regulate the programme. Its operationalization is based on ministerial orders, Article 56 of the Constitution, the VI Constitutional Government Programme, the Organic Law of the MSS and the Long-Term Plan of the MSS, 2011–2030.
Target group	Vulnerable patients who are evacuated to referral hospitals and their respective families
Benefits	The programme provides a set of cash benefits, depending on the patient's situation: <ul style="list-style-type: none"> (i) Daily cash benefits, in the amount of \$4.50, for the family member accompanying the patient, for a maximum period of 12 days. (ii) Lump-sum cash benefit of \$10 for patients who need to acquire clothing, (who had their clothing destroyed during the care process). (iii) Lump-sum cash benefit, in the amount of \$100, to support adequate patient feeding when the patient leaves the hospital. (iv) Lump-sum cash benefit, up to \$14, to support transportation of the patient and family to return to their place of residence. (v) Monthly monetary benefit, in the amount of \$30, for terminally ill patients from vulnerable families, until their death.
Payment/delivery mechanism	Payments are made directly to patients or their families by a social worker.
Financing	Source – General State Budget Budget (2015): \$25,000
Coverage	Beneficiary patients (2015) – 400, or nearly 1.7% ⁷⁴ of total hospitalized individuals Beneficiary families (2015) – 200, or nearly 0.1% of total households

Health Care for National Liberation Combatants

Programme description	The programme finances medical treatment abroad for national liberation combatants (in Indonesia, Malaysia and Singapore) for cases that cannot be treated in Timor-Leste.
Implementing institution	Ministry of Social Solidarity – National Directorate of National Liberation Combatants Affairs – Department of Programmes
Legal basis	There is no specific legislation to regulate the programme. Its operationalization is based on ministerial orders and the National Liberation Combatants' Statute.

⁷³ *ibid.* The number of individuals shown is the number of individuals visited since the start of the programme in 2015. There were no data available for any individual year.

⁷⁴ Based on the number of patients released (Ministry of Health, 2017).

Target group	National liberation combatants
Benefits	Payment of the costs of health care provided abroad
Financing	Source – General State Budget Budget (2016): \$750,000
Coverage	Beneficiaries (2015) – 52 , or 0% ⁷⁵ of total population

Summary of health programmes

Programme	Target group	Coverage	Cost per capita
1. Universal health care system	All Timorese citizens	Universal	N.A.
2. SISCA	All Timorese citizens	812,870 beneficiaries , or 68.6% of total population	N.A.
3. Health in the Family	All Timorese citizens	89,241 families , or 43.6% of total households	N.A.
4. Vulnerable Patients	Vulnerable patients who are evacuated to referral hospitals and their families	400 beneficiaries , or nearly 1.7% of targeted population	\$62.50 per beneficiary
5. Health Care for National Liberation Combatants	National liberation combatants	52 beneficiaries , or 0% of total population	\$14,423 per beneficiary

Policy gaps and implementation issues

Legal basis	Several programmes operate based only on ministerial orders, failing to ensure their long-term continuity or the establishment of rights to beneficiaries.
Accessibility to public health services	Despite improvements in health infrastructure and outreach programmes, access to health facilities remains a challenge for a significant portion of the population. Lack of access is not only due to the lack of health facilities. The number of ambulances and, in many cases, lack of means for communication with medical services still leave many people without effective access to health care. Efforts to improve accessibility that can improve demand for health services should be matched, or preceded, by efforts to improve service availability and quality.
Service and benefit quality	Several programmes face problems to ensure the quality of the services or the in-kind benefits delivered, which results in failures in provision of these policies. Intermittent or unreliable service provision in public health facilities and lack of human resources, medical supplies and medicine are key issues leading to poor service delivery.
Specialized services	There is an insufficient supply of specialized health care services for certain types of diseases (such as mental illness) or vulnerable groups (such as older persons and people with disabilities). There is a lack of human resources and adequate infrastructure.
Budget allocation	The programmes that aim to deliver medical care to communities (SISCA and Health in the Family) do not have adequate budget, which creates failures in the provision and unpredictability of service delivery. The Health Care for National Liberation Combatants Programme features an immensely disproportionate per capita investment.
Monitoring and evaluation mechanisms	Although most programmes have monitoring and evaluation mechanisms in their design, few effectively implement them. This often results in irregular execution or total failure of these instruments, preventing adequate monitoring and evaluation of the programmes.

⁷⁵ Based on the results of the Population and Housing Census 2015.



Recommendations to advance universal access to essential health care

Because recommendations regarding the direct service provisions (such as improve the quality of essential health care services) are covered extensively in the National Health Sector Strategic Plan 2011–2030, this report focuses on access to health services.

Improve accessibility

- Improve the ambulance service, including reduced response time, and improve contact mechanisms.
- Assess the feasibility to refund transportation expenses to medical facilities for people in vulnerable conditions and for emergency situations.
- Assess issues with geographic and regional inequalities regarding availability of medical facilities and medical staff.

Maternal and child health

- Assess the possibility to create incentives (financial or in-kind) for mothers to make prenatal and postnatal visits and to improve the attendance of routine exams for children.
- Coordinate with education services to promote reproductive health and sexual education.

Health care outreach

- Make the SISCA and Health in the Family programmes more regular and predictable, and increase the frequency and range of services offered to communities.
- Integrate, as far as possible, the delivery of health and social services and their databases.

Nutrition

- Develop interministerial coordination between services and cash transfers to improve the programmes' impacts, and improve overall nutrition status.
- Educate families on good nutrition practices during the delivery of benefits, with special attention to pregnant women.

Social protection for children

Situation of children

Children are a vulnerable group in most societies but especially in developing countries. Timor-Leste is a young country – children (younger than 15 years) constitute 39 per cent of the population. And children are overrepresented in poor households – 49 per cent of them live in poverty, which represents around 55 per cent of the total number of poor individuals. The high birth rate makes families poorer, with limited resources spread thin among the numerous family members. The average poor home is composed of 7.8 individuals, and more than 80 per cent of people who are poor live in households with six or more people.⁷⁶ Poverty, alongside its consequences and other issues, such as food insecurity, pushes families to use children as labour in subsistence agriculture or in paid work to help the family income. In 2013, 9 per cent of children aged 10–14 years were working, most in subsistence food production (at 7.4 per cent of girls and 7.7 per cent of boys), while a smaller share was employed in paid work (at 1.8 per cent of girls and 1.4 per cent of boys). Although a significant indicator of child labour, this information was most likely under-reported by families.⁷⁷

The young population represents an enormous potential for economic growth if the country can tap the demographic dividends. But this can only happen if children receive appropriate care and stimulation and thus grow with a good education and health care so that they join the labour force as productive individuals. The need to work from an early age takes children out of school, compromising their education and consequently their future earning potential and productivity. Even though the average years of schooling for the general population is only 4.4 years, the expected years of schooling for children entering school age is 11.7 years, which demonstrates substantial improvement in the educational prospects of recent generations.⁷⁸

Public education in Timor-Leste is free and aims to be universal. After independence, primary school enrolment rates declined. But after the 2006–07 crisis, this trend reverted. Since 2008 (figure 23), both primary and secondary school gross enrolment rates have increased. However, most children do not go to pre-primary school, with little improvement over the past ten years. And high repetition rates amount to enrolment rates far above 100 per cent of the respective age for each grade.

The gross enrolment rates can hide the true number of children not receiving an education. The available data indicate progress in the proportion of children out of school (primary school age). In 2008, 22.5 per cent of all children were not attending school. In 2014, it was only 2.1 per cent, almost reaching universal coverage. These results indicate came accompanied by gender equality, as there are around the same proportion of boys and girls attending primary school. Primary school completion rates are also rising considerably. In 2008, 83.2 per cent of students graduated primary school, which jumped to 98.4 per cent in 2014. A large proportion of children, however, does not attend secondary school. Gross enrolment rates have been rising, but mostly among primary school-age children (figure 23). Net enrolment in secondary school in 2014 was only 57 per cent of children of corresponding age.⁷⁹

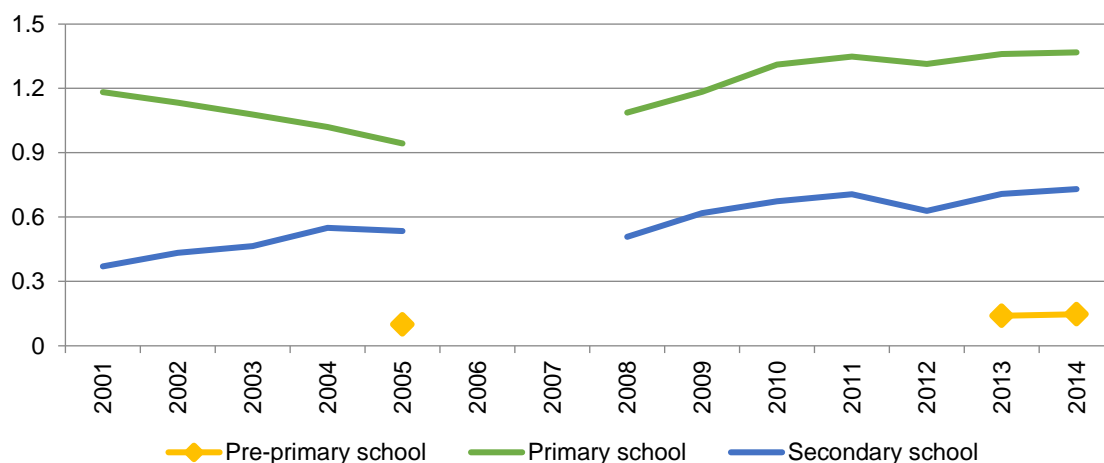
⁷⁶ Ministry of Finance, 2011a, 2014 and 2016e.

⁷⁷ SEFPOPE, 2015.

⁷⁸ UNDP, 2016.

⁷⁹ UNESCO Institute for Statistics, 2017; Ministry of Education, “Education databook”, several years (2010–2015), <http://www.moe.gov.tl/> (accessed 3 July 2018); Government of Timor-Leste, 2015.

Figure 20 Gross school enrolment rate, by education level, 2001–14 (percentage)



Source: UNESCO Institute for Statistics, 2017; Ministry of Education, “Education databook”, several years (2011–2015), <http://www.moe.gov.tl/> (accessed 3 July 2018).

The difference between primary and secondary school enrolment and completion rates is likely affected by different factors. Generally, access to primary school is much easier on average than access to secondary school. For instance, children take, on average, 15 minutes to walk to their primary school, while it takes 42 minutes on average to reach secondary school (20 minutes in urban areas, but 52 minutes walking in rural areas).⁸⁰

The quality of the education is far from ideal as well. Despite many advances in the education sector, both in institutional capacity and outputs, many challenges remain, such as budget constraints, lack of transparency in financial management, management of programmes outside the sphere of education and the quality of the service.⁸¹

A healthy childhood is critical for the development of children. Immunization against preventable diseases is the first step to reduce children’s vulnerability. According to the Ministry of Health, 64 per cent of infants younger than 1 year in 2015 were fully immunized against common childhood diseases, which was a considerable increase from 18 per cent in 2003 and 53 per cent in 2009. Different vaccines have distinct dissemination rates in the population, however. Despite progress since 2002, immunization rates for children younger than 1 year have stagnated at around 70–80 per cent coverage for the past five years (figure 24).⁸²

Another shortfall in child health is the use of deworming pills, which reaches only one in three children. The cost and benefits of deworming were extensively explored in research as one of the cheapest and most effective ways to improve children’s health, nutrition and school attendance. As children get sick less, they do not suffer as many nutritional setbacks and miss fewer classes.

And despite the decrease in incidence of mosquito-borne diseases, fewer than half of children younger than 5 years slept under insecticide treated nets in 2015. HIV infection is slowly spreading among Timorese children. As of 2015, there were 16 cases in the country among children younger than 15 years. But because the disease is spreading among adults, mother-to-child transmission can become an issue without proper preventions put in place.⁸³

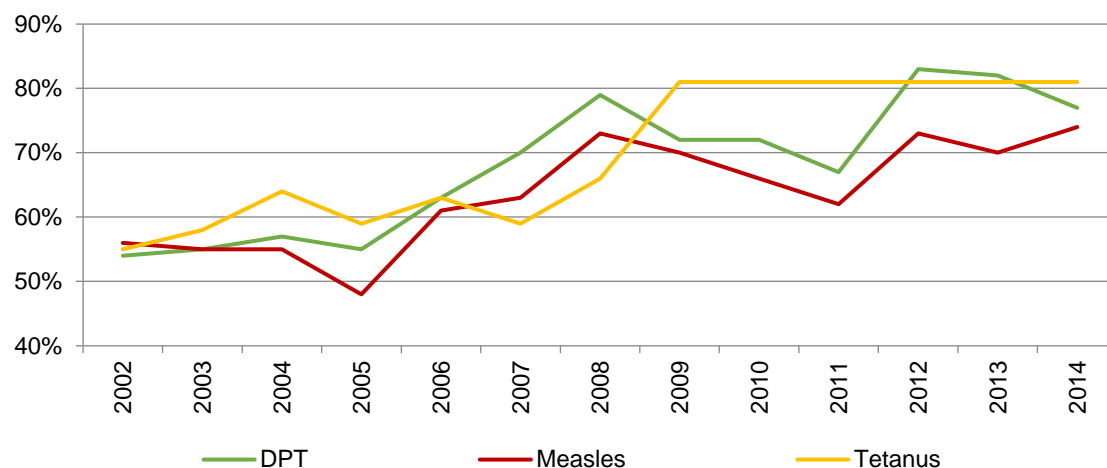
⁸⁰ Ministry of Finance, 2011a.

⁸¹ World Bank, 2013a.

⁸² Ministry of Health, 2015a and 2014a.

⁸³ Ibid.

Figure 21 Immunization rates for children younger than 5 years, by type of vaccine, 2002–14



Source: WHO, Immunization surveillance, assessment and monitoring database, www.who.int/immunization/monitoring_surveillance/data/en/ (accessed 21 June 2018).

As noted in the previous section, a large share of children in Timor-Leste live with poor nutritional conditions, and the data suggest little change with this issue. The high prevalence of stunting, at 51.9 per cent in 2013, and other nutrition issues hinder children’s growth and cognitive development and weakens their immune system. The combination of harmful effects of malnutrition takes its toll in the present and the future of each child. Undernourished kids have higher mortality rates, will grow to be smaller and weaker, have higher risk of chronic diseases and will get sick more often – forcing them to miss school. When malnourished or undernourished children go to school, their learning capacity is diminished due to cognitive impairment, which may impact their future earning potential. Improving the nutrition of children can have deep repercussions on human and economic development in Timor-Leste.

Violence against children is a common occurrence, widely seen as a disciplinary action. It is a part of the larger issue of domestic violence in the country. Beatings with a stick as a “disciplinary” measure by parents and teachers are common practice, with 60 per cent of children reporting being beaten with a stick by parents and 67 per cent by teachers in 2013. Although the Government issued a policy of zero tolerance for corporal punishment by teachers, only 48 per cent of students reported knowing how to get help. There were 169 reported cases of child sexual abuse, neglect, violence and exploitation in 2012. There is high probability this number is under-reported due to the immense taboo associated with sexual abuse in most societies but even more so among the Timorese. About 72 per cent of women and 77 per cent of men reported in 2016 to have suffered physical abuse before age 18; and 24 per cent and 42 per cent, respectively, reported having been sexually abused. Early marriage is another common practice. Almost one in five (18 per cent) girls is married before the age of 18, and one in four gives birth before her 20th birthday. These girls typically drop out of school and have much greater chance of complications during pregnancy. Although the Convention on the Rights of the Child, which Timor-Leste has ratified, states that boys and girls should not be allowed to marry before the age of 18, the law here permits marriage after a child’s 15th birthday, with parental consent.⁸⁴

Other issues that place children at risk are the large number of kids living without or away from their parents. Informal adoptions are part of the local tradition, with 23 per cent of households housing foster children. These informal “adoptions” typically occur inside the extended family. Even though there are procedures to legalize the situation, few families go through it. Children are often not registered at birth – only 55 per cent of children younger than 5 years have a birth

⁸⁴ Ministry of Finance, 2013; UNDP, 2016; The Asia Foundation, 2016.

certificate – because parents do not see the importance of it or lack easy access to the service. This situation likely helps perpetuate the culture of informal adoption and the informality of the labour market due to absence of required documents.⁸⁵

Summary of findings

- Timor-Leste has a young population, with almost 40 per cent of individuals younger than 15 years, which represents an enormous potential for demographic dividends. However, to yield these dividends, children need to grow up in an environment that allows them to reach their full potential, including having access to quality education and health services.
- Children are at higher risk of poverty than other age groups and represent the majority of individuals who are poor– 49 per cent of children are poor, while 55 per cent of the impoverished population are children.
- Access to education is improving. Primary school enrolment is near universal, with more than 80 per cent of children completing their primary education. Enrollment to pre-primary and to secondary schools remains low, however, especially for pre-primary education. Lack of infrastructure (number of schools) is a key factor.
- There is evidence that the quality of public education services provided can be substantially increased.
- Immunization rates against common diseases reached between 70 per cent and 80 per cent of children as of 2010 but seem to have stagnated since.
- Malnutrition among children is widespread and is particularly damaging for the early years of life. Children growing up undernourished have their physical and cognitive development harmed, effectively hindering school performance and placing their lifelong potential at risk.
- Violence against children, early marriage, low rates of civil registration of birth and the practice of informal adoption are common and sometimes embedded in the Timorese culture.

Existing programmes

Bolsa da Mãe (Mothers' Allowance)

Programme description	The programme was created in 2008 to provide support to the most vulnerable families, specifically those with children, through cash transfers, and to encourage behaviour that facilitates the development of human capital, by means of conditionalities. The programme's conditionalities state that to receive the benefit, children aged 6–17 years enrolled in the programme must be enrolled and attending school and children younger than 6 years must receive vaccination and semi-annual health check-ups.
Implementing institution	Ministry of Social Solidarity – National Directorate of Social Assistance – Department of Bolsa da Mãe
Legal basis	Law Decree No. 18/2012 (Conditional Cash Transfer Bolsa da Mãe) and Ministerial Diploma No. 27/2012 (Regulation of the Conditional Cash Transfer Bolsa da Mãe)
Target group	Households in economic and social vulnerability situations, with dependent children Beneficiary households are selected through the use of a vulnerability scale, which

⁸⁵ UNDP, 2016; Ministry of Finance, 2013.



takes into account:

- (i) the economic situation of the family, limiting eligibility for households living on less than \$456.25 per capita per year;
- (ii) composition of the household, giving priority to single-parent or equivalent families;
- (iii) the number of children, with a higher score attributed to families with a large number of children; and
- (iv) the number of children with disabilities, with a higher score to families with more than one child in this situation.

Benefits	<p>Conditional cash benefit, in the amount of \$5 per month per child, up to a maximum of three children per household – \$60 to \$180 per year per household</p> <p>Calculation formula: 365 days x official poverty line⁸⁶ x 13.5 per cent (percentage value corresponding to the estimated impact of the poverty reduction) x number of children (up to three)</p>
Payment/delivery mechanism	The National Commercial Bank of Timor-Leste makes payments in cash, although the law establishes they should be made through bank transfer, at each administrative post (soon to be carried out at each <i>suco</i>). Payments occur once a year, even though the law states that they are monthly and should be made at least every six months.
Financing	Source - General State Budget Budget (2017): \$8,968,680
Coverage⁸⁷	Households (2017) – 61,705 , or 29.9% of total households Household members (2016) – 277,964 , or 23.4% of total population; Benefited children (2017) – 183,265 , or 32% of total children (aged 0–17)

School Feeding – Pre-primary school

Programme description	The programme has the goal of improving child nutrition, encouraging participation in pre-school education and facilitating teaching and learning processes.
Implementing institution	Ministry of Education – National Directorate of School Social Action – Department of School Feeding and Transportation
Target group	Children between the ages of 3 and 5 years who attend pre-primary school
Benefits	Each child receives \$0.25 for each school day to be used for at least a hot meal in school.
Payment/delivery mechanism	The benefit is delivered indirectly to children through the pre-school manager, who manages the budget in collaboration with the parents and teachers association for the daily supply of the meals.
Financing	Source – General State Budget Budget (2015): \$171,275
Coverage	Benefited schools (2016) – 260 schools (80 private and 180 public) Benefited children (2016) – 14,871 , or 16.2% of total population (aged 3–5) ⁸⁸

School Feeding – Primary school

Programme description	The programme has the goal of improving child nutrition, encouraging participation in primary education and facilitating teaching and learning processes.
Implementing institution	Ministry of Education – National Directorate of School Social Action – Department of School Feeding and Transportation

⁸⁶ The benefit amount is still using the old national poverty line of \$0.88 per capita per day.

⁸⁷ Based on the results of the Population and Housing Census 2015.

⁸⁸ Based on the results of the Population and Housing Census 2015.

Target group	Children between the ages of 6 and 15 years who attend primary school
Benefits	Each child receives \$0.25 and 75 grams of rice for each school day to ensure at least a hot meal in school.
Payment/delivery mechanism	The benefit is delivered indirectly to the child through the school manager, who manages the budget in collaboration with the Parent-Teacher Association, for the daily supply of the meals.
Financing	Source – General State Budget Budget (2016): \$6,263,815
Coverage	Benefited schools (2016) – 1,265 schools (61 private and 1,204 public) Benefited children (2016) – 320,040 , or 102.7% of total population (aged 6–15) ⁸⁹

Scholarships for the Children of the National Liberation Combatants and Martyrs

Programme description	The programme aims to support the children of national liberation combatants and martyrs to have access to higher quality education, in Timor-Leste and abroad.
Implementing institution	Ministry of Social Solidarity – National Directorate of National Liberation Combatants Affairs – Department of Programmes
Legal basis	Statute of the National Liberation Combatants (Law No. 3/2006, updated by Law No. 9/2009 and Law No. 2/2011) and Decree-Law No. 8/2009
Target group	Children of national liberation combatants and martyrs
Benefits	Scholarship for students, including baccalaureate, technical degrees and university education
Financing	Source – General State Budget Budget (2016): \$258,500.00
Coverage	Beneficiaries (2015) – 942 , or 0.17% of total population (aged 6–24 years) ⁹⁰

Children in Conflict with the Law

Programme description	The programme seeks to support reintegration into society of children who were in conflict with the law, offering financial assistance for child welfare or to support the young person to attend a vocational training programme. It covers children between the ages of 9 and 13 who were mostly involved in cases of public disorder. Support is also provided to young people (aged 14–21 years) upon leaving a detention centre, after serving a term of imprisonment.
Implementing institution	Ministry of Social Solidarity – National Directorate of Social Assistance – Department of Child Protection
Legal basis	There is no specific legislation to regulate the programme. The Juvenile Tutelary Education Law is awaiting approval by the Council of Ministers.
Target group	All children and young people in conflict with the law (aged 9–21 years)
Benefits	One-time cash payment in the amount of \$100–\$200; the amount is established according to a vulnerability assessment carried out by a social worker.

⁸⁹ Given that the net enrolment of children in primary school being more than 100 per cent, it allows for the same to happen to the School Feeding Programme (based on the results of the Population and Housing Census 2015).

⁹⁰ Based on the results of the Population and Housing Census 2015.

Payment/ delivery mechanism	Payment is made to the family of the child or young person by a social worker. Families are encouraged to draft an expenditure plan and to invest the money on the welfare of the child or young person.
Financing	Source – General State Budget Budget (2016): \$10,000
Coverage	Beneficiaries (2015) – 40⁹¹

Essential Newborn Care

Programme description	The programme targets infants and offers a package of services aimed at reducing mortality in the first months of life. The package includes mother and baby vaccines, prenatal and postnatal care, advice on breastfeeding and baby nutrition.
Implementing institution	Ministry of Health – National Directorate of Public Health
Legal basis	There is no specific legislation to regulate the programme. The programme operates based on ministerial orders, on Article 57 of the national Constitution and the National Strategy for Reproductive, Maternal, Neonatal, Child and Adolescent Health. In addition, the programme holds a memorandum of understanding between the Government of Timor-Leste and UNICEF to facilitate the importation of medicine and vaccines.
Target group	Newborn children up to 2 months of age
Benefits	The programme delivers a package of services and benefits: <ul style="list-style-type: none"> (i) vaccines for all newborns (BCG, OPV 0, Hepatitis B 0); (ii) pregnant women receive tetanus toxoid vaccines and food supplements in cases where malnutrition is identified; and (iii) mothers have access to vitamin A capsules and iron supplement tablets. Support to mothers is restricted to six municipalities with high infant mortality rates: Ainaro, Ermera, Bobonaro, Covalima, Dili and Oecussi
Payment/delivery mechanism	The benefits are delivered directly to the patient at the time of medical consultations, and during the home visits performed by the Health in the Family Programme team.
Financing	Source – General State Budget Budget (2015): \$700,000 (only for vaccines)
Coverage	Benefited children (2015) – 44,954 , or 90.9% of total pregnancies ⁹²

Reduction of Child Mortality and Morbidity

Programme description	The programme aims to expand coverage and increase the quality of preventive and curative early childhood health services to reduce infant mortality.
Implementing institution	Ministry of Health – National Directorate of Public Health – Department of Maternal and Infant Health
Legal basis	There is no specific legislation to regulate the programme. The programme operates based on ministerial orders, on Article 57 of the Constitution and the National Strategy for Reproductive, Maternal, Neonatal, Child and Adolescent Health. In addition, the programme holds a memorandum of understanding between the Government of Timor-Leste and UNICEF for the technical training of health workers and the supply of medicine. Additionally, a memorandum of understanding between the Government of Timor-Leste and the WHO provides technical assistance to the programme.

⁹¹ Ideally, the coverage would be calculated based on the total number of children in conflict with the law. However, this information was not available at the time of the ABND. No coverage figure was provided.

⁹² Based on Ministry of Health, 2015a.

Target group	Children aged 6 months to 5 years, with special focus on children with health problems
Benefits	The delivery programme provides: <ul style="list-style-type: none"> (i) vitamin A supplements, throughout the eligibility period; (ii) medicine against parasites every six months; and (iii) vaccine against parasites at 9 months of age.
Payment/delivery mechanism	The benefits are delivered through the Health in the Family Programme.
Financing	Not available
Coverage	Benefited children (2015) – 170,930 , or 103.1% of total population (aged 6 months to 5 years) ⁹³

Child Nutrition

Programme description	Timor-Leste has one of the highest rates of child malnutrition in the world, and the programme aims to reverse this situation. Its main objective is to reduce the incidence and prevalence of micronutrient deficiency related to poor nutrition in children.
Implementing institution	Ministry of Health <ul style="list-style-type: none"> – National Directorate of Public Health – Department of Nutrition
Legal basis	There is no specific legislation to regulate the programme. The programme operates based on ministerial orders, on Article 57 of the national Constitution and the National Strategy for Reproductive, Maternal, Neonatal, Child and Adolescent Health. In addition, the programme holds a memorandum of understanding between the Government of Timor-Leste and UNICEF, the World Food Programme and the European Union for interagency cooperation.
Target group	Children aged 6 months to 5 years who have poor nutrition, severe malnutrition, anaemia, obesity or are underweight
Benefits	The programme provides a package of services and benefits in kind: <ul style="list-style-type: none"> (i) In cases of severe malnutrition, Ready-to-Use Therapeutic Food Kits are delivered; and in complex cases, a child is admitted to hospital for F-75 and F-100 supplements. (ii) In cases of moderate malnutrition, Ready-to-Use Supplementary Food Kits are delivered. (iii) For the prevention of malnutrition, all children from 6 months to 23 months of age receive micronutrient powder.
Payment/ delivery mechanism	The benefits are delivered directly to the family at the time of a medical consultation and during the home visits performed by the Health in the Family and SISCA programme teams.
Financing	Not available
Coverage	Not available

Immunization Programme

Programme description	The programme delivers vaccination services against common diseases for children.
Implementing institution	Ministry of Health – National Directorate of Public Health
Target group	Children aged 6–12 months

⁹³ The coverage is beyond 100 per cent is most likely the result of inclusion errors, such as delivering benefits to children just above or just below the eligibility age (based on the results of the Population and Housing Census 2015).

Benefits	The following vaccines are delivered: (i) BCG; (ii) measles; (iii) polio to poliomyelitis – four doses; and (iv) pentavalent (against tetanus, diphtheria, hepatitis B, Haemophilus influenzae type B and pertussis);
Payment/delivery mechanism	Through the national health care system
Financing	Not available
Coverage	Benefited children (full immunization 2015) – 26,861 , or 63.6% of total births ⁹⁴

Summary of child social protection programmes

Programme	Target group	Coverage	Cost per capita
1. Bolsa da Mãe	Children from birth to 17 years, from vulnerable families	61,705 beneficiaries = 29% of total households 277,964 beneficiaries = 23.4% of total population 183,265 beneficiaries = 32.0% total children (aged birth to 17 years)	\$54.74 per beneficiary
2. School Feeding – Pre-primary school	Children aged 3–5 years	14,871 beneficiaries = 16.2% total population (aged 3–5 years)	\$11.52 per beneficiary
3. School Feeding – Primary school	Children aged 6–15 years	320,040 beneficiaries = 102.7% of total population (aged 6–15 years)	\$19.57 per beneficiary
4. Scholarships for the Children of the National Liberation Combatants and Martyrs	Children and youth, aged 6–24 months, children of national liberation combatants and martyrs	942 beneficiaries = 0.17% of total population (aged 6–24 months)	\$274.41 per beneficiary
5. Children in Conflict with the Law	Children and youth, aged 9–21 years, in conflict with the law	40	\$250 per beneficiary
6. Essential Newborn Care	Children up to age 2 months	44,854 beneficiaries = 90.9% of total pregnancies	\$15.60 per beneficiary
7. Reduction of Child Mortality and Morbidity	Children aged 6 months to 5 years	170,930 beneficiaries = 103.1% of total population (aged 6 months to 5 years)	Not available
8. Child Nutrition	Children aged 6 months to 5 years with malnutrition	Not available	Not available
9. Immunization	Children from birth to 12 months	26,861 beneficiaries = 63.6% total births	Not available

⁹⁴ Ministry of Health, 2015a.

Policy gaps and implementation issues

Integration	The existing system has a high degree of fragmentation. Most programmes have focused objectives but no mechanisms for integration with other programmes, preventing the systematic identification of effort duplication and improvement of efficiency.
Legal basis	Several programmes operate based only on ministerial orders, failing to ensure their long-term continuity or the establishment of rights to beneficiaries.
Social transfers benefit level	The value of the periodic benefits, namely Bolsa da Mãe and School Feeding, represent only a small share of average family consumption and of households living below the poverty line and thus do not produce significant impacts on children's living conditions. There is a large difference between benefit levels of regular transfers (mostly aimed at preventing vulnerability) and lump-sum payments in response to specific situations of vulnerability. Individuals should not have to find themselves in a situation of catastrophic vulnerability to receive adequate support. ⁹⁵
Child nutrition	Existing social protection responses to the prevalence of high levels of malnutrition have achieved only limited results. It is necessary to review or reinforce these provisions to produce more significant impacts on reducing malnutrition.
Targeting mechanisms	Eligibility decisions for certain benefits are made in an ad hoc or subjective manner by <i>suco</i> chiefs, either informally or as designed by the programmes. Even in the cases of well-defined criteria, as income distribution is very similar for the 80 percent poorest of the country, targeting leads to extensive exclusion errors, leaving many people with a high degree of vulnerability not covered by the programmes. And there is lack of administrative capacity for verification and monitoring of beneficiaries.
Reliable benefit delivery	The payment of benefits and the provision of services happen with a low and irregular frequency. The payment of periodic cash benefits, such as the Bolsa da Mãe, happens only once a year at a variable date, and the delivery of health benefits and services depend on programmes that do not have a fixed schedule.
Service and benefit quality	Several programmes encounter problems to ensure the quality of the services provided or the in-kind benefits delivered, such as the School Feeding Programme, which often results in shortcomings in the provision of benefits.
Allocation and budget execution	Several programmes serve a smaller number of beneficiaries than the universe of eligible people due to a smaller budget allocation than necessary. Bolsa da Mãe and School Feeding programmes are such examples. To cover the universe of poor children in Timor-Leste, Bolsa da Mãe would require a budget that is at least 91 per cent larger. The current School Feeding budget is only sufficient to cover 76 school days in a year. In addition, most programmes suffer from systematic delays in the availability of the allocated budget, which leads to delays in implementation and, in some cases, even temporary suspension of services.
Monitoring and evaluation mechanisms	Though most programmes have monitoring and evaluation mechanisms in their design, few effectively implement these measures. This often results in irregular execution or total failure of these instruments, preventing adequate monitoring and evaluation of the programmes.

Recommendations to advance social protection for children

The recommendations regarding the direct provision of educational services (such as “improve the quality of education”) are covered extensively in the National Education Strategic Plan 2011–2030. This report focuses on access to education.

⁹⁵ For example, the benefits from the Children in Conflict with the Law Programme are equivalent to more than three years of the Bolsa da Mãe Programme.

Bolsa da Mãe

- Assess the potential financial and poverty impacts of changes in eligibility criteria and benefit amounts to improve the programmes' efficiency, such as increasing the benefit level and making the programme universal for children younger than school age.
- Evaluate the impacts – operations and results – of the programme in a systematic and comprehensive manner.
- Create a specific provision for children with disabilities, with adequate financial support.

Early childhood development programmes

- Map and integrate the different components of the National Early Childhood Development policy in the implementing ministries to enhance efficiency and impact.
- Assess the effectiveness of early childhood programmes and formulate appropriate reforms to improve child well-being, especially during the first 1,000 days of life, starting during pregnancy.

School feeding

- Improve the quality of meals served to children by adjusting operations to follow the menu developed by the Ministry of Health.
- Assess the possibility to expand the programme to provide lunch and to cover children in secondary school.
- Assess geographical inequalities in the programme implementation to standardize the operation of the programme in different regions.
- Create mechanisms to guarantee that the meals served have their ingredients supplied by the farmers of the region.

Access to school

- Ensure that all children have access to transportation to get to school (by means of service or cash benefit).
- Provide protection to pregnant adolescents to facilitate their return to school after childbirth.
- Strengthen efforts to eradicate child labour and to guarantee that children can lead a healthy and happy childhood.

Financial and budgetary issues

- Establish a single electronic payment system to facilitate the monthly payments to the beneficiaries of the different programmes.
- Work with long-term cost estimates to ensure the system's budget sustainability and predictability.
- Improve the planning and execution of the budget to ensure that the adequate budget is assigned to the correct programmes, following rights and established criteria, and that the budget is available at the right time for implementation.

Forms of payment and delivery mechanisms

- Improve the frequency of delivering existing benefits, aiming to guarantee monthly payments.
- Develop registration and payment mechanisms for benefits that reach out to all entitled beneficiaries, such as an electronic payment system or a mobile payment system.
- Assess alternative kinds of benefits to ensure that cash is spent as intended by the policy goal.

Social protection for the working-age population

Situation of the working-age population

Although not a vulnerable group per se, individuals of working age must deal with a diverse range of risks, especially those related to labour. Timor-Leste has around 624,000 persons aged 15–59, representing 52.7 per cent of the total population. Labour force participation is low by international comparisons, at only 30.6 per cent. Nonetheless, about one in four individuals (25.7 per cent) are subsistence farmers, working on their own account to sustain their family's needs. There is little overlap of the labour market with subsistence work; only 6.9 per cent of persons engaged in subsistence also have work that includes them in the labour force. Even with the small labour force participation, the unemployment rate is 11 per cent, of which 10.5 per cent are long-term unemployed. The General Social Security Scheme came into operation in August 2017. Until then, only a few segments of the population enjoyed broader protection due to employment (such as civil servants) from temporary non-contributory scheme.⁹⁶

Around 69 per cent of workers in the labour force are in informal employment, which is a high rate by international standards. Temporary work is also common, with almost one in three workers (29 per cent) having a contract with limited duration and with 36 per cent of the work force in their current job for less than two years. This situation exposes many individuals to uncertainties. More than two in three workers (69.9 per cent) are in vulnerable employment, which is an increase from 55 per cent in 2013. In that same year, most people in vulnerable employment were women, at 70 per cent, while 48 per cent of men were in this situation.⁹⁷

Gender roles have a tremendous impact on women's participation in the labour force. Only 21.3 per cent of all working-age females are in the labour force, compared with 39.7 per cent of men. In subsistence work, the gender difference is smaller but still significant, with 22.5 per cent of working-age women, compared with 25.3 per cent of men. The lack of family planning and the large number of live births per woman also makes it difficult for them to work outside the home. The low participation of women in the job market creates economic dependency, which often reduces their autonomy and decision-making participation in the household and takes them away from the productive market's valuable assets and productive capacity.


The Government somewhat recently approved the creation of the first social insurance scheme for the country (Law No. 12/2016), which will broaden the protection of workers and their families. The new system is mandatory to all workers in the private formal and public sectors (incorporating those previously covered by the Transitory Social Security Scheme, without harming any attained rights) and follows the pay-as-you-go financing mechanism. The new General Social Security Scheme offers provisions for old age, invalidity, maternity, paternity, death and, in the future, work injury. It began operating in August 2017. In January 2018, some 70,000 workers were enrolled and covered, which represents about 36 per cent of the labour force. In 2018, 10,000–12,000 workers are expected to register in the system.

Work conditions have much room for improvement. Reports from the Secretariat of State for Professional Training and Employment Policy (SEPFPOE) point out that health and security in the workplace is far from ideal in most activities. In 2015, 11 serious work accidents were reported that resulted in four deaths and six serious injuries.⁹⁸ The number represents only those incidents that were reported – most cases go unreported, especially for less serious events in the informal

⁹⁶ Ministry of Finance, 2016e; SEPFPOE, 2015; ILO, 2010.

⁹⁷ SEPFPOE, 2015; UNDP, 2016.

⁹⁸ Specialized technical groups and SEPFPOE.



market and in subsistence agriculture. Considering that two in five workers (40.5 per cent) are in the agriculture sector and that many other frequent activities in Timor-Leste are heavily labour intensive, the incidence of labour-related illnesses should be relatively high. No data on the issue were found, however.⁹⁹

Low wages are also an issue for Timorese workers. The average monthly wage of employees in the formal sector is \$512.98, while the median monthly wage is about half, at \$272. As explored in the poverty section, this is not enough for the average household to function above the poverty line. One in three workers (36.4 per cent) are considered low-pay employees because they earn less than two-thirds of the median wage, which is \$181 per month. Women earn even less than their male counterparts, at \$450.05 a month, compared with \$533.51 that men earn. And women bear the double burden of being responsible for domestic tasks and taking care of children.¹⁰⁰ That 69 per cent of the workforce is not in the formal sector and thus tend to have lower and less regular income is a major concern. The informal workers, together with the subsistence farmers, constitute the large majority of the working-age population who live in conditions direr than formal sector employees.

The median age of entry into the labour force is 22.7 years, and the median exit is 63.5 years, amounting to a little more than 40 years for the median working life. The conditions for the youth seem worse than the average. Only 11.1 per cent of people aged 15–24 years are in the labour force – only two percentage points more than children in unacceptable labour situation. Of them, more than one in five (21.9 per cent) is unemployed – almost double the country’s average. The median age for entry into employment is 25.5 years, which means a young person is expected to endure an average of 2.5 years of unemployment before securing a job.¹⁰¹

About 14.4 per cent of people aged 15–24 are subsistence farmers, a lower rate than the average among the population. Among the youth, 24.3 per cent are neither working, studying nor participating in training courses. Prevalence of these cases are more frequent at younger ages, which is an opposite trend of the pattern observed in other countries. The prevalence does not decline during the early to mid-twenties in age, which may indicate a large number of young people permanently out of the labour force. Tapping the potential of the youth is treated in the National Strategic Development Plan 2011–2030 as critical for achieving its goals. The plan deposits great hope in the youth because they join the labour force more educated and more productive than previous cohorts, which will drive economic growth to new heights.¹⁰²

To use its “demographic bonus”, however, the Government must first guarantee that its children receive quality education and have the conditions to properly develop as they grow up. When the time comes to enter the workforce, there needs to be enough jobs that allow them to use and develop their capacities. The underdevelopment of the labour market is a reflexion of the poor environment for business and entrepreneurship in the country – ranked 173 of 189 countries in the World Bank’s Doing Business Index 2016, an index that looks at different aspects of the economy, infrastructure and other elements that influence business.¹⁰³

Professional and vocational training is limited, making the development of technical skills harder, especially with few individuals having a tertiary education. In 2012, only 7.2 per cent of the labour force participated in any kind of training or similar activity. The most popular courses were how to drive light motor vehicles, operating heavy equipment and masonry. Nearly three of every five

⁹⁹ SEPFPOPE, 2015.

¹⁰⁰ *ibid.*

¹⁰¹ *ibid.*

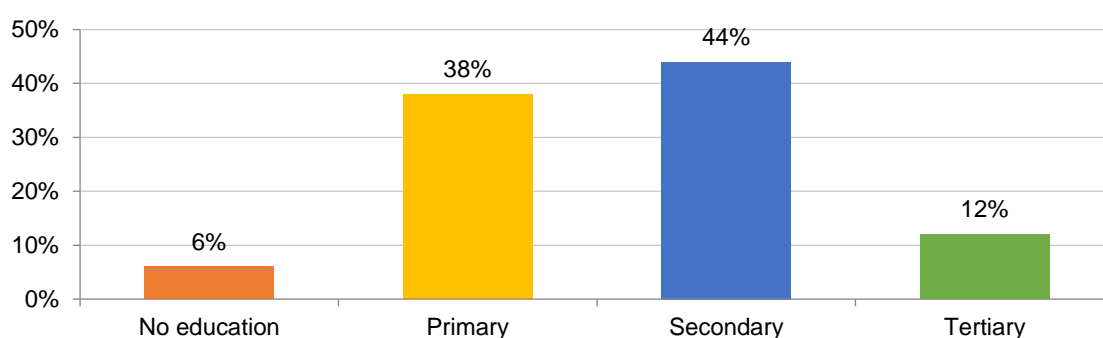
¹⁰² SEPFPOPE, 2015; Government of Timor-Leste, 2011.

¹⁰³ World Bank, 2016a.

participants were men (at 59.5 per cent), younger than 34 years (at 63 per cent) and with a secondary education (at 56 per cent). Despite the low participation in professional training, the results are encouraging: More than one third of unemployed persons reported landing a job or internship after finishing a course, and one quarter (25 per cent) of employed persons received a wage raise or promotion. Expanding training could help reduce the skills mismatch among 7.5 per cent of workers in positions that do not fit their education.¹⁰⁴

Education attainment in the labour force is another issue for better employment and income security for persons of working age. As figure 25 shows, 44 per cent of the labour force has completed secondary school at best, with almost half of all workers having only a primary education or less. Combined with cultural traits, education services reportedly add little value on “soft skills”, financial knowledge and overall incentives for self-development, lowering the competitiveness of the Timorese workers against foreigner labourers.¹⁰⁵

Figure 22 Education attainment of individuals in the labour force, 2013



Source1: SEPFPOPE, 2015.

Literacy remains an issue. Without the ability to read and write, productive potential is severely limited. There has been considerable progress with literacy since 2001, when only 37.6 per cent of the labour force was literate. It increased to 58.3 per cent in 2010. The higher literacy rates of younger cohorts suggest that this improvement trend will continue. Among people aged 15–24 years, literacy was 79.5 per cent in 2010. Data from 2015 shows literacy at 80.5 per cent among young men and 78.6 per cent for young women in the labour force. Despite the increasing use of information technology, youth still have not tapped into the potential for online learning and other information that could improve their living conditions.¹⁰⁶

Outside the workplace, there are also challenges to overcome. As mentioned, early marriage is part of the Timorese culture. While the median age at first marriage is 20.9 years for women and 25 years for men, many individuals marry before their 18th birthday. This leads women to give birth at a young age – the median age at first birth is 22.1 years – and have a large number of children, on average 5.9 children per women. This situation makes it hard for women to join the labour force without frequent intervals for the pregnancies. Ultimately, it can prevent their participation completely. Women are also at risk of domestic violence, a well-recognized problem in Timor-Leste. About 59 per cent of women aged 15–49 years reported in 2016 being a victim of physical or sexual violence by an intimate partner and 14 per cent were victims of rape by a non-partner man. And 86 per cent of women and 81 per cent of men believe that it is acceptable for a husband to beat his wife under certain circumstances. Incidence of violence against girls aged 15–

¹⁰⁴ SEPFPOPE, 2015.

¹⁰⁵ *ibid.*

¹⁰⁶ UNESCO Institute for Statistics, 2017; UNDP, 2016.

19 suggests that this despicable practice happens throughout the whole adult life, most likely beginning in childhood.¹⁰⁷

Summary of findings

- Timor-Leste has a low labour force participation rate, at 30.6 per cent. Almost one quarter of persons of working age engage in subsistence farming. Despite the low participation rate, unemployment affects 11 per cent of workers.
- Most jobs are informal or vulnerable employment, which is a sign of poor labour conditions. Low wages are also frequent, with one third of labourers considered low-pay workers.
- Women have lower levels of participation in the labour force. Early marriage, high fertility and imbalanced gender roles are causes of their lower labour participation.
- The youth find themselves in a precarious situation in the labour market. Even though only 11 per cent of youth participate in the labour force, they have an unemployment rate of 21 per cent. Additionally, one quarter of the youth are neither working, studying nor training.
- Professional and vocational training is limited, and the education attainment of working-age persons is poor. These are significant obstacles to the creation of decent, more productive and better-paid jobs.

Existing programmes

General Social Security Scheme

Programme description	This is a contributory social security scheme that covers all workers in all sectors and their families in the following situations: old age, invalidity, death and maternity or paternity. The system follows the pay-as-you-go principles of financing and includes the former Transitory Social Security Scheme for civil servants.
Implementing institution	Ministry of Social Solidarity – National Directorate of Contributory Social Security
Legal basis	Law No. 12/2016 (Social Security Law)
Target group	Mandatory to all employees from all sectors of activity (private and public) and voluntary for own-account workers, organization executives and domestic workers
Benefits	The programme establishes a set of contributory provisions, in cash, that protect workers and their families through different benefits in the situations of: <ul style="list-style-type: none"> (i) Old age – Pensions, for workers aged 60 years or older. Benefit value is based on average wage and length of the contributory career. (ii) Invalidity – Pensions for total and partial invalidity. Benefit value is based on average wage and length of the contributory career. (iii) Death – Lump-sum payments, survivor’s pensions and reimbursement of funeral expenses in the event of a worker’s death. Benefits value vary according to average wage of contributory career. (iv) Maternity or paternity – income substitution benefits for maternity, paternity, adoption, medical risk on pregnancy and pregnancy interruption. Benefits value vary according to average wage of contributory career.
Payment/ delivery mechanism	The payment is made by bank transferor in cash through the banks present in the municipalities.
Financing	Source – Employers (6 per cent) and workers (4 per cent) contributions, with complements from the General State Budget. <u>Revenue:</u> – Contributions for social security: \$21,779,175

¹⁰⁷ Ministry of Health, 2010 and 2014a; Ministry of Finance, 2013; UNDP, 2016; The Asia Foundation, 2016.

– Interest: \$13,000
– General State Budget transfer: \$4,229,156
Total revenue (2017): \$26,021,331
Expenditure:
– Social transfers: \$4,861,971
– Former Transitory Social Security Scheme: \$4,140,000
– Contributory benefits: \$721,971,00
– Administration and operations: \$89,156
Total expenditure (2017): \$4,951,127¹⁰⁸

Coverage **Insured workers (2017) – 70,000**, or 36.6% of the labour force¹⁰⁹

Support to Individuals and Families in Vulnerability

Programme description	The programme works as an emergency response, offering cash benefits to resolve or alleviate problems individuals or families experience, focusing on individuals or families in situations of extreme vulnerability.
Implementing institution	Ministry of Social Solidarity – National Directorate of Social Development – Department for Protection of Women Victims and Integration of Vulnerable Families
Legal basis	There is no specific legislation to regulate the programme. It operates based on ministerial orders, the Organic Law of the Ministry of Social Solidarity, the VI Constitutional Government Programme and the Annual Plan of Action of the Directorate.
Target group	Individuals or families in situations of extreme vulnerability The application for the programme is made directly at units of the Ministry of Social Solidarity or by letter. The evaluation criteria are subjective, as is the mechanism for setting the amount of the benefit.
Benefits	One-time cash benefit in the amount of \$200–\$500; the amount is established according to a vulnerability assessment performed by a social worker.
Payment/ delivery mechanism	Payment is made directly to families or individuals through a social worker.
Financing	Source – General State Budget Budget (2015): \$10,000
Coverage	Households (2015) – 28 , or .01% of total households ¹¹⁰

Support to Victims of Gender-Based Violence and Domestic Violence

Programme description	The programme provides protection and support for social reintegration of victims of gender-based violence and domestic violence. Women and children receive financial and access to support services, including legal and psychological support, providing the necessary conditions for victims to restructure their lives away from abusers.
Implementing institution	Ministry of Social Solidarity – National Directorate of Social Development – Department for Protection of Women Victims and Integration of Vulnerable Families

¹⁰⁸ Both revenue and expenditure were not fully executed because the deadline for registration, which effectively put the scheme into force, was delayed. However, because the 2017 rectification budget was not approved by the Parliament, these are the most recent budget data available.

¹⁰⁹ Based in the results of the Population and Housing Census 2015 and the Labour Force Survey 2013.

¹¹⁰ Based on the results of the Population and Housing Census 2015.

Legal basis	There is no specific legislation to regulate the programme. It operates based on ministerial orders, the Law Against Domestic Violence and the National Plan for Implementation of the Law Against Domestic Violence.
Target group	Women and children victims of gender-based and domestic violence
Benefits	The programme provides a set of services and benefits in kind and cash: <ul style="list-style-type: none"> (i) One-time cash benefit up to \$100, for transportation of the victim during legal proceedings. (ii) Women victims, accompanied by their children, receive a one-time payment of \$50 to meet immediate needs of their children. (iii) One-time cash benefit of \$100 at the end of the legal process to facilitate reintegration into the community. (iv) One-time cash benefit of up to \$300 for women abandoned by the husband. The support is based on a recommendation from a Justice Court. (v) One-time cash benefit of up to \$1,500 for cases that require long-term legal follow-up. (vi) Psychological counselling. (vii) Shelter for women at continuous risk, and no other shelter options.
Payment/delivery mechanism	The payment is made directly to the beneficiary woman, directly through a social worker.
Financing	Source – General State Budget Budget (2015): \$45,000
Coverage	Beneficiaries (2015) – 150 , or 0.14% target population (women and children victims of violence or abuse) ¹¹¹

Social Reintegration of Previously Incarcerated Persons

Programme description	The programme provides support to vulnerable prisoners during and after serving prison sentence. The programme intends to facilitate the reintegration of former prisoners into their family and community, to improve their professional qualifications and to support them in a livelihood in the first weeks of freedom.
Implementing institution	Ministry of Social Solidarity – National Directorate of Social Development Ministry of Justice – National Directorate of Prison Services and Social Reintegration – Department of Social Reintegration and Criminological Observation
Legal basis	Decree No. 14/2014 (Execution of Sentences and Security Measures) In addition, the programme operates based on ministerial orders, on Article 56 of the Constitution, the Organic Law of the Ministry of Social Solidarity, the General Regulation of Prison Establishments and a memorandum of understanding between the Ministry of Social Solidarity and the Ministry of Justice.
Target group	Men and women who are inmates in state prisons and vulnerable former prisoners who left incarceration
Benefits	The programme delivers a package of services and cash benefits: <ul style="list-style-type: none"> (i) professional training courses for prisoners in the areas of carpentry, masonry, tailoring, laundering, weaving, and others; (ii) psychological counselling; (iii) one-time cash benefit, in the amount of \$120, for a prisoner's family to make an annual visit; (iv) one-time cash benefit, in the amount of \$350 upon release from prison; and (v) one-time cash benefit to cover transportation costs of the return to the municipality of origin.
Payment/delivery mechanism	Vocational training courses are carried out in the prisons. Payments in cash are made directly to the inmate or to the family, in the cases of the visits, by a social worker.

¹¹¹ Based on Ministry of Finance, 2017; The Asia Foundation, 2016.

Financing	Source – General State Budget \$100,000.00 (training courses) \$25,000.00 (reintegration benefits) \$10,000.00 (family visits) Budget (2015): \$135,000 (total)
Coverage	Beneficiaries training courses (2015) – 598 , or 100% of inmate population Beneficiaries reintegration (2015) – 70 , or 11.7% of inmate population ¹¹² Family visits (2015) – 53 , or 8.4% of inmate population (including children in conflict with the law)

Recovery of Victims of Natural Disasters and Social Conflicts

Programme description	The programme provides support to victims of natural disasters and social conflict to respond to their immediate needs and to mitigate the losses and material damages of the dwellings affected.
Implementing institution	Ministry of Social Solidarity – National Directorate of Disaster Risk Management
Legal basis	There is no specific legislation to regulate the programme. It operates based on ministerial orders, the Organic Law of the Ministry of Social Solidarity and its Long-Term Plan 2011–2030.
Target group	Victims of natural disasters and social conflicts
Benefits	The programme delivers two sets of benefits, in kind and in cash, one for emergencies and other to support the recovery of damaged dwellings. Immediate emergency support: <ul style="list-style-type: none"> (i) food package for each family, containing a box of noodles, 25 cans of sardines, 2 litres of olive oil, five packages of cookies, one box of milk; and (ii) one set of basic items, containing a pot, a bucket, plates, cutlery, cups, water mug, mats, detergents, cloth, blanket, towel, mosquito net and tarpaulins. Support for household recovery: <ul style="list-style-type: none"> (i) one-off cash benefits, from \$150–\$368, to cover labour costs and structure materials; and (ii) construction materials, which vary in quantity and variety, depending on the level of damage suffered by a dwelling.
Payment/delivery mechanism	The benefits are delivered directly to the victims of disasters by the Directorate of Disaster Risk Management team.
Financing	Source – General State Budget \$600,800 (cash transfers) \$311,170 (construction materials) \$56,000 (food) \$174,750 (basic items set) Budget 2015: \$1,142,720 (total)
Coverage	- Beneficiaries Emergency Support (2015) – 3,000 = 0.25% total population ¹¹³ ; - Beneficiaries Household Recovery (2015) – 1,865 = 0.15% total population ¹¹⁴ .

Rural Employment

Programme Description	The programme aims to create temporary employment opportunities for communities in rural areas. The programme works directly with community-chosen projects for road construction and tourism, using a cash-for-work method. For complex projects, companies can be hired to carry out the work (preferably local small firms), as long as
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¹¹² Ideally, the coverage would be calculated based in the number of released prisoners; however, this information was not available.

¹¹³ Based on the results of the Population and Housing Census 2015.

¹¹⁴ Ibid.



	they hire residents of the community. In addition, the programme offers graduates of training centres the opportunity to work on these projects to gain experience.
Implementing institution	State Secretary for Professional Training and Employment Policies – National Directorate for Employment Policies – Department of Temporary Employment
Legal basis	Decree-Law No. 29/2008 (under review). In addition, it operates based on ministerial orders, the SEPFOPE Organic Law, the VI Constitutional Government Organic Law and the National Strategic Employment Plan 2011–2030.
Target group	Residents of rural communities aged 17–59 who are available and able to work
Benefits	Cash benefit of \$3 per day of work done for workers hired directly by the programme. In 2015, each worker in this category performed, on average, 13 days of work (equivalent to an average benefit of \$39 per worker). The payment to workers hired by contracted companies can exceed this amount, following negotiation between the workers and employer.
Payment/delivery mechanism	The payment is made directly to the worker for the work on community projects. In cases of contracted companies, the payment is made to the firm, according to the terms of the contract.
Financing	Source – General State Budget Budget (2015): \$5,000,000
Coverage	Projects executed (2015) – 60 (community projects) and 22 (complex projects) Workers (direct hires) (2015) – 5,000, or 3.4% of the rural labour force ¹¹⁵

Roads for Development

Programme description	The development objective is that women and men in rural areas are deriving social and economic benefits from improved road access, by carrying out rehabilitation and maintenance of rural road networks, using labour-based methods.
Implementing institution	Ministry of Public Works, Transport and Communications – Directorate of Roads, Bridges and Flood Control The programme is implemented with technical assistance from the ILO, through a development cooperation project with Australian Aid.
Legal basis	There is no specific legislation to regulate the programme. The programme operates based on ministerial orders, on the National Strategic Development Plan 2011–2030 and the Rural Roads Master Plan.
Target group	Rural communities, providing employment opportunities for individuals with work capacity and Timorese-owned contractors, preferably based in municipalities
Benefits	Rehabilitation and maintenance contracts are awarded to contractors or community groups, which are responsible to pay the workers. At a minimum, daily payment is: \$5 per day for unskilled workers; and \$10 per day for skilled workers. On average, labourers work between 12 and 14 days per month in the dry season and between 20 and 24 days per month in the wet season. Additionally, labourers are given accident insurance, while contractor staff are given accident and medical insurance.
Payment/delivery mechanism	Payment is made in cash. Labourers are supposed to receive payment every two weeks, although this can vary according to contract conditions.
Financing	Source – General State Budget Budget (2016): \$13,300,000
Coverage	Beneficiaries (2016) – 4,550 , or 2% of the labour force Total worked days (2016) = 200,499 work days

¹¹⁵ Considering the distribution of the labour force (SEPFOPE, 2015).

Work Injury

Programme description	There is no programme establishing the benefit for workers in the event of accident or illness as a result of labour. However, the Labour Code states that in these cases, the worker is entitled to compensation for damages, provided that the accident is caused by the omission of information or failure to provide adequate safety conditions and equipment to the worker. The provision will be incorporated into the General Social Security Scheme once the regulation has been approved.
Implementing institution	SEPFOPE – General Labour Inspection
Legal basis	Law No. 4/2012 (Labour Code)
Target group	Workers in regular contracts, whether temporary or indefinite
Benefits	<p>The payment of compensation for damages should be provided if the accident is not the result of irresponsible behaviour or against the instructions and standards of safety at work established by the company or by law.</p> <p>There is no standard amount, form of payment or duration for compensation. However, a worker has the right to guaranteed pay up to a maximum period of 12 days a year, of which six are paid in full and the remaining six days are paid at 50 per cent of the daily remuneration.</p>
Financing	It is the responsibility of the employer to pay compensation for an accident and to maintain the payment of wages for the required period, until the establishment of the social security provision.
Coverage	11 work accidents registered in 2015 ¹¹⁶

Summary of working-age social protection programmes

Programme	Target group	Coverage	Cost per capita
1. General Social Security Scheme	All workers from all sectors	70,000 beneficiaries, or 36.6% of labour force	Not applicable.
2. Support to Individuals and Families in Vulnerability	Individuals or families in situations of extreme vulnerability	28 beneficiaries, or 0.01% of total households	\$62.50 per beneficiary
3. Support to Victims of Gender-Based Violence and Domestic Violence	Women and children victims of gender-based and domestic violence	150 beneficiaries, or 0.1% of target population	\$300 per beneficiary
4. Social Reintegration of Prisoners	Inmates and vulnerable former inmates	598 beneficiary training courses = 100% of inmate population 70 beneficiaries Reintegration = 11.7% of inmate population 53 family visits, or 8.4% of inmate population	\$202.10 per beneficiary
5. Recovery of Victims of Natural Disasters and Social Conflicts	Victims of natural disasters and social conflicts	3,000 beneficiaries of emergency support, or nearly 0.3% of total population 1,865 beneficiaries of household recovery, or nearly 0.2% of total population	\$234.88 per beneficiary

¹¹⁶ This refers to registered work accidents, which is largely under-reported given the poor work conditions in the country.

6. Rural Employment	Residents of rural communities aged 17–59 years	5,000 beneficiaries, or 3.4% of rural labour force	Not applicable
7. Roads for Development	Individuals with work capacity in rural areas	4,450 beneficiaries, or 2% of labour force	Not applicable
8. Work Injury	Workers in regular contracts	11 work accidents registered in 2015	Not applicable

Policy gaps and implementation issues

Integration	The system has a high degree of fragmentation. Most programmes have focused objectives but no mechanism for integration with other programmes, which prevents the systematic identification of duplication and improvement of efficiency. For example, the Rural Employment and the Roads for Development programmes have similar purposes but are managed by different institutions. There is evidence of issues in the quality of the products delivered by one of the programmes – integration would reduce duplication and allow for the best practices of both programmes to be applied for all public works projects.
Legal basis	Several programmes operate based only on ministerial orders, failing to ensure their long-term continuity or the establishment of rights to beneficiaries.
Limited and concentrated coverage	The policies targeting working-age persons are in general small-scale programmes. Operating policies are restricted to specific groups or small sections of the population without broad coverage of the population. Broad-based work-related programmes, such as social security, target the formal sector of the economy, which represents a small share of total workers and excludes subsistence farmers. Public work programmes, which could be an important income source for rural communities during the dry season, have limited reach and coverage of the informal labour market. The number of average days of work is also low, resulting in small benefits.
Protection against the risks of labour	Most programmes for people of working age are limited to responses to specific situations of vulnerability. The new social security scheme, which seems aware of the most common labour-related risks, is still in the early stage of implementation.
Service and benefit quality	Several programmes face problems to ensure the quality of the services provided or in-kind benefits delivered, often resulting in shortcomings in the provision of these policies.
Allocation and budget execution	Several programmes serve a smaller number of beneficiaries than the universe of eligible people due to a smaller budget allocation than necessary. In addition, most programmes suffer from systematic delays in the availability of the allocated budget, which leads to delays in implementation and, in some cases, even temporary suspension of services.
Monitoring and evaluation mechanisms	Though most programmes have monitoring and evaluation mechanisms in their design, few effectively implement these measures. This often results in irregular execution or total failure of these instruments, preventing adequate monitoring and evaluation of the programmes.

Recommendations to advance social protection for the working-age populations

Social protection and employment policies are closely related. During the dialogue process, many mentions were made to vocational training or job creation measures. However, the mandate of employment lays with the National Employment Strategy 2017–2030. Thus, this report focused on labour-related social protection, leaving employment and professional training to be addressed by the Employment Strategy.

Develop the contributory social security system

- As planned, implement fully the maternity, paternity, work injury, invalidity, old-age, death and survival benefits.
- As planned, implement and stabilize operations of the National Social Security Institute.
- Create mechanisms for workers in informal jobs, subsistence agriculture and other vulnerable jobs to register and participate in the contributory social security scheme more easily.

Improvements on operations

- Create a coordinated service between the line ministries – assess how Rural Employment and Roads for Development can work more closely or jointly.
- Create mechanisms of coordination with local authorities to implement the programmes.
- Assess the development of an integrated database for the Ministries of Finance (General Directorate of Statistics), Social Solidarity, Health, Justice and Education and SEPFOP (drawing from existing database systems) – with the possibility to create a single identification card for all social protection programmes.
- Coordinate and integrate the operations of the contributory and non-contributory social security schemes.
- Strengthen the implementation and monitoring and evaluation capacities of the programmes.
- Improve the planning and execution of the budget to ensure that the adequate budget is assigned to the correct programmes, following the rights provision and established criteria, and that budget is available at the right time for implementation.


Additional provisions

- Evaluate the benefit impact on the poor, and assess the adequacy of the existing coverage and impacts on poverty reduction. Formulate policy reforms to improve the efficiency and impact of the social protection system.
- Create an unemployment insurance programme for people who lose their job for no fault of their own.
- Ensure protection in case of non-work-related illness.
- Assess barriers for the well-being and inclusion of persons with disabilities, and address identified issues with adequate social protection measures.
- Improve the programme efficiency and coverage of cash-for-work programmes as a mechanism to fight poverty. Assess ways to reduce duplication of efforts and expand coverage.

Social protection for older persons

Situation of older persons

Older individuals feature frequently among the vulnerable, largely because their earning potential decreases in later age and their need for care increases. Timor-Leste is a young country, with only 8.2 per cent of the population aged 60 or older. Life expectancy at age 60 is 16.9 years, a substantial difference from the 68.2 years at birth. Unfortunately, life is not easy for older individuals. The independence of the country less than two decades ago came at high cost. One was the lack of social security for older persons in the new State. The first pension scheme, the SAIL Programme, was created only in 2007 as a non-contributory universal pension for persons aged 60 or older. It pays a pension equivalent to about 65 per cent of the poverty line. In 2012, a more comprehensive social security scheme was put in place for civil servants, the Transitory Social Security Scheme, with benefits linked to life-long earnings but much more restricted



coverage. This second scheme was still non-contributory but of a temporary nature. It was integrated into the General Social Security Scheme in 2017.

As previously explained, the new General Social Security Scheme provides contributory provisions for old age that are linked to lifelong earnings and the length of the contributory career of each individual. This is the first benefit of this kind for the private sector and replaces the transitory scheme for civil servants. Despite its introduction in 2017, the new scheme will take time to have a sufficient impact on the lives of retired workers. In the first years of the new scheme, few workers reaching retirement age will have had a contributory career¹¹⁷ long enough to be entitled to the contributory pension. Those individuals who fulfil the minimum criteria will have a short contribution time, which will lead to a small pension. As the new social security system matures, the SAll will remain relevant as the main social protection measure for old persons.

Older persons who were involved in the independence struggle are eligible for veteran benefits, which is a generous package of services and cash transfers that serve as social assistance and as a reward for their sacrifice for the country. Coverage, however, is limited.¹¹⁸

The lack of regular social security programmes that guarantee a comfortable standard of living for older persons forces them to continue working into late stages of life. There is evidence that 40.3 per cent of older persons continue to work after age 60, and almost one in four persons continue to do so after 70 years – many working until death. The data suggest that even in a more vulnerable condition, work does not get lighter as people get older. Older persons continue to work an average of 38.4 hours per week, one in four older persons (26.8 per cent) is working in subsistence food production, and 13.3 per cent are engaged in more than one productive activity.¹¹⁹

The lower earning potential and lack of social security considerably reduces the autonomy of older persons. The composition of households is one indication of the limitations that older persons find in sustaining themselves. Only 0.9 per cent of the total number of households are composed exclusively of people aged 60 years or older, while 30.2 per cent have at least one older person living in the household. There are reports that even when living with the family, many senior citizens suffer from psychological and physical violence or are left without care. Many do not have identification documents, which prevents them from accessing social assistance and leaves them in a fragile situation.¹²⁰

Health problems have a tendency of becoming worse in advanced ages. For Timorese, the high level of malnutrition and risk behaviours (alcohol abuse and smoking) make the health issues more severe. Many elders live in food-insecure households (at 40.4 per cent), which means at times they lack enough food. This then weakens their immune system or can aggravate chronic conditions. In 2010, 5 per cent of older persons experienced severe illness. Despite the health system being free of charge, 38 per cent of households with older persons experienced problems in covering health care expenses.¹²¹

Risk of non-communicable diseases increases with age. Data from 2014 show that people older than 45 years face much greater health risks than their younger peers. The incidence of high cholesterol among people aged 45–69 years is 23.7 per cent, with 6.9 per cent of this population

¹¹⁷ The contributory career is the sum of the number of months a worker paid contributions to social security and is one of the elements that determine the amount of the old-age pension.

¹¹⁸ Ministry of Finance, 2016e; UNDP, 2016.

¹¹⁹ See SEPFOPE. 2015.

¹²⁰ Ministry of Finance, 2011a.

¹²¹ *ibid.*

living with hypertension. One per cent of persons older than 45 years already has had a heart attack or stroke, and 1.6 per cent of persons older than 55 years live with cardiovascular disease. Additionally, 0.5 per cent of the population (aged 45–69 years) has diabetes. These numbers are only from diagnosed cases and probably are just a portion of the real situation, considering access to health services is difficult for many people. Few people visit a doctor to check on conditions that are not visible. The lack of information among the population on health issues does not facilitate the identification of symptoms or the understanding of the need for proper care. And the use of traditional treatments, especially in those geographic areas where tradition is strong, prevents patients from receiving proper diagnosis and treatment.¹²²

There is less information about older persons than any other age group in Timor-Leste, despite the large resources allocated by the Government to programmes targeting them. This is perhaps a reflection of the small share of the population that older persons represent, in comparison with other groups. There are weak links between individual information and policy design for senior citizens – current policies use only universal or categorical targeting, which are options that operate with little data. This will likely change as the contributory social security scheme comes into effect and regular data collection becomes a necessity for the new system and as the population ages and the number of older persons increases.

Summary of findings

- Life expectancy is rising fast, but there is little evidence that quality of life at old age is improving. The high coverage of the SAI Programme provides an important support for older individuals, but the low benefit level does not guarantee a poverty-free old age.
- The new social security system aims to significantly improve the level of the old-age pension. Given its long maturation period, the initial years of the programme pension benefits will remain low. The scheme is limited to the formal sector, which represents only 30 per cent of employment.
- The lack of income security for older persons pushes a considerable portion of the population aged 60 years or older to continue working way into their old age. There is indication that the work does not become lighter or better suited for them.
- Health risks rise with old age. Despite the free and universal public health services, many older persons find it difficult to access and pay for medical care.
- Veterans of the independence struggle are entitled generous pensions, frequently larger than the average household income, exclusive medical care services and other perks. The contrast between the levels of protection offered to veterans and to non-veterans is wide. The inheritance mechanisms of their pension could be adding to the creation of systematic inequalities.
- There is less information about older persons' life conditions, issues and challenges than for any other age group.

Existing programmes

Allowance for the Support of the Elderly and Invalid, or SAI

Programme description	The benefit is a social pension aimed at citizens aged 60 years or older and adults with disabilities that hinder them incapable of working. The programme aims to ensure a minimum income for citizens not covered by other old-age or invalidity pensions.
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¹²² WHO Timor-Leste, 2014.

Implementing institution	Ministry of Social Solidarity – National Directorate for Non-Contributory Social Security Schemes
Legal basis	Decree-Law No. 19/2008 (Support Allowance for the Elderly and Invalid) and the Joint Ministerial Diploma/MSS/MF 2010 on Increase of the Amount of the Support Allowance for the Elderly and Disabled
Target group	Citizens aged 60 or older and persons aged 18 or older with disabilities who are unable to work
Benefits	Cash benefit, in the amount of \$30 per month Calculation formula: The value of the SALL shall not exceed one third of the minimum wage for the civil service and may not be less than the amount paid in the previous year.
Payment/delivery mechanism	Payment is made by bank transfer or directly in person through the banks present in the municipalities. Payments happen on a six-month basis, although they should be monthly.
Financing	Source – General State Budget Budget (2017): \$34,131,569
Coverage	Older person beneficiaries (2017) – 87,001 , or 92.8% of total older persons population (aged 60 or older) ¹²³ Disabled beneficiaries (2017) – 8,298 , or 20% of total disabled population (aged 18–59 years) ¹²⁴

Transitory Social Security Scheme

Programme description	The programme is a non-contributory temporary scheme established until the General Contributory Social Security Scheme comes into operation. Its purpose is to replace the income of civil servants in situations of old age, disability and death.
Implementing institution	Ministry of Social Solidarity – National Directorate for Contributory Social Security
Legal basis	Law No. 6/2012 (Transitory Social Security Scheme)
Target group	All public employees, including defence and security forces
Benefits	The programme establishes a set of non-contributory benefits, in cash, according to the type of pension: (I) Old-age pension – Monthly cash benefits, in the value representing 75% of the average wage of the working career. (ii) Invalidity pension – Monthly cash benefits, in the value representing 75% of the average wage of the working career. (iii) Survivor's pension – Monthly cash benefits, in the value representing 65%–100% of the average wage of the working career; according to the beneficiary's family structure.
Payment/delivery mechanism	The payment is made by bank transfer or in cash through the banks present in the municipalities.
Financing	Source – General State Budget Budget (2017): \$2,522,201
Coverage	Elderly beneficiaries (2017) – 510 , or 0.5% of total older person population (aged 60 or older) ¹²⁵ Disabled beneficiaries (2017) – 7 , or 0% of total population with disabilities (aged 18 or older) ¹²⁶ Survivors beneficiaries (2017) – 725 , or 0.06% of total population ¹²⁷

¹²³ Based on the results of the Timor-Leste Population and Housing Census 2015.

¹²⁴ Ibid.

¹²⁵ Ibid.

¹²⁶ Ibid.

¹²⁷ Ibid.

National Liberation Combatants and Martyrs' Pension

Programme description	The programme recognizes the value and support of the people who fought for the country's independence. The combatants and the families of the martyrs of the national liberation struggle receive a monthly pension or lump-sum cash benefit, depending on the total time of participation in the struggle, as a reward for their service to the country.
Implementing institution	Ministry of Social Solidarity – National Directorate of National Liberation Combatants and Martyrs Affairs – Department of Pensions and Provisions
Legal basis	Law No. 3/2006 (Statute of Combatants of National Liberation), with the last amendments by Law No. 9/2009 and Law No. 2/2011 (National Liberation Combatants) and Decree-Law No. 15/2008, with the last amendment by Decree-Law No. 6/2012
Target group	Combatants and relatives of the martyrs of the national liberation struggle
Benefits	The programme provides benefits in cash, according to the type of pension and the time of participation in the national liberation struggle: (i) Monthly monetary pensions, in the amount of \$276–\$575, paid to national liberation combatants who had dedicated eight years or more to the national liberation struggle. (ii) Monthly pensions, in the amount of \$230–\$287.50, paid to the families of the national liberation martyrs. (iii) Lump-sum cash benefits, corresponding to 12 times the minimum wage of the civil service, paid to national liberation combatants with four to seven years of exclusive dedication to the national liberation struggle. (iv) Lump-sum cash benefits, corresponding to 12 times the amount of the survivor's pension to which the respective martyr would have been entitled.
Payment/delivery mechanism	By bank transfer directly to the account indicated by the beneficiary
Financing	Source – General State Budget Budget (2015): \$119,724,000
Coverage	Beneficiaries pensions (2015) – 31,445 , or 2.6% of total population ¹²⁸ Beneficiaries lump-sum cash benefits (2015) – 25,829 , or 2.1% of total population ¹²⁹

Funeral Services

Programme description	The programme supports grieving families by providing funeral transport from the mortuary house to the family house, from the house to the church and from the church to the cemetery. Vulnerable families may also be provided with a coffin.
Implementing institution	Ministry of Social Solidarity – National Directorate of Social Assistance – Department of Funeral Services
Legal basis	Decree-Law No. 21/2009 (Funeral Transport Services) There is no specific legislation regulating the provision of coffins. It is based only on ministerial orders.
Target group	For transportation services, all citizens, including unidentified persons For the distribution of coffins, all vulnerable families are entitled to the benefit.
Benefits	The programme provides a service and an in-kind benefit: (i) funeral transportation; and (ii) coffins for the deceased of vulnerable families.

¹²⁸ *ibid.*

¹²⁹ *ibid.*

Payment/delivery mechanism	The provision of service and benefit is done directly by the department staff, according to the conditions agreed with the family of the deceased.
Financing	Source – General State Budget Budget (2015): \$39,820
Coverage	Transport service (2015) – 1,397 , or 12.3% of all deaths ¹³⁰ Coffin provision (2015) – 811 , or 7.1% of all deaths ¹³¹

Summary of old age social protection programmes

Programme	Target group	Coverage	Cost per capita
1. SAIL	Citizens aged 60 or older and persons aged 18 or older with a disability	87,001 older persons, or 92.8% of total older person population 8,298 persons with a disability, or 20 of total population with a disability	\$325 per beneficiary
2. Transitory Social Security Scheme	Public employees, including defence and security forces	510 older persons, or 0.5% of total older person population 7 persons with a disability, or 0.02% total population with a disability 725 survivors, or 0.06% of total population	US\$2,030.75 per beneficiary
3. National Liberation Combatants and Martyrs' Pensions	Combatants and relatives of the martyrs of the national liberation struggle	31,445 pensions, or 2.6% of total population 25,829 one-time benefit, or 2.1% of total population	\$2,090 per beneficiary
4. Funeral Services	Citizens and vulnerable families for coffin provision	1,397 transports, or 12.3% of all deaths 811 coffins, or 7.1% of deaths	\$18 per beneficiary

Policy gaps and implementation issues

Registry and documents	The use of electoral cards as identification document facilitates the occurrence of fraud due to the ease to falsify this document. In addition, many older persons do not have any identity documents, making it difficult to correctly identify beneficiaries or to interrupt payments in case of death.
Invalidity certification	The standard procedure for invalidity certification is not always used, and there are no official accredited doctors to certify disability status. This makes the identification of people with disabilities that prevent them from working difficult and prone to inconsistencies, errors and injustice.
Adequate benefit levels	The benefit level of the SAIL Programme is linked to the minimum wage in public service. Broader policies to control public sector expenditures in salaries hinder the adjustment of the minimum wage, which in turn blocks any modification of the benefit levels of the programme. The veterans' pension is also linked to the public sector minimum wage, adding to the argument against adjustments, given the sizable budget of the veterans' programmes. This has led to stagnated benefits levels over more than five years, meaning reduced purchasing power over time and thus lower real benefit levels.
Reliable benefit delivery	The payment of benefits and the provision of services have a low and irregular frequency. The payment of periodic cash benefits, such as the SAIL, occurs only twice a year at a variable date.

¹³⁰ *ibid.*

¹³¹ *ibid.*

Specialized services There is a significant gap in the provision of specialized care services for older persons, such as nursing homes, day-care centres and specialized health care.

Monitoring and evaluation mechanisms Though most programmes have monitoring and evaluation mechanisms in their design, few effectively implement them. This often results in the irregular execution or total failure of these instruments, preventing adequate monitoring and evaluation of the programmes.

Recommendations to advance social protection for older persons

Social transfers

- Assess the revision of the existing indexing mechanism¹³² – the minimum wage of the public sector – to maintain the purchasing power of cash transfers over time.
- Assess the underlying reasons for older persons to continue to work even at old age, despite being entitled to at least a social pension.
- Evaluate the impacts – operations and results – of the programmes in a systematic and comprehensive manner.

Forms of payment and delivery mechanisms

- Improve the frequency of delivering the benefits, aiming to guarantee monthly payments.
- Develop registration and payment mechanisms of benefits that reach out to all entitled beneficiaries, such as an electronic payment system and a mobile payment system.

Creation of additional provisions

- Create programmes to improve the living conditions of older persons, including outreach of social services (house visits), entertainment programmes and care programmes (such as care homes and day-care centres).


Improvements on operations

- Assess the development of an integrated database for the Ministries of Finance (General Directorate of Statistics), Social Solidarity, Health, Justice and Education and SEPFOPE (drawing from existing database systems) – with the possibility to create a single identification card for all social protection programmes.
- Coordinate and integrate the operations of the contributory and non-contributory social security schemes.
- Strengthen the implementation and monitoring and evaluation capacities of the programmes.
- Work with long-term cost estimates to ensure the system's budget sustainability and predictability.
- Improve the planning and execution of the budget to ensure that the adequate funding is assigned to programmes, following the rights provisions and established criteria and that the budget is available at the right time for implementation.

Limitations, gaps and implementation issues

The social protection system of Timor-Leste has a broad range of programmes and policies. But this does not mean adequate coverage or benefit levels. When observed as a whole, the system seems unbalanced. The broad policy objectives do not seem to match priorities given to the programmes, investments do not seem sensitive to vulnerable groups, and benefit adequacy is mismatched with coverage. This results in some groups receiving generous support while others – often the poor and vulnerable – are left unprotected.

¹³² Automatic benefit value update over time, following a formula composed of indicators to calculate adjustment rates.



Despite the number of programmes, few have mechanisms for the coordination of policy formulation and implementation, operations, resources or information sharing. The result is a fragmented system in which different programmes struggle with similar problems, such as the collection of information on potential beneficiaries. And it leads to duplicated efforts. One example is the overlap of the Rural Employment and the Roads for Development programmes. Both have similar purposes, benefits and delivery mechanisms but have different management and implementation structures. Coordination or centralization of efforts could bring together the best features of each policy into a more effective programme.

From the operational perspective, many programmes struggle with similar issues. Most operations report an insufficient number and unbalanced distribution of human resources (often neglecting rural areas), lack of mechanisms for quality assurance, monitoring and evaluation, budget gaps and delayed availability of funds. These issues are often connected to problems in the broader planning processes, inadequate or outdated management and information systems, lack of coordination and excessive bureaucracy.


Improved practices on information sharing could create more comprehensive databases, better using the existing resources and improving the availability of data to all operations. The availability of data and coordination mechanisms can be especially valuable for smaller, more focused programmes that do not require big structures or budgets to adequately cover their target group.

Among the social transfer programmes, the income substitution function of social protection is working properly for only a limited group – veterans and the families of martyrs. The substantial cash benefits, coupled with additional services (such as medical evacuation and scholarships to their children), provide the beneficiaries with a living standard above most Timorese. The combination of high benefits, the number of beneficiaries and the generous rules for the transmission of entitlements to descendants and other family members will keep the costs of the programme high for an extended period, outliving veterans and martyrs' immediate family by many years.

The deserved compensation for the services rendered by the veterans and martyrs of the independence struggle is not in discussion – their dedication and sacrifice are what made Timor-Leste's sovereignty possible. In many cases, the pension has indeed impacted their capacity to generate income to ensure their well-being. However, the extended inheritance of benefits for many family generations should be carefully examined to balance with the support provided to individuals who require protection in the present or might need it in the future.

The veterans' programme budget is responsible for more than half of the country's fiscal envelope for social protection, which in total is not a large envelope by international standards. Thus, it is important to guarantee that resources freed from veterans' programmes are directed to other social protection policies that would have greater impact on poverty reduction. Budget constraints will likely limit the operations of many programmes, as noted in the assessment in previous sections. A strategy for the gradual transference of resources freed from veterans' programmes for use on other measures is an important instrument to ensure the financing of broader-based social protection policies. The earlier this is planned and rules defined, the easier it will be to cope with them.

Bolsa da Mãe is one of the programmes that have limited reach due to insufficient budget. Despite its explicit goal to alleviate poverty, the smaller per capita investment leads to timid impacts. Its benefit levels are below what is required to make a substantial difference in the living standard of a family. And if payments are made only once a year, families cannot rely on the programme to



support day-to-day expenses, such as food or utilities. In terms of coverage, the programme only reaches little more than half of the estimated eligible households due to its budget limitations and irregular registration cycles. Given the income distribution in the country, with more than 80 per cent of the population living on less than \$3 per day, and the limited monitoring and administrative resources of the programme, a universal approach for beneficiary selection could substantially increase the reach to the poor and most vulnerable households, as is observed in the SAll and School Feeding programmes, which cover almost all eligible individuals.

The SAll Programme provides some level of income substitution for old age and disability. However, given the benefit level, many older citizens must keep working well over the eligibility age to sustain themselves. Payments are made only twice a year, and the stagnant benefit level does not allow families to rely on the programme. With the introduction of the new General Social Security Scheme, formal or waged workers will enjoy higher levels of protection. But this will cover only the minority of workers who fall into these categories. Effective coverage and protection will grow gradually as the new scheme rolls out and matures over the next few decades.

And last, many programmes operate without strong legislation to support them, such as laws and decree-laws. This situation places the individual programmes in a weak position regarding their long-term maintenance because shifts in political will could dismantle these policies with little trouble.

Most of the small-scale social assistance programmes, which offer valuable protection and services to persons who often are in a position of extreme vulnerability (such as women victims of violence, children in conflict with the law or families attending to an ill family member). Furthermore, the non-existence of a broad law for social protection prevents the institutionalization of goals, concepts, recognition of right and a cross-cutting basis for the development, establishment, and maintenance of social protection policies.

4. ADVANCING THE SOCIAL PROTECTION FLOOR IN TIMOR-LESTE

The ABND process in Timor-Leste has the explicit objective of establishing the technical foundation for the NSPS. It will be the first of its kind and will entail programmes, goals and mandates of several ministries and government institutions.

As mentioned in Chapter 1, each step of the ABND process feeds into the different components of the NSPS. The products of this process are outside the scope of this report, with the exception of the objectives developed for the NSPS. These objectives represent the overarching goals of the country's social protection agenda until 2030 and were created by analysing the situation of the Timorese people, the current programme framework and the gaps and implementation issues.

At step 2 of the ABND process, recommendations to advance the social protection floor were agreed upon. Some of them were costed during step 3. Those that require more sophisticated measures should be further studied. The recommendations for Timor-Leste were based on the NSPS objectives to advance the social protection floor in the country.

The recommendations presented (recapping the previous chapter) here are organized by the corresponding NSPS objective and by a narrower category that depends on the nature of the recommendation. They became the basis for the policy scenarios that are costed in the next chapter.

Objective 1

Contribute towards ending poverty in Timor-Leste, ensuring that everyone can fully meet their basic needs at all stages of life, including in times of individual or family crisis, especially among the most vulnerable groups and individuals with special needs.

Recommendations

Social transfers

- Assess the potential financial and poverty impacts of changes in eligibility criteria and benefit amounts to improve the programmes' efficiency.
- Assess the revision of the existing indexing mechanism¹³³ – the minimum wage of the public sector – to maintain the purchasing power of cash transfers over time.
- Assess the underlying reasons for older persons to continue to work even in old age, despite being entitled to at least a social pension.
- Evaluate the impacts – operations and results – of the programmes in a systematic and comprehensive manner.

Forms of payment and delivery mechanisms

- Improve the frequency of delivering benefits, aiming to guarantee monthly payments.
- Develop registration and payment mechanisms of benefits that reach out to all entitled beneficiaries, such as an electronic payment system and a mobile payment system.
- Assess alternative kinds of benefits to ensure that cash is spent as intended by the policy goal.¹³⁴

¹³³ Automatic benefit value update over time, following a formula composed of indicators to calculate adjustment rates.

¹³⁴ For example, to guarantee that Bolsa da Mãe cash transfers will be used to benefit children.

Create additional provisions

- Evaluate the benefit incidence on poor households, and assess the adequacy of the coverage and impacts on poverty reduction. Formulate policy reforms to improve the efficiency and impact of the social protection system.
- Create specific programmes for children with disabilities, with adequate financial support.
- Create programmes to improve the living conditions of older persons, including outreach of social services (house visits), entertainment programmes and care programmes (such as care homes and day-care centres).

Objective 2

Provide support for individuals and families to break the poverty cycles, ensuring that everyone can fully develop themselves through access to quality education and adequate nutrition, especially from pregnancy until age 8 years.

Recommendations

Nutrition

- Develop interministerial coordination between services and cash transfers to improve programmes' impacts and improve overall nutrition status.
- Educate families on good nutrition practices during the delivery of benefits, with special attention on pregnant women.

Early childhood development programme

- Map and integrate the different components of the National Early Child Development policy in the implementing ministries to enhance efficiency and impact.
- Assess the effectiveness of early childhood programmes, and formulate appropriate reforms to improve child well-being, especially during the first 1,000 days of life, starting during pregnancy.

School feeding

- Improve the quality of meals served to children, and adjust operations to follow the menu developed by the Ministry of Health.
- Create mechanisms to guarantee that the meals served have their ingredients supplied by the farmers of the region.
- Assess the possibility to expand the programme to provide lunch and to cover children in secondary school.
- Assess geographical inequalities in the programme implementation to standardize the operation of the programme in different regions.

Access to school

- Ensure that all children have access to transportation to get to school (by means of service or cash benefits).
- Provide protection to pregnant adolescents to facilitate the process of returning to school after childbirth.
- Strengthen efforts to eradicate child labour and to guarantee that children can lead a healthy and happy childhood.

Objective 3

Develop a comprehensive social security system for all workers, including those in the informal sector and in subsistence agriculture, to protect them from risks related to work and other situations of vulnerability.

Recommendations

Develop the General Social Security Scheme

- As planned, implement fully the maternity, paternity, work accident, disability, old age, death and survival benefits.
- As planned, implement and stabilize operations of the National Social Security Institute.
- Create mechanisms for workers in informal jobs, subsistence agriculture and other vulnerable jobs to register and participate in the contributory social security scheme.
- Coordinate and integrate the operations of the contributory and non-contributory social security schemes.

Additional provisions

- Create an unemployment insurance programme for people who lose their jobs through no fault of their own.
- Ensure protection in the event of non-work-related illness.
- Assess barriers for the well-being and inclusion of persons with disabilities, and address issues with adequate social protection measures.
- Improve the efficiency of cash-for-work programmes as a mechanism to fight poverty, and assess whether there is duplication of efforts that could be reduced.

Objective 4

Ensure conditions for all to access quality health services, regardless of social or financial conditions, age or place of living, especially for maternal and newborn specialized care.

Recommendations

Accessibility

- Improve the ambulance service, including reduced response time, and improve contact mechanisms.
- Assess the feasibility to refund transportation expenses to medical facilities for people in vulnerable conditions and for emergency situations.
- Assess issues with geographic and regional inequalities regarding availability of medical facilities and medical staff.

Maternal and child health

- Assess the possibility to create incentives (financial or in-kind) for mothers to attend prenatal and postnatal care and to improve the attendance for routine exams for children.
- Coordinate with education services to promote reproductive health and sexual education.

Health care programmes in communities

- Make the SISCA and Health in the Family programmes more regular and predictable, with increased frequency and a range of services.
- Integrate, as far as possible, the delivery of health and social services, and their databases.



Objective 5

Enhance the institutional capacity of the national social protection system to better integrate and coordinate information and operations and to ensure transparency, sustainability and sound financial management of the resources invested.

Recommendations

Operations coordination

- Create a coordinated service between the line ministries.
- Create mechanisms of coordination with local authorities to implement the programmes.
- Assess the development of an integrated database for the Ministries of Finance (General Directorate of Statistics), Social Solidarity, Health, Justice and Education and SEPFOP (drawing from existing database systems) – with the possibility to create a single identification card for all social protection programmes.

Service quality improvement

- Improve response time and quality of social support.
- Improve the development of human resources for social protection, and train social workers to improve the quality of social care, including continuous training programmes.
- Strengthen the implementation and monitoring and evaluation capacities of the programmes.

Financial and budgetary issues

- Establish a single electronic payment system to facilitate the monthly payments to the beneficiaries of the different programmes.
- Work with long-term cost estimates to ensure the system's budget sustainability and predictability.
- Improve the planning and execution of the budget to ensure that adequate budget is assigned to each programme, following the rights provisions and established criteria and that the budget is available at the right time for implementation.

5. COST ESTIMATES FOR PROPOSED REFORMS

This chapter presents the policy options selected for the costing exercise within the ABND process in Timor-Leste. Each policy option was organized for a set of scenarios that represent different parameters for the implementation of the recommendations formulated in the previous stages of the process, such as the recommendations that emerged through the social protection assessment.

In the same fashion as the vulnerability analysis and social protection assessment, the policy scenarios are grouped by the four basic guarantees of the social protection floor: access to essential health services and basic income security for children, for people of working age and for older persons.

The choice of policies for costing were determined by the specialized technical groups involved in the ABND process. Likewise, the parameters for the given reforms were also decided with the participation of members of the technical groups and the Document Drafting Committee.

The following section describes the costing methodology, focusing on the limitations imposed by the costing tool because they are determinants of which recommendation can be part of the exercise and the assumptions that underline the cost projections. Then selected recommendations are highlighted, along with the respective scenarios for costing.

Costing methodology

The ABND process used the rapid assessment protocol developed by the ILO as a costing tool for the policy recommendations formulated by the participants. The protocol is a simple methodology to estimate the cost of creating or reforming social protection provisions. It relies on demographic, economic, labour force and government revenue and expenditure projections.

For the development of the scenarios for costing, it is important to understand the limitations of the RAP tool in order to better use it. The rapid assessment tool was designed for recommendations related to the expansion of the social protection floor. This entails changes in the coverage of programmes, changes in the level of benefits of existing non-contributory schemes and the creation of new non-contributory benefits. In the following section, the policy options that fall into these three types of reforms are introduced with respective scenarios.

Other types of recommendations, such as those related to the creation or changes in social insurance schemes or related to changes in operation and coordination of programmes or qualitative recommendations, fall outside the scope of the rapid assessment protocol tool and require more in-depth studies. These recommendations were not costed in the ABND process.

The projections made using the rapid assessment protocol methodology were based on assumptions that designate how different demographic, economic, labour force and government indicators will behave. Two factors made this task challenging in Timor-Leste. First, the country has had only 15 years of independence. During this period, the country suffered many shocks, negative and positive ones, resulting in drastic and fast changes. And second, historical data are scarce and often unreliable. Thus, the assumptions made in the model were conservative because forecasting into the future the same amount of years as the country has been independent can often produce works of fantasy rather than possible realities.

Demographic assumptions

Population projections until 2030 (by sex and age) were derived from the projections of the General Directorate of Statistics, based on the Census 2010 findings and adjusted to the results of the Census 2015 findings. This means that the trends between 2010 and 2015 were adjusted and further projected in the future (table 6).

Table 6 Population projections to 2030, by age group

Age	2017	2020	2025	2030
0–4	195 438	209 555	231 449	249 999
5–9	169 554	183 623	207 042	229 207
10–14	149 567	160 424	182 063	205 616
15–19	131 238	140 162	159 032	180 699
20–24	114 405	123 772	138 517	157 400
25–29	94 151	105 795	122 049	136 835
30–34	77 137	85 321	104 172	120 413
35–39	54 180	69 104	83 795	102 524
40–44	49 301	46 347	67 591	82 146
45–49	47 684	50 788	45 059	65 884
50–54	37 471	42 035	48 893	43 516
55–59	29 962	32 962	39 900	46 570
60–64	24 957	26 317	30 573	37 192
65–69	20 426	21 440	23 446	27 440
70–74	15 599	16 298	17 865	19 759
75–79	10 830	11 176	12 177	13 569
80+	10 025	10 906	12 499	14 533
TOTAL	1 231 924	1 336 022	1 526 120	1 733 300

Source: Author's calculation based on Ministry of Finance, 2011b and 2016e.

Macroeconomic and fiscal assumptions

GDP growth


The costing model used projections of GDP growth for the period until 2021, as estimated by the International Monetary Fund and published in its *2016 Article IV Consultation: Timor-Leste* report. Their projections considered the declining revenue from the petroleum sector and assumed that no additional reserves or new fields would be opened before 2030. It thus means that from 2022 onwards, the oil GDP and the non-oil GDP will be the same. For 2022–30, the linear trend of growth of the non-oil GDP from 2015 to 2021 was assumed to remain constant.

Inflation

It was assumed that inflation will keep an average equivalent to the geometrical mean between 2005 and 2015. This captured the general trend of national inflation, taking into account the investment plans of the Government, which are often referred to as the major driver of inflation in the country.

Government revenue and expenditure

Government revenue and expenditure were based on projections by the Ministry of Finance in its 2017 National Budget Book 1 and covered the period from 2015 to 2021. According to these projections, government expenditure will continue to increase, peaking in 2019 as frontloading for major infrastructure projects advance. Total revenue will continue a sharp decline as oil



revenue declines until they cease, in 2021. Non-oil revenue will continue to increase at a steady pace but will not be sufficient to maintain the 2015 levels as a share of GDP.

It was assumed that after 2021, expenditure levels would decrease to the 2015 levels to reduce the excess withdrawals from the Petroleum Fund. The estimated sustainable income will decline as the Petroleum Fund is drained of its significant wealth; it was projected to remain constant in real terms after 2022. Non-oil revenue was projected from 2022 to 2030 and following the historical growth trend since 2005.

Labour market assumptions

Labour force participation rates

Data on labour force participation were available in the Labour Force Survey findings for 2010 and 2013. But due to changes in methodology, the results were not directly comparable. Thus, activity rate projections until 2030 (by sex and for each individual age) were based on data from the 2013 Labour Force Survey and projected into the future, following the assumption of an increase of 0.6 per cent in the labour force participation rate per year (applied to each age independently), as was done in the 2016 actuarial study developed for the creation of the General Social Security Scheme. Thus, labour force participation increases from 29.5 per cent in 2013 to 33.9 per cent in 2030.

Informal employment

Data on the share of informal employment in total employment were available only for 2010 and 2013 through the Labour Force Survey findings. But, again, the changes in methodology made the data not directly comparable. Thus, projections until 2030 were based on data from the 2013 findings and projected into the future, following the assumption that the growth in the labour force participation is demand driven and leading to higher formalization of jobs. The informal employment rate of 2013, at 71.9 per cent, was assumed to reduce, in line with the improvements in participation – by 0.6 per cent per year, reaching 64.9 per cent of informal employment in 2030.

Labour productivity

Given the shortage of historical data from employment and participation, it was assumed that increases in employment would be in line with the growth of the labour force, assuming the entry into the labour force is demand driven. Thus, labour productivity was calculated as the result of the number of employed workers divided by GDP. On these assumptions, non-oil productivity increases steadily, at slowing growth rates. When including the oil sector, productivity declines until the petroleum revenues cease and then follow the non-oil trend.


Minimum wage

Timor-Leste does not have an official minimum wage. There is a minimum wage for public employees, at \$115 per month, which was used as the national parameter, according to decision National Council of Labour no. 02/CNT/2012. The minimum wage was assumed to increase with inflation.

Living standards and social protection assumptions

Poverty line and poverty rate

The most recent consumption-based estimate of the poverty line is for 2014, based on data from the Standard of Living Survey 2014. The poverty line was calculated following a cost-of-basic-needs approach that took into account minimum calorie intake, non-food necessities and a separate “rent” component. The national poverty line was estimated at \$1.54 per capita per day,



(or \$46.37 per capita per month), with a poverty headcount of 41.8 per cent. It was assumed that the poverty line will increase in line with inflation and that poverty rates will remain constant during the period of projection.

Benefit levels

For the status quo scenarios, benefits were assumed to increase in line with inflation. Most of the remaining scenarios were based on shares of the poverty line (the next section explains the benefit amounts of each scenario).

Coverage and take-up rates

All coverage and take-up rates were kept constant during the projection period, unless stated otherwise or in the case of turning targeted benefits into universal ones. For the creation of new benefits, the take-up rates were estimated, based on programmes designed for similar groups.¹³⁵

Preliminary policy options and scenarios for costing

The recommendations developed in the ABND process that are related to the expansion of the social protection floor were further analysed by the specialized technical groups and refined into scenarios for costing. In most cases, several policy scenarios are presented for each proposed reform or new programme to understand the potential range of cost that can result from different policy choices.

Some of the proposed scenarios are based on assumptions of the costs that will be incurred to achieve the aims of the respective recommendation (such as the cost of serving an additional meal in the School Feeding programme or the cost of transportation for children in rural areas). These assumptions were based on limited information available and should be taken as a rough estimate of the potential cost for implementing these scenarios. Further in-depth studies are advised to provide more accurate estimates.

Appendix II presents the full results of the rapid assessment protocol model and the respective scenarios.

Policies for health care access

Despite the existing universal health care system in Timor-Leste, full coverage and access for all individuals remains a daring challenge.

There are still many constraints to the supply of health services. There is a lack of qualified human resources (fewer doctors, nurses and midwives than needed), insufficient health care infrastructure (lack of hospitals, clinics, laboratories, equipment, ambulances, etc.) and frequent shortages in medical supplies (medicines, emergency supplies, general supplies, etc.). All these issues are recognized and addressed in the National Health Sector Strategic Plan 2011–2030,¹³⁶ which proposes a set of reforms and other action to improve the situation. These issues fall outside the scope of the ABND, and the significant cost to close these gaps is not addressed in the following costing exercise.

Despite the several issues that exist in the supply of health services, even when infrastructure, supplies and personnel are available, many households struggle to access medical care. People who live in remote locations often do not have easy access to roads. They lack transportation and,

¹³⁵ In targeting children with disabilities, the same take-up rate as the Bolsa da Mãe was assumed.

¹³⁶ Ministry of Health, 2011.

in some cases, cannot call emergency medical services (they have no telephone line or mobile phone service available). Often patients must walk great distances or pay for expensive transportation to reach a medical facility.

The distance and costs for reaching medical services poses a significant barrier for individuals to access routine health services (such as prenatal and postnatal exams or monitoring for chronic disease). It is an impediment that places people in need of emergency care services in a life-threatening situation.

a. Emergency transport expenses refund

Recommendation Assess the feasibility to refund transportation expenses to get to medical services for people in vulnerable and emergency situations.

To remove the financial constraints to reach medical services, the creation of a programme that refunds the cost of hiring a private transport to access medical facilities when public supply is not available is proposed. This would apply, for example, where public health facilities have no ambulance available. Many issues need to be considered when designing the operation of such a policy to guarantee it will serve those in need without creating opportunity for individuals to take advantage of the benefit.

Scenario 1: Refund cost of transportation to health facility for patients in emergency situations – up to \$20.

Scenario 2: Refund cost of transportation to health facility for poor patients in emergency situations – up to \$20.

Scenario 3: Refund cost of transportation to health facility for poor patients in emergency situations – up to \$20 – in municipalities that have insufficient ambulances and/or no working emergency telephone line.

Results

The introduction of the benefit would have a low cost, representing a small share of GDP and government expenditure. This type of benefit has the potential to be a cost-effective solution to increase access to health care. Nonetheless, the introduction of such policy should be the object of a more detailed cost-benefit study because the information on the demand and cost of delivery are based on broad assumptions due to the lack of specific data. The cost will reduce as a share of GDP and will increase as a share of government expenditure (figures 26 and 27).

Figure 26 Introduction of emergency transport expenses refund, as a share of GDP, 2018–30

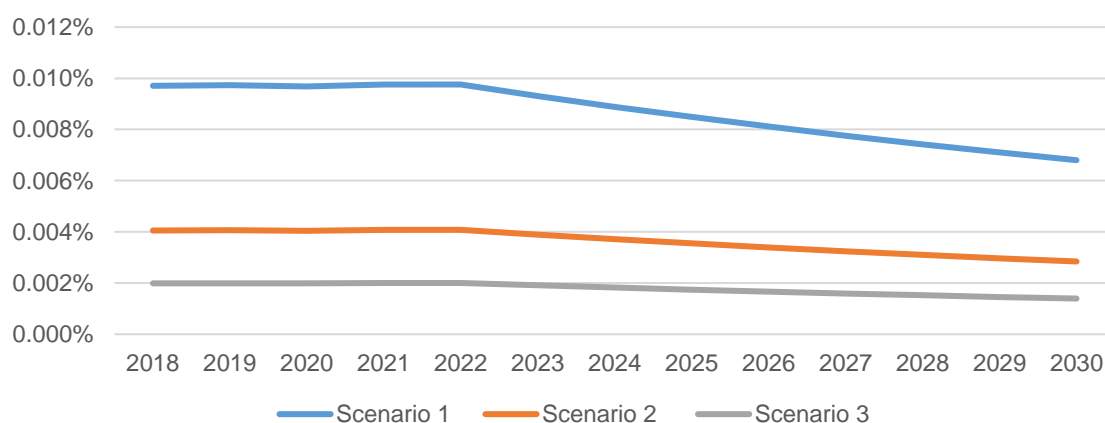
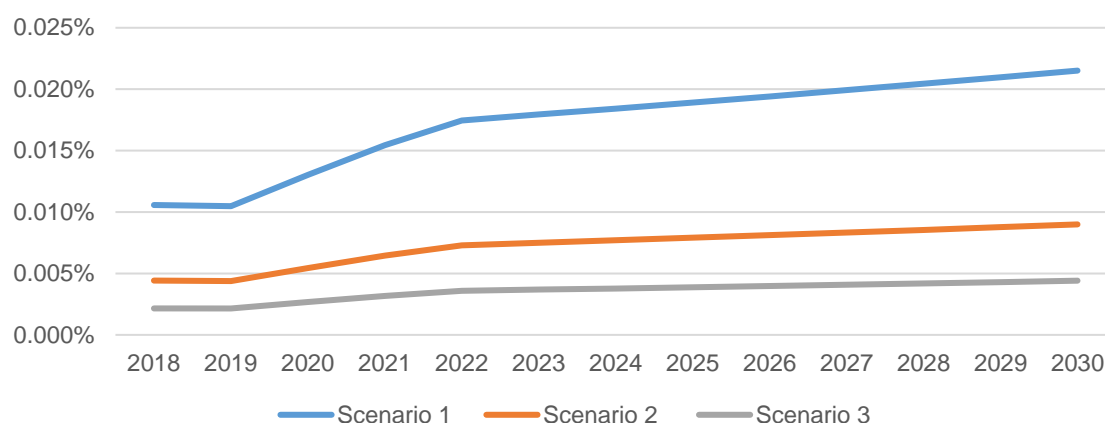


Figure 27 Introduction of emergency transport expenses refund as a share of government expenditure, 2018–30



b. Incentives for maternal and infant care

Recommendation Assess the possibility to create incentives (financial or in-kind) for mothers to seek out prenatal and postnatal care and to take their children to routine exams.

The low attendance for prenatal and postnatal exams can be partly explained by the difficulty to access a medical facility that pregnant women and new mothers experience. The costs in time and often in money to go to a medical facility can have great influence on the decision to seek out important care. To lower the access barrier and create incentives for pregnant women and new mothers to take up the recommended routine exams, a small benefit (to be defined if financial or in-kind¹³⁷) would be offered as a “reward” for attendance and care provided to babies. This could be introduced as an additional component of the Bolsa da Mãe Programme, which monitors children before their birth. For the costing exercise, the maximum value of the benefit was used to calculate the potential cost for implementing this programme.

Scenario 1: A benefit of \$5 will be given in each of the four recommended prenatal visits, and a benefit of \$10 will be delivered in each of the two recommended postnatal exams.

Scenario 2: A benefit of \$10 will be given in each of the four recommended prenatal visits, and a benefit of \$15 will be delivered in each of the two recommended postnatal exams.

Scenario 3: A benefit of \$5 will be given in each of the four recommended prenatal visits, and a benefit of \$10 will be delivered in each of the two recommended postnatal exams, but only to poor families (means tested).

Results

The introduction of the benefit will have a low cost, representing a small share of GDP and government expenditure. This type of benefit thus has the potential to be a cost-effective solution to increase demand for maternal and infant care, before and after birth. The cost will reduce as a share of GDP and increase as a share of government expenditure (figures 28 and 29).

¹³⁷ Benefits in kind can be items that are valuable for the household in the long term (in each visit the mother receives a kitchen utensil) or that improve the capacity to take care of the child (dippers, clothes, baby food).

Figure 28 Introduction of incentives for maternal and infant care, as a share of GDP, 2018–30

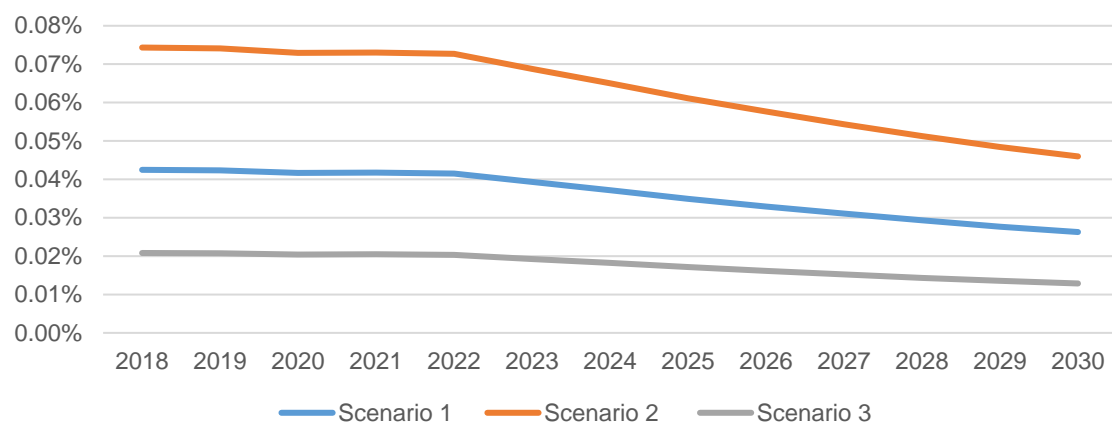
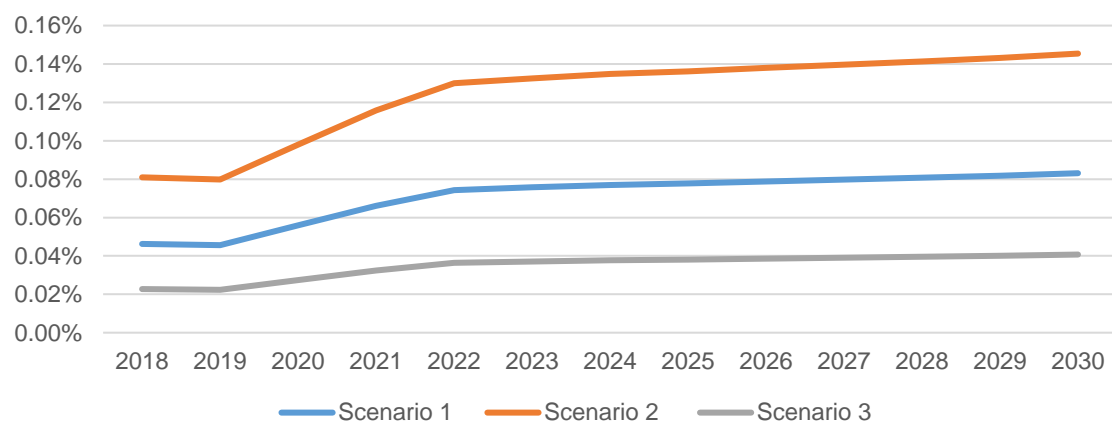


Figure 29 Introduction of incentives for maternal and infant care, as a share of government expenditure, 2018–30



ii. Policies for children

Timor-Leste's social protection system is composed of various programmes targeted to children, with a rich combination of services and in-kind and cash benefits. But there are many challenges to delivering on the guarantee of basic income security for children. The social protection system to date is fraught with gaps in the coverage of beneficiaries, issues in adequacy of benefit levels and difficulties to guarantee the quality of services delivered and to coordinate the operation of the many schemes. To address these issues, the following recommendations and scenarios were designed.

a. Bolsa da Mãe

Recommendations Assess the potential financial and poverty impacts of changes in eligibility criteria and benefit amounts to improve the programmes' efficiency.
Assess the revision of the existing indexing mechanism to maintain the purchasing power of cash transfers over time.

The programme is the largest cash transfer scheme in the country, based on the number of beneficiaries, which in 2015 was about 154,000 children. It currently provides transfers of \$5 per month for each child (up to three children per household) in vulnerable households. The programme experiences many operational challenges, which range from verifying compliance with conditionalities, correctly identifying eligible beneficiaries through a proxy means test and being able to make monthly payments.

Additionally, benefit amounts are low, significantly reducing the potential impact the programme could have on poverty reduction and on improving living standards. The Bolsa da Mãe is the only transfer programme that benefits children younger than school age, even though it is a critical time in children's development. In a scenario with high malnutrition prevalence in all income quintiles, extending benefit coverage may produce large lifelong well-being gains.

The scenarios proposed were designed to overcome the many limitations and improve the programme's effectiveness. There are two scenarios that maintain the current coverage (eligibility criteria and take-up rates) and six scenarios that change the coverage of the programme. To determine the best combination between coverage and benefit adequacy reforms, the costing exercises were made for all benefit levels proposed and combined to all coverage scenarios.

Status quo: Current coverage levels and increased benefit amounts in line with inflation.

Current coverage – different benefit levels

Scenario A: Current coverage levels and increased benefit amount by 100 per cent (\$10 per month per child at starting year).

Scenario B: Increase the benefit amount by 240 per cent (\$17 per month per child at the year of implementation).

Different coverage – different levels

Scenario 1: Change eligibility to universal for children aged up to 3 years, while keeping a proxy means test for children aged 4–17 years.

1A: Increase benefit amount by 100 per cent.

1B: Increase benefit amount by 240 per cent.

Scenario 2: Change eligibility to universal for children aged up to 5 years, while keeping a proxy means test for children aged 6–17 years.

2A: Increase benefit amount by 100 per cent.

- 2B: Increase benefit amount by 240 per cent.
- Scenario 3: Change eligibility to universal for children aged up to 8 years, while keeping a proxy means test for children aged 9–17.
 - 3A: Increase benefit amount by 100 per cent.
 - 3B: Increase benefit amount by 240 per cent.
- Scenario 4: Change eligibility to universal for children aged 0 to 14 years old, while keeping a proxy means test for children aged 15–17.
 - 4A: Increase benefit amount by 100 per cent.
 - 4B: Increase benefit amount by 240 per cent.
- Scenario 5: Change eligibility to universal for children aged up to 17 years.
 - 5A: Increase benefit amount by 100 per cent.
 - 5B: Increase benefit amount by 240 per cent.
- Scenario 6: Make the programme universal starting for children aged up to 3 years, and gradually increase universal age each year.
 - 6A: Increase benefit amount by 100 per cent.
 - 6B: Increase benefit amount by 240 per cent.

Results

In general, the scenarios' costs will grow slower than GDP, which in turn will reduce the benefit relative to the share of GDP that the scenarios represent. In terms of government expenditure, the scenarios will grow in share of total government spending, as it is assumed that from mid- to late-2020s the Government will reduce expenditure levels. The exceptions to this pattern are scenarios 6, 6A and 6B, which increase universal coverage every year and, in turn, increase its costs as both a share of GDP and government expenditure throughout the projection period.

When considering the increase of the benefit level without making changes in eligibility of the programme (figures 30 and 31), the costing projections to 2030 follow, to a large extent, the logical conclusion for the proposed reforms: When benefits are increased, the cost will increase proportionally. It is important to highlight that although in the first year the cost will increase in about the same proportion as the benefits, as the years pass, the cost of the status quo scenario will fall slowly, while the cost of an increased benefit level will fall faster as a percentage of GDP. The cost as a percentage of government expenditure will at first fall, as large infrastructure projects inflate spending levels; however, after 2022, when expenditure levels are expected to fall to 2015 levels, the share of the cost of all scenarios will increase steadily due to the combination of higher population growth rates and inflation rates than increases in government expenditure.

Figure 30 Bolsa da Mãe, current coverage at different benefit level scenarios, as a share of GDP, 2018–30

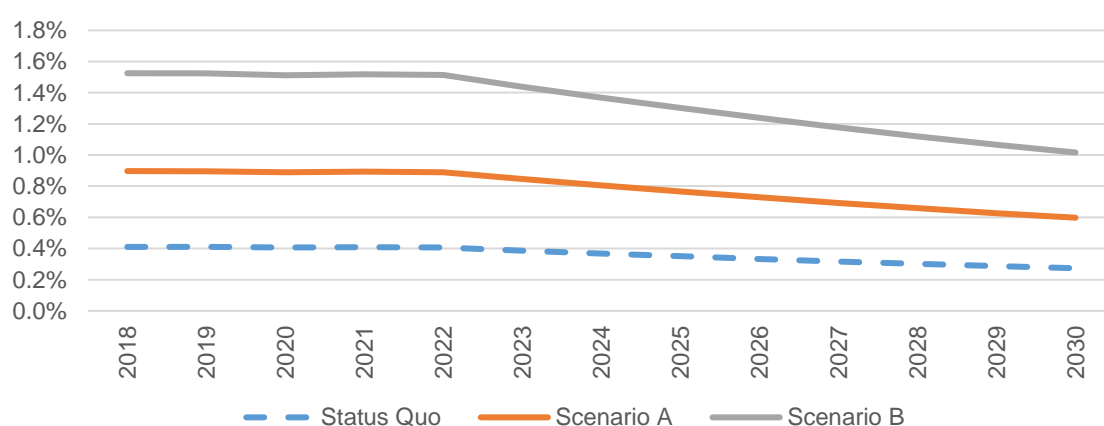
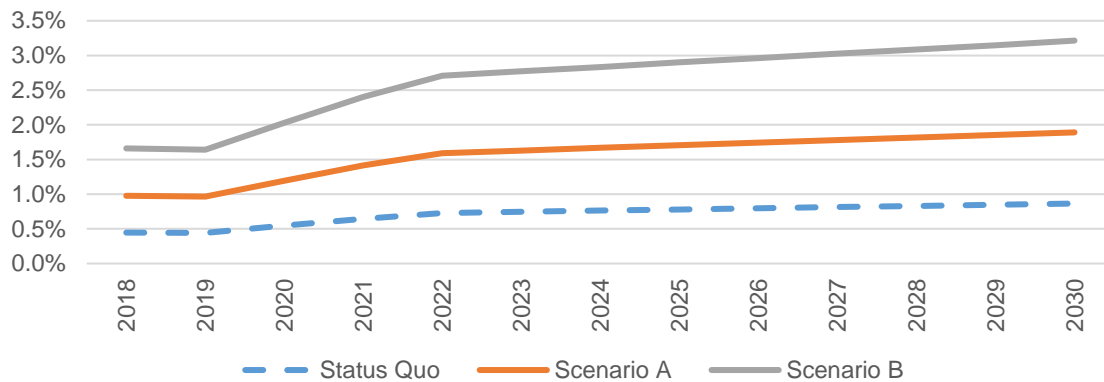


Figure 31 Bolsa da Mãe, current coverage at different benefit level scenarios, as a share of government expenditure, 2018–30



In the scenarios in which the benefit amount is kept in line with the current level (figures 32 and 33), the expansion of coverage will produce increases in the cost in similar levels as projected in scenarios A and B. The trends for the shares of GDP and government expenditure will also follow similar patterns. These similar results highlight the cost trade-offs between coverage and benefit levels.

Figure 32 Bolsa da Mãe, coverage reform at current benefit level scenarios, as a share of GDP, 2018–30

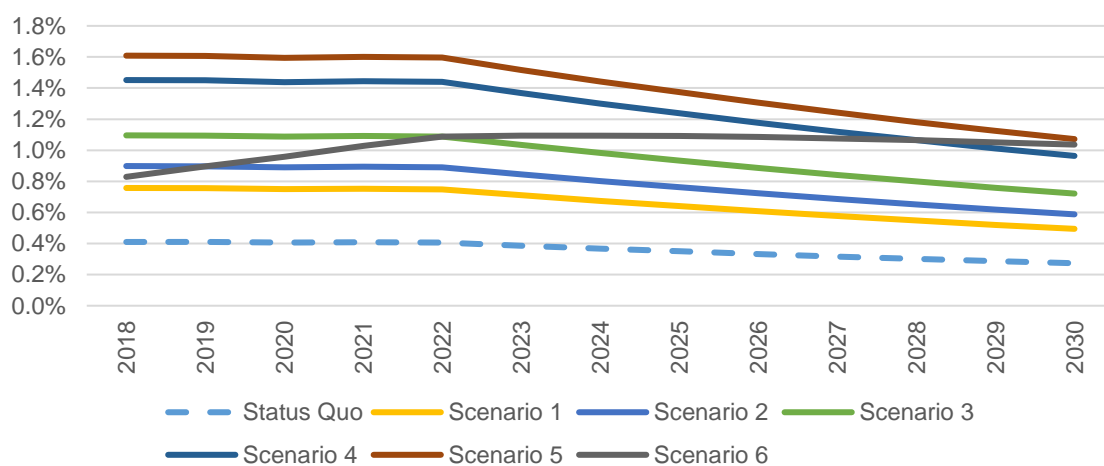
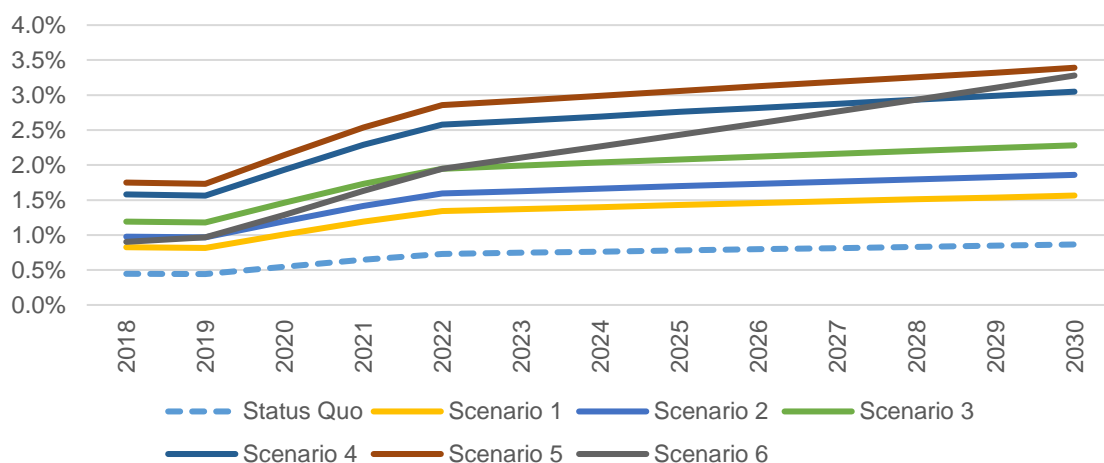


Figure 33 Bolsa da Mãe, coverage reform at current benefit level scenarios, as a share of government expenditure, 2018–30



When simulations of increases both in benefits and coverage levels were calculated (figures 34 and 35), the increases in the cost of the programme changed in magnitude but still followed the trend presented in scenarios A and B. It is important to highlight that, despite the expenditure hike in the proposed scenarios, especially those where coverage is made universal to most children (scenarios 4 and 5), a large increase in coverage follows, from the current 14 per cent of total population to a range of 24 per cent to more than 50 per cent of total population.

Figure 34 Bolsa da Mãe, coverage reform and 100 per cent increase in benefit level scenarios, as a share of GDP, 2018–30

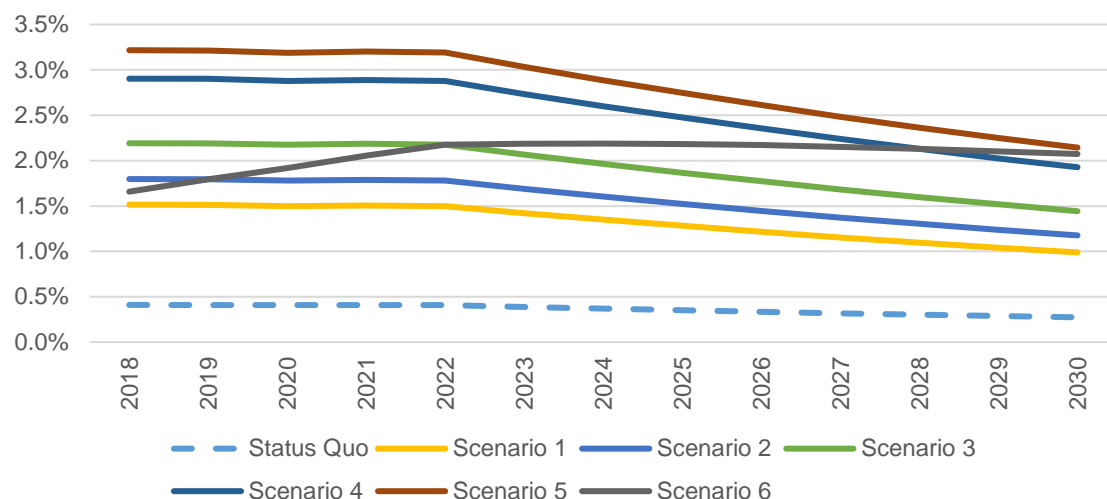
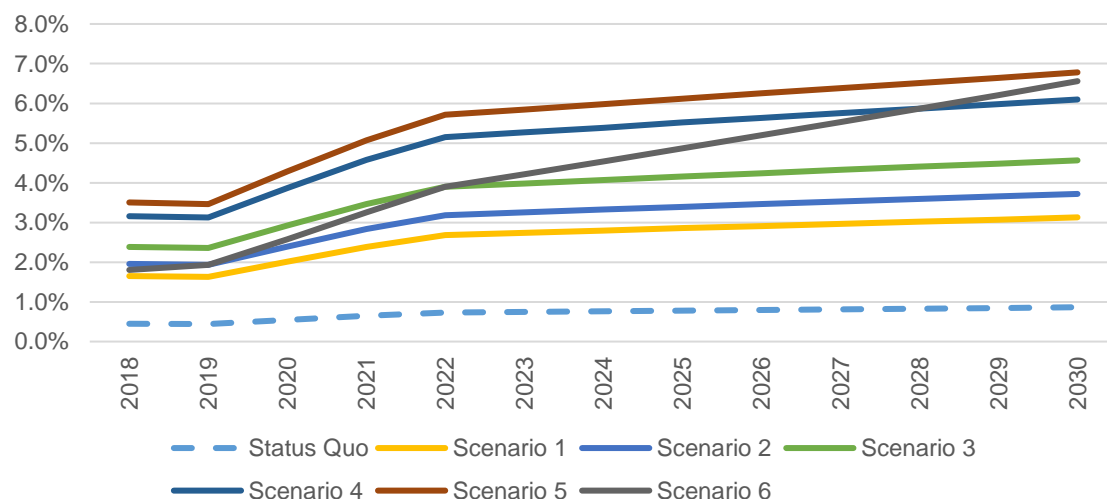


Figure 35 Bolsa da Mãe, coverage reform and 100 per cent increase in benefit level scenarios, as a share of government expenditure, 2018–30



When benefits are increased by 240 per cent (figures 36 and 37), the overall cost of each proposed scenario will vary, from about 2.6 per cent to 5.5 per cent of GDP in 2018, depending on the proposed age limit for universal coverage. These costs will fall as a share of GDP over time, ranging from 1.6 per cent to 3.5 per cent of GDP in 2030. When compared with the evolution of the status quo scenario, the results of the proposed scenarios represent budget increases many times the current level. However, in none of the scenarios proposed (including those with lower benefit levels) will the investment level reach the current budget level of the veterans' pension. The trade-off between the increase in benefit levels and coverage can be better assessed at the end of this section, when potential impacts on poverty reduction are simulated.

Figure 36 Bolsa da Mãe, coverage reform and 240 per cent increase in benefit level scenarios, as a share of GDP, 2018–30

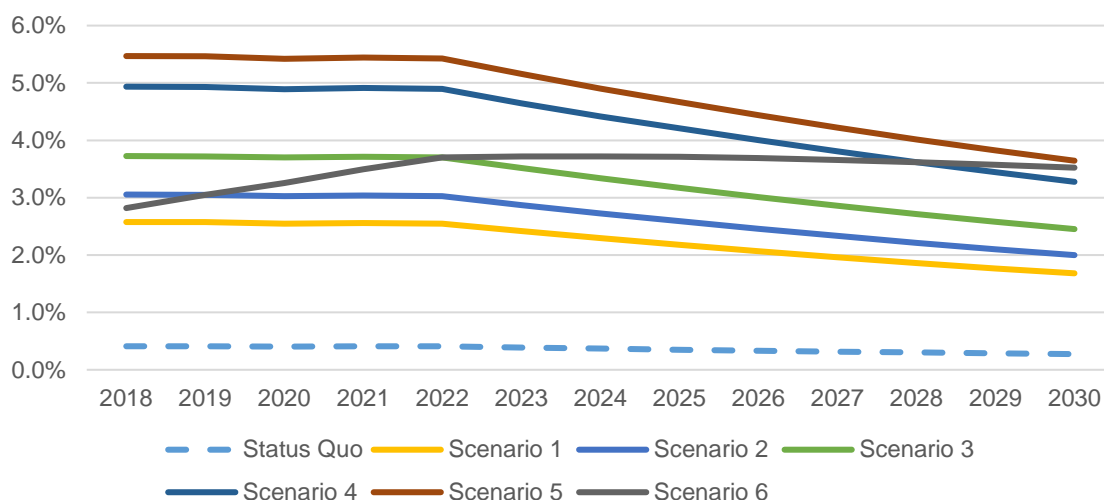
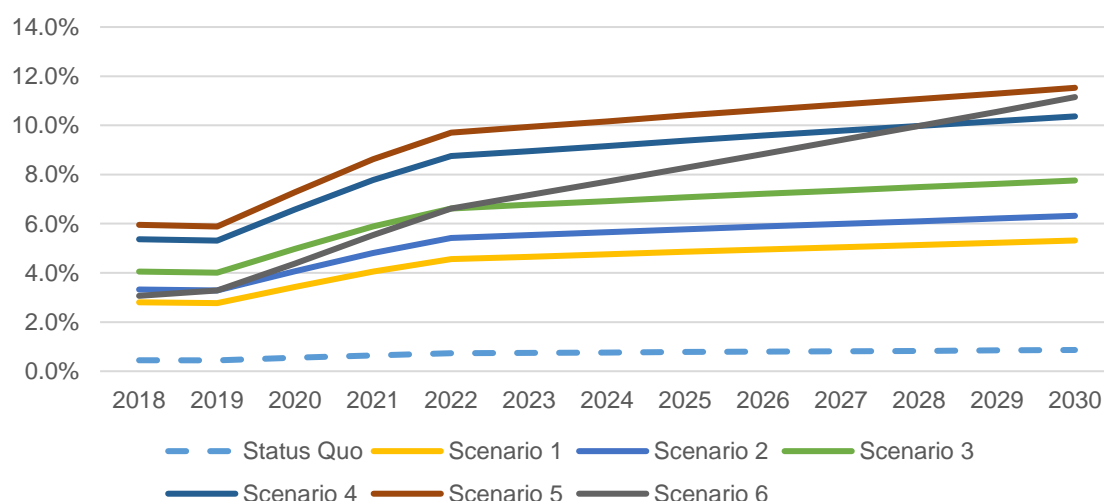


Figure 37 Bolsa da Mãe, coverage reform and 240 per cent increase in benefit level scenarios, as a share of government expenditure, 2018–30



b. Children with disabilities

Recommendation Create specific programmes for children with disabilities, with adequate financial support.

Children with disabilities in Timor-Leste are eligible for the Bolsa da Mãe conditional cash transfer programme. However, the limitations of the scheme combined with the stigma that disability has in the country often leaves the children with a disability uncovered. Currently, the programme covers about 2,000 children with disabilities, while an estimated 24,000 children aged 0–17 live with a disability.¹³⁸

Additionally, people with disabilities usually require special care that can incur increased financial costs for the individual and their family. Children by nature need more attention and care than

¹³⁸ Assuming that the incidence of disabilities in children follows the national average of 4.3 per cent, according to the 2010 Census findings.

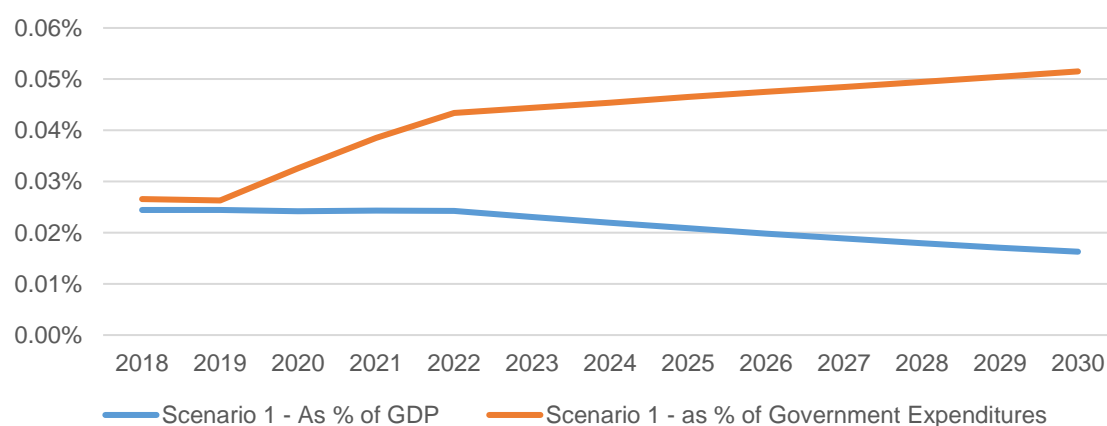
adults, especially children with disabilities. Therefore, to better support families with children with disabilities, the access and level of the existing provisions should be improved.

Scenario 1: Provide benefits in line with the SAI Programme for all children with a disability (\$30 per month per child, in the year of implementation).

Results

The introduction of the benefit would have a cost representing a small share of GDP or government expenditure (figure 38). The cost will grow slower than GDP, which in turn will reduce the relative share of GDP that the scenario represents. But in terms of government expenditure, the cost of the benefit will grow as a share of total government spending.

Figure 38 Introduction of benefit for children with disabilities, as share of GDP and government expenditure, 2018–30



c. School feeding

Recommendations Improve the composition of the meals served to children by adjusting operations to follow the menu developed by the Ministry of Health. Assess the possibility to expand the programme to provide lunch and to cover children in secondary school.

The School Feeding Programme offers a meal per day for children in public and private pre-primary and primary schools. In the dialogue process, many issues were highlighted about the programme, but most problematic were the insufficient investment per child (currently \$0.25 per school day) and the difficulty in delivering quality meals. Additionally, the programme does not cover secondary school students, and its absence is one incentive less for children to continue their studies. The drop-out rate from primary to secondary schools increases sharply.

Status quo: Provide one daily meal to pre-primary and primary school students, at \$0.25 per day per child (for 200 school days).¹³⁹

Scenario 1: Increase the value of the benefit to provide \$0.42¹⁴⁰ for each school day (200 days per year).

¹³⁹ Although this is referred to as the status quo scenario, in reality, the yearly budget of the programme cannot supply the proposed benefits to all children in pre-primary and primary schools. There is no clear indication if the children receive meals for fewer days per year or if the daily budget is cut to accommodate the budget limitations.

¹⁴⁰ Equivalent to half the national food poverty line, according to Ministry of Finance, 2016a.

- Scenario 2:** Increase the value of the benefit to provide \$0.83¹⁴¹ for each school day (200 days per year).
- Scenario 3:** Provide one daily meal to secondary school students (assuming status quo of \$0.25 per day per child for 200 school days).

Results

The cost will grow slower than GDP, which in turn will reduce the relative share of GDP that each scenario represents. But in terms of government expenditure, the cost of the benefit will grow as a share of total government spending. However, the magnitude of the cost for the School Feeding Programme is far higher than those of other benefits due to the large number of children and the higher benefit level than other programmes have (figures 39 and 40).

Figure 39 School feeding costing scenarios, as a share of GDP, 2018–30

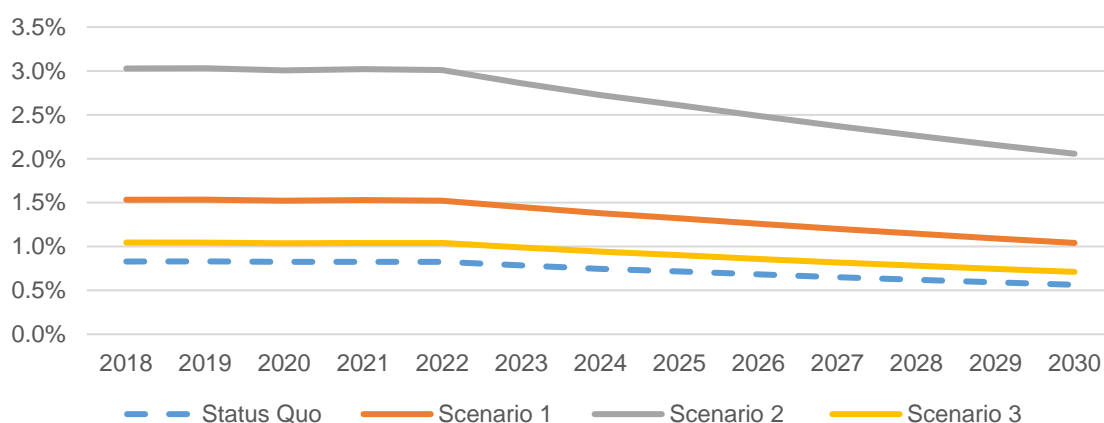
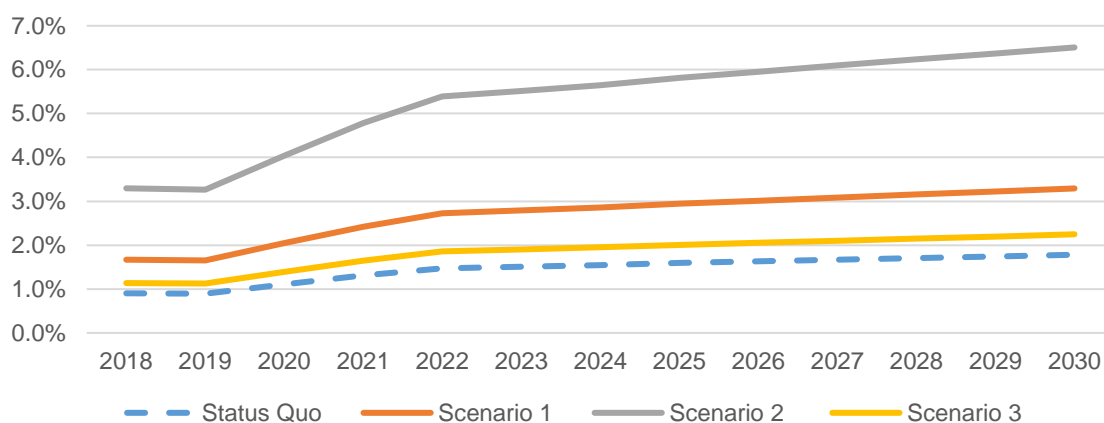


Figure 40 School feeding costing scenarios, as a share of government expenditure, 2018–30



d. School transportation

Recommendation Ensure that all children have access to transportation to get to school (service or cash).

Long distances and lack of means of transportation represent an obstacle for many children to go to school, especially in rural areas and for students in secondary school. To overcome this

¹⁴¹ Equivalent to the national food poverty line, according to Ministry of Finance, 2016a.

impediment to achieving an education, small daily grants should be provided to eligible children to cover the cost of using existing means of transportation (in most places, a *microlet*).

- Scenario 1:** Provide each child in primary school with \$0.50 for each school day (200 days per year).
- Scenario 2:** Provide each child in primary school in rural areas with \$0.50 for each school day (200 days per year).
- Scenario 3:** Provide each child in primary or secondary school with \$0.50 for each school day (200 days per year).
- Scenario 4:** Provide each child in primary or secondary school in rural areas with \$0.50 for each school day (200 days per year).

Results

The introduction of the benefit would have a high cost, representing a larger share of GDP and government expenditures than most existing programmes. The high cost is an indication that direct service delivery by the Government could have a lower cost than relying on cash transfers. The cost will grow slower than GDP, which in turn will reduce the relative share of GDP that each scenario represents (figure 41). But in terms of government expenditure, the cost of the benefit will grow as a share of total government spending (figure 42).

Figure 41 Introduction of benefit for school transportation, as a share of GDP, 2018–30

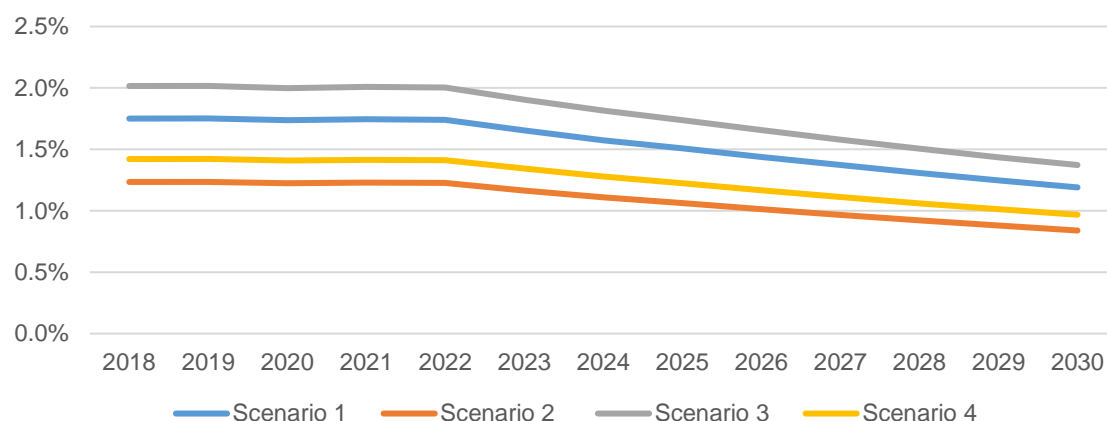
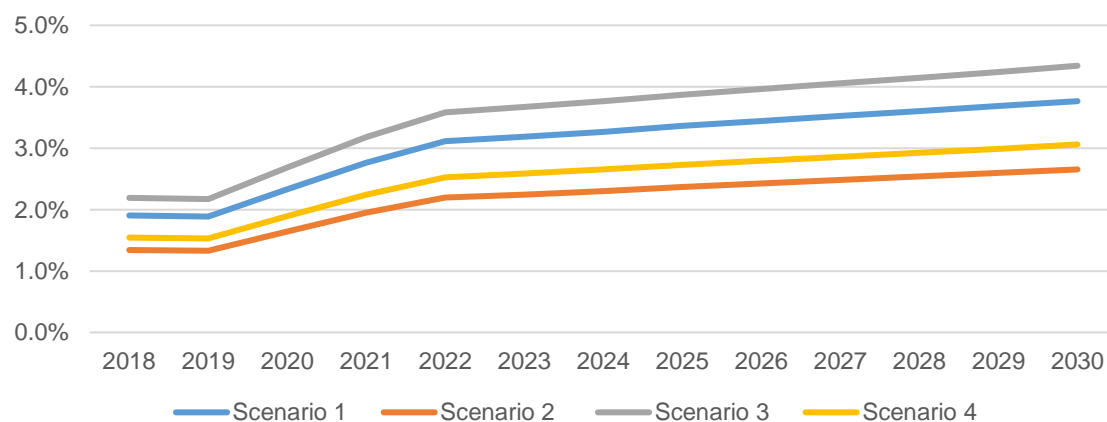


Figure 42 Introduction of benefit for school transportation, as a share of government expenditure, 2018–30



ii. Policies for the working-age population

Most of the government programmes targeting working-age individuals are of a training nature. There is little social protection coverage of this population. This is bound to improve in the coming years with the introduction of new contributory schemes recently approved by Parliament. Most of the recommendations for this age group were directed to the creation of the contributory system and additional programmes that are not yet planned to be created (such as unemployment insurance).

Nonetheless, the low level of formality of the Timorese labour market will result in limited coverage by the contributory scheme. Individuals with informal jobs or in subsistence agriculture will still be left without access to a comprehensive social protection system. To alleviate this situation, the existing cash-for-work programme can serve as a temporary solution for workers struggling to find a job or not earning sufficiently.

a. Rural employment

Recommendations Expand the Rural Employment Programme as a mechanism to fight poverty.

The existing scheme has two programmes. The first uses procurement of companies to build rural roads – the private companies need to follow some conditions, including that labour will be hired from the communities receiving the project and that payment of unskilled labour will range from \$3 to \$5 per day. The second programme hires the workers directly for community-driven projects that are of lower complexity. Each project has an average of 106 workers; they are paid \$3 per day of work and work an average of 13 days per project. Currently, there are budget constraints that do not allow the programme to reach its full potential: More than half of the approved projects are awaiting budget availability to begin. The proposed scenarios focus on the second type of project, which has more control over the value of payments and days worked.

- Scenario 1:** Expand the programme's coverage to execute 200 projects per year (following the status quo of 106 workers per project working 13 days).
- Scenario 2:** Expand the programme's coverage to execute 200 projects per year and increase the number of work days to 50 (following the status quo of 106 workers per project).
- Scenario 3:** Expand the programme's coverage to execute 200 projects per year and increase the number of work days to 75 (following the status quo of 106 workers per project).

Results

Scaling up of the programme will produce a much higher cost than the status quo. The cost will grow slower than GDP, which in turn will reduce the relative share of GDP that each scenario represents (figure 43). But in terms of government expenditure, the cost of the benefit will grow as a share of total government spending (figure 44).

Figure 43 Cash-for-work costing scenarios, as a share of GDP, 2018–30

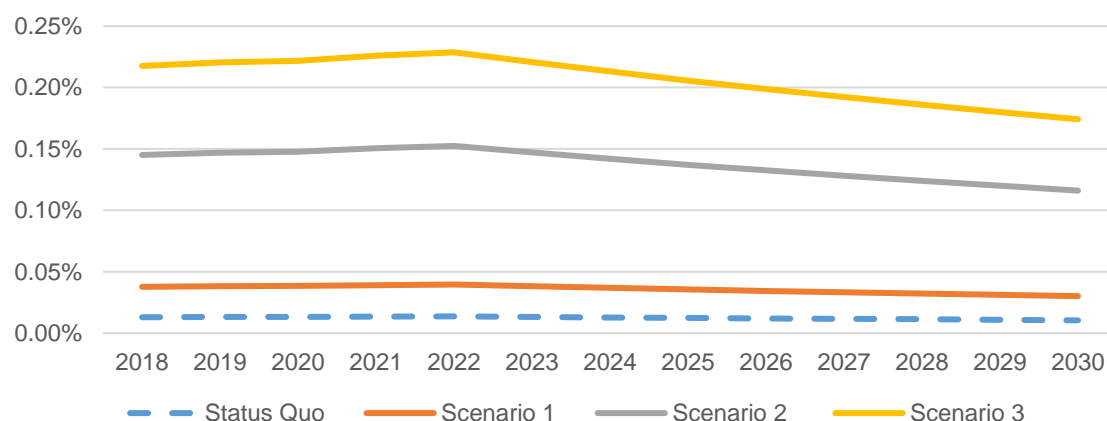
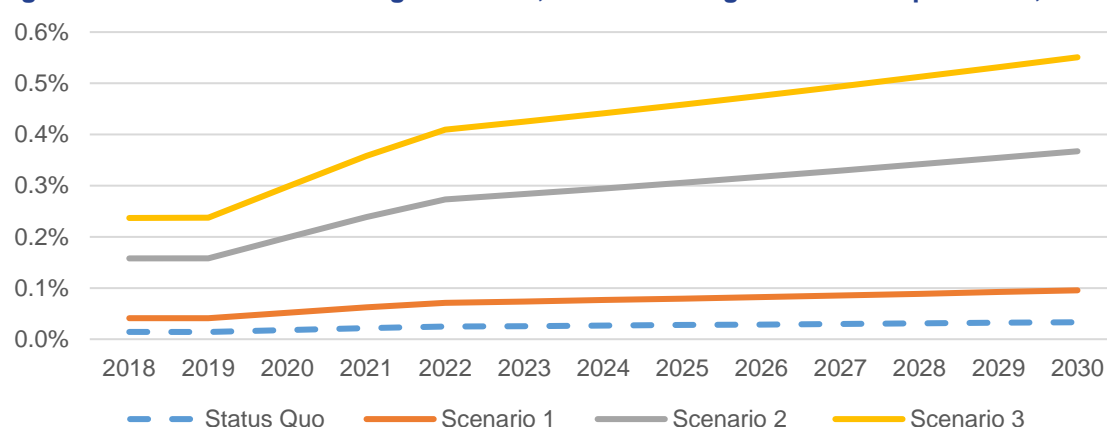


Figure 44 Cash-for-work costing scenarios, as a share of government expenditure, 2018–30



iii. Policies for older persons

The older persons population of Timor-Leste is probably the group that enjoys the most comprehensive social protection system. The SAll social pension provides cash transfers to nearly everyone aged 60 or older. Former public employees have access to a higher pension level because it is linked to their career average wages. And veterans from the national liberation fight have the largest pension. The good coverage and benefit levels come at a cost, which has been increasing since the creation of the programmes. The sustainability of these programmes is the biggest concern for maintaining adequate levels of protection for this group.

a. SAll Programme

Recommendations Assess the potential financial and poverty impacts of changes in eligibility criteria and benefit amounts to improve the programmes' efficiency. Assess the revision of the existing indexing mechanism – the minimum wage of the public sector – to maintain the purchasing power of the cash transfer over time.

Given that the SAll is a universal programme, there are reports of persons also benefiting from other social transfer programmes, such as the Transitory Social Security Scheme or the veterans' pension. Due to concerns for the long-term fiscal envelope of the programme, scenarios were proposed that would reduce duplication of benefits and exclude individuals proven to not need it (situations that conflict with the goals of the programme). An additional scenario was simulated

in which means test (or proxy means test) was introduced (similar to the Bolsa da Mãe rationale). This was intended to assess the trade-off between investment and impact, as shown later in this chapter. When the programme targets only poor individuals, its effectiveness drops dramatically, and poverty in the country rises significantly.

The programme’s benefit level has remained the same since 2010, which has eroded the purchasing power of the grant and reduced its effectiveness in supporting older persons. The proposed scenarios respond to this by maintaining the benefit level in line with inflation.

- Status quo:** Increase the benefit amount in line with inflation.
- Scenario 1:** Change eligibility of the programme, making it pension tested (excluding veterans, pensioners from the Transitory and the General Social Security Schemes).
- Scenario 2:** Change eligibility of the programme, making it affluence-tested (excluding individuals for whom their income is more than \$5 per day and who are active civil servants).
- Scenario 3:** Change eligibility of the programme, making it means-tested only for individuals living on income below the national poverty line.

Results

Unlike the other costed recommendations, the SAIL reform aims to reduce the cost of the programme. The status quo scenario has the highest cost of all scenario estimates. The other scenarios have a slightly lower cost, except scenario 3, which cuts expenditures by more than half (due to the reduction in the number of beneficiaries, which would reduce coverage from more than 90 per cent of the target group to less than 20 per cent). The cost will grow slower than GDP, which in turn will reduce the relative share of GDP that each scenario represents (figure 45). But in terms of government expenditure, the cost of the benefit will grow as a share of total government spending (figure 46). Sensitivity to the potential consequences of this reform is required; the impact on poverty reduction (the likely increase due to these reforms) needs to be studied beyond what is presented here.

Figure 45 SAIL costing scenarios, as a share of GDP, 2018–30

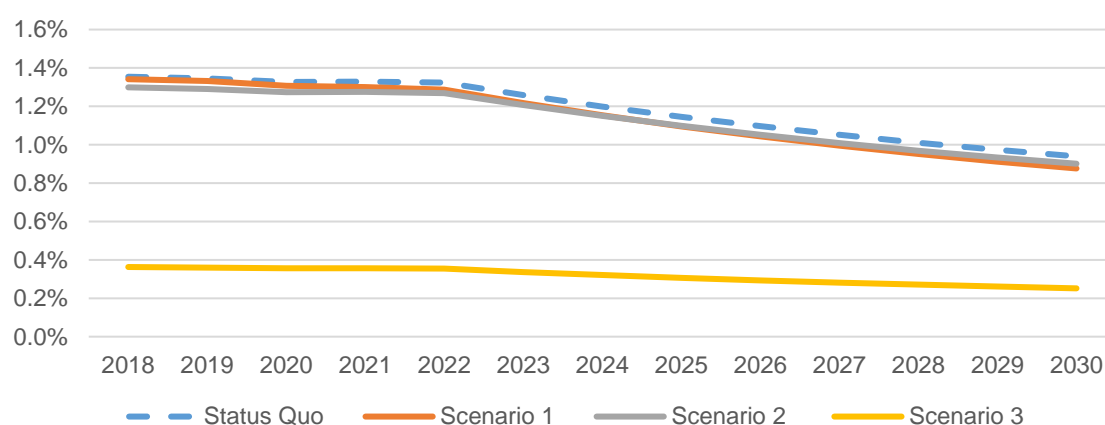
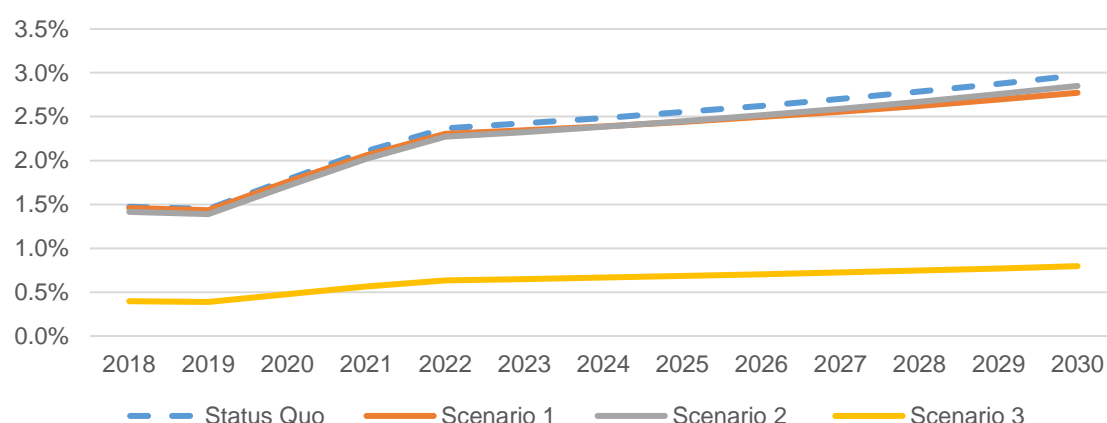


Figure 46 SAll costing scenarios, as a share of government expenditure, 2018–30



Summary of costing results

The levels of investment made in social protection in Timor-Leste make a strong point to the extent that impact can be improved without the need for higher levels of spending. The costs discussed here are limited to the policies and recommendations that could be estimated using the rapid assessment protocol tool and described in this chapter. Other programmes and policies, such as the veterans’ pension, the General Social Security Scheme, the universal health care system and its outreach programmes, the SISCA and Health in the Family programmes, were not included in the forecasting. To analyse their costs over the next 15 years, specialized in-depth studies are required. Thus, when this report mentions changes in costs, it only refers to changing the cost of the selected programmes and introducing new ones as outlined in the selected recommendations.

Based on the simulated results, it is clear that the status quo scenario is dominated by the SAll, the Bolsa da Mãe and the School Feeding programmes, with a balance between benefits targeted to children and older persons. When applying the recommendations, two general scenarios were used: a low-cost scenario and a high-cost scenario.¹⁴² Figure 47 reflects the summary of the estimated costs for maintaining the programmes with the existing features and design (the status quo scenario) and for the introduction of the proposed reforms, in high-cost and low-cost scenarios.

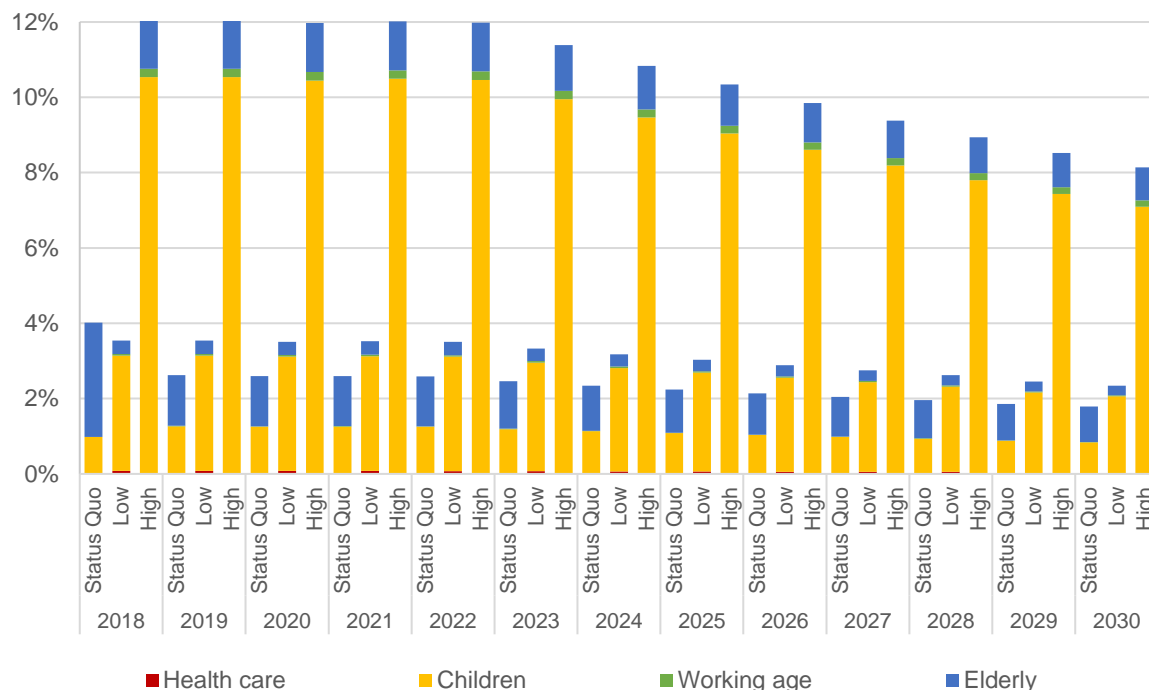
The low-cost scenario shows slightly higher costs than the status quo. This is due to the reforms proposed for the SAll Programme, that in its more radical form, reduces three-quarters of the beneficiaries, while the reforms to the Bolsa da Mãe and School Feeding programmes and the introduction of a School Transportation Programme drive the costs of children’s programmes much higher than their current levels (see Appendix II for the detailed composition of each scenario).

In the same fashion, costs of the high-cost scenario are driven up by the School Feeding and the School Transportation programmes, together amounting for about 3.4 per cent of GDP in 2030, while the Bolsa da Mãe Programme, in this case nearly universal, would cost around 3.6 per cent

¹⁴² The low-cost scenario entails the lower-cost scenario of each programme that had its cost estimated, including the introduction of new provisions. The high-cost scenario entails the sum of the highest-cost scenarios of each programme that had its cost estimated, including the introduction of the new provisions. Both high-cost and low-cost scenarios ignore the status quo projections.

of GDP. In the high-cost scenario, investment on children becomes vastly dominating over other stages of life and health needs.

Figure 23 Summary of estimated costs until 2030, selected programmes and scenarios, as a share of GDP, by the four social protection floor guarantees




It is also important to highlight that throughout the different scenarios, including the status quo, investments targeted to individuals of working age have much lower magnitude than those targeted at children and older persons. This is a reflection of the assumption that intra-household transfers ultimately lead benefits to reach most of the population, even if the formal targets exclude half of the population.

Independent of the maintenance of the status quo or the reforms proposed in either low-cost or high-cost scenarios, Timor-Leste’s expenditure in social protection is one of the largest items on the Government’s budget and its programmes directly affect thousands of lives. The choice to keep programmes or implement reforms needs to be based on sound data and expertise, taking into account all possible consequences that changes can bring.

Many of the recommendations made through the ABND process are overlapping or conflicting. Understanding the potential impacts on poverty reduction, both positive and negative, is important to select the most effective policies to make best use of public investment. For this purpose, the next section looks at the potential impacts on poverty reduction of the proposed scenarios.

Cost effectiveness – Potential poverty impacts

To estimate the impact of the recommendations on poverty reduction (monetary poverty) in Timor-Leste, a **microsimulation** exercise was performed. The simulation exercise made use of household survey findings to assess the potential impact of the policy changes on household or individual consumption or income levels and, consequently, the impact on poverty incidence and



depth.¹⁴³ These simulations provide a primary indication of the possible impact of the introduction of social protection benefits on poverty reduction. This analysis also provides additional information on the potential cost-benefit of a policy reform or introduction, allowing for a more informed discussion for policy-making. Additionally, microsimulation exercises treated the extension of social protection as an investment contributing to national development – rather than as a cost (see Appendix III for detailed description of the methodology).

The dataset used for the microsimulation was the Timor-Leste Standard of Living Survey 2014 (TLSLS-3). The TLSLS-3 established the national poverty threshold at \$1.54 per capita per day. This is the poverty line used as the standard for the microsimulation exercise. Individuals with a per capita consumption below the national poverty line are considered poor, and according to TLSLS-3 dataset, the national poverty headcount was of 41.8 per cent in 2014, the benchmark for the measurement of poverty reduction impacts of the exercise.

Simulating the impact of proposed scenarios

The scenarios for the simulation were chosen based on the nature of the benefits and the availability of relevant data. From the status quo situation observed in the data, the poverty status of individuals was measured. Next, the consumption of the individuals was modified by the social protection benefits that they would be entitled to, assuming that the recommendation scenarios are fully realized. Finally, poverty was measured in the new state to establish if there was any change in the poverty headcount in the country. The scenarios simulated are specified in the following results section.

Simulated before transfer scenarios

The microsimulation exercise also allows an observation of how poverty would potentially behave if the benefits that are in place were no longer there. This type of simulation offers a rough estimation of the poverty reduction produced by the existing programmes. In the case of the TLSLS-3 dataset, it identifies households and individuals who receive cash benefits from the Bolsa da Mãe, the SAIL, the veterans' pension and other benefits. With this information, it was possible to simulate the removal of the benefits from households. Once benefits were removed, the new level of per capita consumption was calculated, and poverty was measured in the new state.

The scenarios offer an approximation of the poverty incidence “before transfers”; for example, if the national poverty headcount was 41.8 per cent in 2014, after removing other benefits, the new measurement of poverty would show a headcount of 42.8 per cent. This can be interpreted that other benefits are reducing poverty by 1 percentage point.

When applied to the TLSLS-3 dataset, the results of this simulation show that the Bolsa da Mãe Programme reduces poverty headcount by about 0.8 percentage points, the SAIL reduces poverty headcount by about 2.7 percentage points, the veterans' pension reduces poverty headcount by about 2.1 percentage points, and other benefits reduce the poverty headcount by about 0.4 percentage points.

¹⁴³ For instance, if a new benefit of \$10 per month is given to an individual whom monthly consumption is of \$40, the microsimulation exercise allows to assess how much will be the new consumption level of the individual, and assess if the poverty status has changed or not. In this example, the individual, with the benefit, will have a monthly consumption of \$50, above the national poverty line of \$46.37 – thus, in the example, the individual was lifted out of poverty due to the benefit.

Thus, this exercise indicates that these programmes were reducing poverty incidence in 2014 by 6 percentage points. If they were hypothetically removed, the poverty headcount would rise to 47.8 per cent of the total population. But these results should be considered carefully because the incidence and amounts received are often under-reported, which can produce distortions in the data. The results should be interpreted for what they are – rough estimations that offer an indication of what can be the reality. For more precise measurements, in-depth impact evaluation studies need to be made for each programme.

Results of the microsimulation exercise

The results of this exercise suggest that some of the scenarios proposed have good potential to contribute significantly to the reduction of poverty. But some of the proposed reforms have potential to roll back advances made against poverty and should be carefully studied.

These results should not be observed in isolation. Sound policy choice should consider not only the impacts but also the cost of interventions to assess the best options for the country. Table 7 shows the results of the microsimulation for each scenario, the methodology applied, the potential poverty impact of each reform, the respective cost of each scenario and an indicator of cost-efficiency – the cost (as a portion of GDP) for each percentage point of poverty reduced by the proposed reform.

Table 7 Results of microsimulation exercise on selected scenarios and costs, by programme and social protection floor guarantee

Scenarios simulated	Poverty reduction potential (percentage point)	Estimated cost in 2030 (percentage of GDP)	Cost of percentage point of poverty reduction (percentage of GDP)	
Policy scenarios for children				
Scenario A: Increase the benefit amount by 100% (\$10 per month per child at starting year)	1.0	0.93%	0.93%	
Scenario B: Increase the benefit amount by 240% (\$17 per month per child at starting year)	2.3	1.57%	0.68%	
Scenarios with benefit kept at current level				
Bolsa da Mãe	Scenario 1: Change eligibility to universal for children aged up to 3 years, while keeping proxy means test for children aged 4–17	0.4	0.78%	1.95%
	Scenario 2: Change eligibility to universal for children aged up to 5 years, while keeping proxy means test for children aged 6–17	0.6	0.93%	1.55%
	Scenario 3: Change eligibility to universal for children aged up to 8 years old, while keeping proxy means test for children aged 9–17	1.1	1.13%	1.02%
	Scenario 4: Change eligibility to universal for children aged up to 14 years, while keeping proxy means test for children aged 15–17	2.0	1.50%	0.75%
	Scenario 5: Change eligibility to universal for children aged up to 17 years	2.3	1.66%	0.72%
Scenarios with benefit increased by 100%				
Scenario 1: Change eligibility to universal for children aged up to 3 years, while keeping proxy means test for children aged 4–17	1.1	0.99%	0.90%	

Scenario 2: Change eligibility to universal for children aged up to 5 years, while keeping proxy means test for children aged 6–17	1.7	1.18%	0.69%
Scenario 3: Change eligibility to universal for children aged up to 8 years, while keeping proxy means test for children aged 9–17	2.5	1.44%	0.57%
Scenario 4: Change eligibility to universal for children aged up to 14 years, while keeping proxy means test for children aged 15–17	4.4	1.93%	0.43%
Scenario 5: Change eligibility to universal for children aged up to 17 years	5.2	2.14%	0.41%

Scenarios with benefit increased by 240%

Scenario 1: Change eligibility to universal for children aged up to 3 years, while keeping proxy means test for children aged 4–17	1.7	1.68%	0.98%
Scenario 2: Change eligibility to universal for children aged up to 5 years, while keeping proxy means test for children 6–17	2.9	2.00%	0.68%
Scenario 3: Change eligibility to universal for children aged up to 8 years, while keeping proxy means test for children aged 9–17	4.5	2.45%	0.54%
Scenario 4: Change eligibility to universal for children aged up to 14 years, while keeping proxy means test for children aged 15–17	8.9	3.28%	0.36%
Scenario 5: Change eligibility to universal for children aged up to 17 years	9.8	3.64%	0.37%

Children with Disability Grant: Provide benefits in line with SAIL for all children with disabilities (\$30 per month per child, in the year of implementation)	0.2	0.03 %	0.15%
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Policy scenarios for older persons

SAIL	Scenario 1: Change eligibility of the programme, making it pension tested (excluding veterans, pensioners from the transitory and contributory social security schemes).	0.0	1.39%	n.a.
	Scenario 2: Change eligibility of the programme, making it affluence tested (excluding individuals whose income is more than \$5 per day and active civil servants)	0.0	1.35%	n.a.
	Scenario 3: Change eligibility of the programme, making it means tested, only for those living on income below the national poverty line.	+ 2.2*	0.38%	n.a.

Policy scenarios for health


Maternal and infant care	Scenario 1: A benefit of \$5 will be given in each of the four recommended prenatal visits, and a benefit of \$10 will be delivered in each of the two recommended postnatal exams.	0.3	0.04%	0.13%
	Scenario 2: A benefit of \$10 will be given in each of the four recommended prenatal visits, and a benefit of \$15 will be delivered in each of the two recommended postnatal exams.	0.4	0.08%	0.20%
	Scenario 3: A benefit of \$5 will be given in each of the four recommended prenatal visits, and a benefit of \$10 will be delivered in each of the two recommended postnatal exams only to poor families (means-tested).	0.3	0.02%	0.06%

Aggregated scenarios

Low-cost scenarios	+1.3*	1.21%	0.93%*
High-cost scenarios	10.4	5.14%	0.49%

Note: *=These values represent an increase in the poverty rate in the country.

Source: Author's calculations based on TLSLS-3.



Some of the recommended scenarios show great potential in reducing poverty, while others could reverse some of the advances made in the past 15 years. The different strategies for poverty reduction have different impact potential and varying costs, hinting that some programmes can be more cost-effective than others. For instance, the potential of total poverty reduction for the proposed incentives to maternal and infant care are modest when compared with the Bolsa da Mãe scenarios; however, their costs are much lower, suggesting that it is an effective solution nonetheless. The same could be said for the creation of a benefit for children with disabilities.

Cost-effectiveness varies widely, even for different policy options for the same programme. The scenarios developed for Bolsa da Mãe clearly reflect this. When benefits are kept at the current levels, poverty reduction potential is somewhat limited (ranging from 0.4 percentage point to 2.3 percentage points poverty reduction) at a relatively higher cost than other reforms. A combination of increases in benefit level and expansion of coverage leads to the most cost-efficient results, as observed with scenarios 4 and 5. This, together with the analysis of benefit adequacy in Chapter 3, reinforces the argument that although the programmes deliver transfers to recipient households, if benefit levels were higher, the impact on poverty would increase more than proportionally.

Making the SAIL Programme's eligibility stricter could jeopardize much of the poverty reduction progress in the past decade. By excluding individuals who might not need the benefit (scenarios 1 and 2), the poverty rate would remain about the same level. However, by imposing a means test or similar mechanism could push many families back into poverty – probably more than the simulation indicates because it assumes perfect targeting of the poor, something that is far from reality. Additionally, this “cut” in beneficiaries would not only push people into poverty but from a national perspective, would reduce the overall effectiveness of the social protection system, which the lower-cost scenarios demonstrate. Even investing more, the poverty reduction produced by all programmes would be lower than current levels. The poverty rate would increase, totally offset by the reduction of the SAIL coverage.

Given the methodology's limitations, the results presented should be taken as indications of the potential for poverty reduction and a measure to compare simulated impacts with simulated costs (as per the rapid assessment protocol model) and not as a precise tool to determine how many people will be lifted out of poverty by any given change in the social protection framework. The information should be carefully analysed because policy choices that sometimes seem similar or of less consequence could produce impacts of much higher magnitude than a superficial look might suggest. Which of the proposed recommendations and scenarios will be put into effect will depend not only on costs or effectiveness but also on the availability of resources (financial and human). The next section discusses the challenges that mobilizing resources for social protection might encounter.

Fiscal space overview

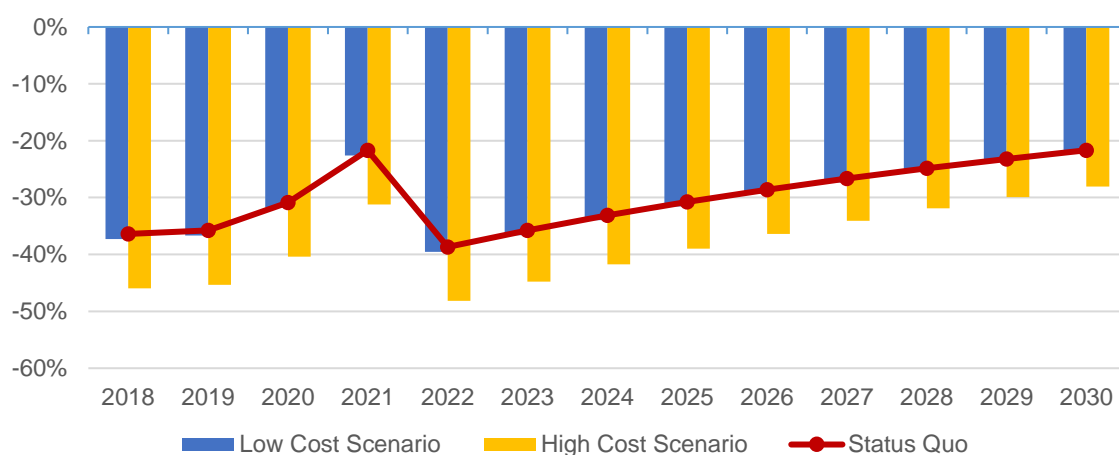
Despite the growing trend of government expenditures, fiscal space for social protection is likely to shrink in the next decade. The current priority of the Government is to invest in the creation of infrastructure, so that the country can attract foreign investment and enable the domestic private sector to flourish. As mentioned in Chapter 2, this is coupled with diminishing revenues from the petroleum sector (the main source of revenues from the country) and increased consumption of the fiscal reserves of the Petroleum Fund. The prospect is that fiscal deficit (non-oil) will reduce but will remain considerably high throughout the whole projection period.

In this challenging scenario, perhaps the most realistic source for fiscal space for social protection programmes is the redistribution and reprioritization of the existing budget. As noted in Chapter 3, investments for veterans are disproportionately greater than investments for other groups. Given the generous rules for the transfer of entitlements to descendants and other family members, the programme budget will reduce slowly over time.

Without disregard for rights, establishing stricter control over the inheritance of entitlement by ensuring that there is a clear definition of the conditions to which benefits can be carried to the next generation would reduce programmes costs more effectively and free precious fiscal space for other social protection measures. Independently of the rate of cost reduction of veterans' programmes, it is important to guarantee that the resources freed throughout the years are directed to other social protection policies that have greater impact on poverty reduction.

The lower-cost situations in the simulated scenarios indicate only small impact on the country's fiscal balance (figure 48). The high-cost scenarios increase the public deficit, further peaking at about 48 per cent of GDP. The fast increase in deficit from 2017 to 2018 was due to the combination of lower government expenditure in the 2017 election year and greater oil revenue.

Figure 24 Timor-Leste fiscal projected fiscal balance, as share of GDP, 2018–30



During the period covered by this study, the Petroleum Fund can offset the current and future budget deficit. However, this is consuming its wealth, and decreasing the financial returns of the fund. In the long-term, fiscal sustainability will depend on the returns of government investments in infrastructure and human capital and the creation of favourable conditions for private sector growth, which can lead to higher levels of non-oil revenues. The social protection budget, although key in this equation, can lead to good and bad outcomes. A well-spent and coordinated social protection budget will help boost human development and yield higher returns to human capital investments. However, the sizable investments, if spent on low-return and low-impact programmes, will aggravate an already complex fiscal position for the Government. Efficient and effective spending are essential for the success of the NSPS.

6. CONCLUSIONS AND WAYS FORWARD

This report presents the findings and recommendations from the Assessment-Based National Dialogue on Social Protection for Timor-Leste, which took place from early 2016 until early 2018. Participants in that ABND process agreed that the advances made throughout the country since independence were remarkable, but to achieve the goals of the National Strategic Development Plan as well as the SDGs by 2030, the progress needs to accelerate.

Gaps remain towards providing a social protection floor to all Timorese. Nonetheless, during the past 15 years, a broad and diverse social protection system was built, and it forms a strong base on which improvements can be made to further facilitate the protection of all people in Timor-Leste, contribute to poverty reduction and human development and assist in the completion of the National Strategic Development Plan and the accomplishment of the SDGs.

To improve, the Timorese social protection system needs to become more effective and efficient. This is especially vital considering that the main economic engine of the country, the oil sector, is likely to slow significantly, which will result in tighter fiscal space and a more sensitive political scenario.

When analysed as a whole, the system is fragmented and budget allocations do not reflect the national objectives. The lack of an overarching and coordinated framework for social protection creates gaps, leaving many people without coverage or adequate support. **The development and implementation of the country's first NSPS is an essential step to provide a high-level policy tool for coordination and integration of the system.**

Even though social protection receives a significant share of the Government's expenditures equivalent to 15.5 per cent of the non-oil GDP in 2015, most of it concentrates in programmes for veterans and the families of the martyrs of the independence struggle. The unbalanced distribution of resources produces large disparities in the level of protection offered to the population. The generous rules for inheritance of entitlements can result in growing inequalities between veterans' families and non-veterans.

In the shrinking fiscal space that the country is likely to find itself in over the next decade, it is important that the sizable budget of veterans' programmes be transferred to other social protection programmes – but not be diverted to other purposes. **A strategy for the gradual transference of resources freed from veterans' programmes to other measures that have higher impact on poverty will help finance the broader-based social protection policies in the long term.** The earlier this is planned and rules defined, the easier it will be to cope with the changes.

From an operational perspective, many issues are common among the programmes: Most suffer from the lack of resources (financial and human), the lack of quality assurance, monitoring and evaluation and a general lack of implementing capacity. These issues result in poor service quality, irregular or unreliable benefit delivery, delays and interruptions in service provision and lower levels of protection for the population. Improving capacity building (at the central and municipal levels), coordination mechanisms and information exchange between government agencies is essential for more efficient and effective operations.

Coverage of social protection varies widely between the programmes, with many gaps. While some policies have only a limited number of beneficiaries, effective coverage can be quite high, such as with the Essential Newborn Care Programme, which covers 90.9 per cent of its target group. Other schemes, despite having a large number of beneficiaries, do not adequately cover



the targeted population, such as the Bolsa da Mãe Programme, which reaches only 32 per cent of children.

The SAI, School Feeding and the SISCA programmes demonstrate that **the universal approach for eligibility of beneficiaries is more effective in reaching the vulnerable population** than programmes that use some sort of poverty test. Universal targeting contributes more to poverty alleviation and to guaranteeing income security to all, even if not targeted exclusively to poor and vulnerable groups.

There is a large imbalance in benefit levels of different programmes, particularly for regular social transfers. The programmes that benefit a large number of individuals offer low benefit levels (Bolsa da Mãe, School Feeding and SAI), which limit the impact these policies can have on improving the lives of people. Benefits that target veterans and martyrs' families are overly generous and amount to many times an average household income.

The problem of low benefit level is more severe with the Bolsa da Mãe, in which the \$5 per month benefit represents a negligible share of the income of most households, including the poor. To make better use of social transfers, especially those targeted to children, the benefits offered need to be of a magnitude that will produce significant outcomes in the daily life of families. **Increasing benefit levels of broad-based social transfers and maintaining that level over time is essential to improve the effectiveness of the social protection system.**


From the perspective of the four guarantees of the social protection floor, it is clear there are required improvements before individuals have access to essential health care services and income security throughout all stages of life.

Challenges to provide access to quality essential health services to all encompass both supply and demand for medical services. Improving the supply and quality of health services requires expanding infrastructure and access to medical supplies and increasing the human resources available as well reinforcing mechanisms that support individuals to overcome geographical or economic barriers to reach medical facilities.

Among the health issues in the country, the efforts to reduce malnutrition, in all its forms, and reduce maternal and infant mortality need to be strengthened. Issues of poor nutrition require special attention. The high incidence rate reduces the quality of life of a considerable portion of the population, increases child and maternal mortality risks, leads to higher risks of chronic and non-communicable diseases and undermines the long-term development of the country. **Coordinated and efficient measures are needed to tackle all causes of malnutrition, which includes educating households on proper nutrition practices and hygiene, improving access to safe water, sanitation and adequate health care and responding to the individuals and families who do not have a stable or adequate food supply.**

The efforts to achieve income security for all has produced limited and unequal results. There are groups receiving generous support while most of the population has little or no assistance.

Children receive the lowest level of per capita investment, despite representing almost half of the total population and most of the impoverished population. The many programmes for children still have coverage gaps. Even when receiving social protection programme assistance, benefit levels are often too low to really make a difference.



Among children, the group that receives least support are children younger than school age, from birth to 5 years old, even though research emphasizes that this group is the one that yields better returns on investments. **Improving coverage and support to early childhood, especially during the first 1,000 days of life (starting during pregnancy) can greatly improve children's development (physical and cognitive) and provide immense benefits to children's well-being and the long-term development of the country.**

The Bolsa da Mãe Programme shows immense potential to improve the lives of vulnerable children. However, limitations in budget and operational capacity, low benefit levels, problems with targeting and the spaced and irregular payment schedules prevent it from having greater impact. When paid once per year, families cannot depend on the benefit for day-to-day expenses, such as food for their children. As observed in the SAll and School Feeding programmes, **a universal approach for beneficiary selection could substantially increase the reach of the by Bolsa da Mãe Programme to the poor and most vulnerable households**, preventing much of the exclusion errors seen in programmes that rely on proxy means test targeting. A specific Bolsa da Mãe module for early childhood, including support to expecting mothers and for children with disabilities, that offers universal coverage and adequate benefit levels could help overcome several development issues, from child and maternal mortality to malnutrition. It would also offer better-starting conditions to all newborn Timorese.


The reinforcement of early childhood support and reforms in Bolsa da Mãe will significantly improve the protection given to children. However, if the School Feeding Programme is appropriately funded and measures are taken to guarantee that quality meals are served to all children, it could provide a large contribution to reduce the rates of malnutrition in Timor-Leste.

For individuals of working age, protection is limited, in a context of high risks related to labour. Among the programmes available, most offer protection for specific and extreme vulnerability situations and are limited in coverage and resources.

The introduction of the contributory social security scheme is an important development towards a more comprehensive social protection system, especially for individuals of working age. It will provide a higher level of protection and well-being to the population. However, before reaching its maturity, benefits will remain low, given that workers will only be able to accumulate a limited contributory career.

The newness of that contributory social security scheme along with the high level of informality of the labour market reinforces the rationale that **the combination of the contributory scheme with the non-contributory programmes**, such as the SAll or public works programmes, **are the most adequate policy options to guarantee adequate benefit levels and coverage of the population of working age.** Reinforcing, expanding and improving the effectiveness of the public works programmes (such as Rural Employment and Roads for Development) are important for generating jobs, reducing poverty and improving local economies, especially in rural areas.

Income security for older persons in Timor-Leste is guaranteed at a minimal level to most people through the SAll. The programme reaches near to universal coverage and offers benefits at levels that can improve the conditions of people living in poverty or in vulnerability. However, it is essential to change the indexing mechanism so that it does not depend on the public sector minimum wage anymore, to avoid years of stagnated benefit amounts.



There is also a need to improve the quality and availability of services tailored to older persons, such as specialized medical and other care services. These services are limited, restricting use to a small share of the older population, usually those in better socioeconomic conditions.

Finally, as shown by the costing estimation exercises, it is important to consider the direct financial impacts of the proposed reforms, such as increased budget requirements. But it is also critical to look at the consequences on poverty reduction and cost-effectiveness of different programmes.

The exercises demonstrate that a combination of universal coverage with adequate benefit levels will yield the most promising cost-effective reform of the existing programmes. When observing the different parameters simulated for Bolsa da Mãe, for example, this premise was made evident. The scenarios proposing higher levels of benefits showed the largest poverty reduction potential, which was further increased with bigger age groups covered by universal targeting. The most cost-effective scenarios for poverty reduction were the ones with a higher benefit and a universal approach. The introduction of benefits for early childhood and children with disabilities also appears to be a great cost-effective reform, which would support extremely vulnerable groups, with large potential to significantly improve well-being.

The proposals to revert the universal approach for SAll, however, may produce unwanted outcomes. The main driver for these recommendations were attempts to reduce the total programme cost. But by doing so, it is inevitable to reduce the number of individuals receiving benefits. If taken to the extreme, making the programme means-tested, it may result in the reversal of all poverty reduction efforts since independence.

The costs of such policy changes need to be carefully considered. As Chapters 2 and 3 emphasize, investments in social protection represent a hefty share of the government budget – obtaining a large increase in the fiscal space is unlikely. **A balance between the need for greater investment and greater impact with limited resources will need to be found.** Solutions that redistribute resources already allocated to social protection from less effective programmes towards those that produce better impacts may serve to advance further and faster towards a social protection floor to all in Timor-Leste.

Priority recommendations

The numerous recommendations proposed in response to the limited operational capacity and increased fiscal pressure as oil revenues decline requires that priorities be established. In response to these constraints, the following recommendations are considered critical to strengthen the social protection system and for the extension of the social protection floor to all Timorese.

- **Invest to improve institutional capacity**, especially budgeting, management, delivery, monitoring and evaluation of programmes. Without strong and capable institutions to guarantee effective and efficient operations, all other recommendations will encounter difficulties for implementation, and reforms will risk failure.
- **Strengthen early childhood support**, including improve the coordination between existing programmes (linking social transfers, health care and nutrition provisions), increase benefits to an adequate level, expand coverage by making programmes universal (for the first 1,000 days of life, starting during pregnancy) and investing in overall system efficiency.
- **Fully implement the contributory social security**, including the creation of the National Institute of Social Security, develop and deploy all proposed provisions and make coordinated efforts between contributory and non-contributory schemes to achieve full coverage of the formal sector workers.
- **Increase the protection of workers in the informal sector** through the expansion of the public works programmes (increasing availability, coverage and benefit levels) and by extending the contributory social security scheme to this group of workers.
- **Review and improve the balance in the distribution of financial resources.** Measures need to be taken to align policy priorities with the distribution of budget between programmes. Priority goals should receive adequate resource allocation to improve the effectiveness and return on investments made in social protection.

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APPENDIX I – PROGRAMME COVERAGE

Figure A1 Number of beneficiaries of social protection programmes, 2016 or latest year

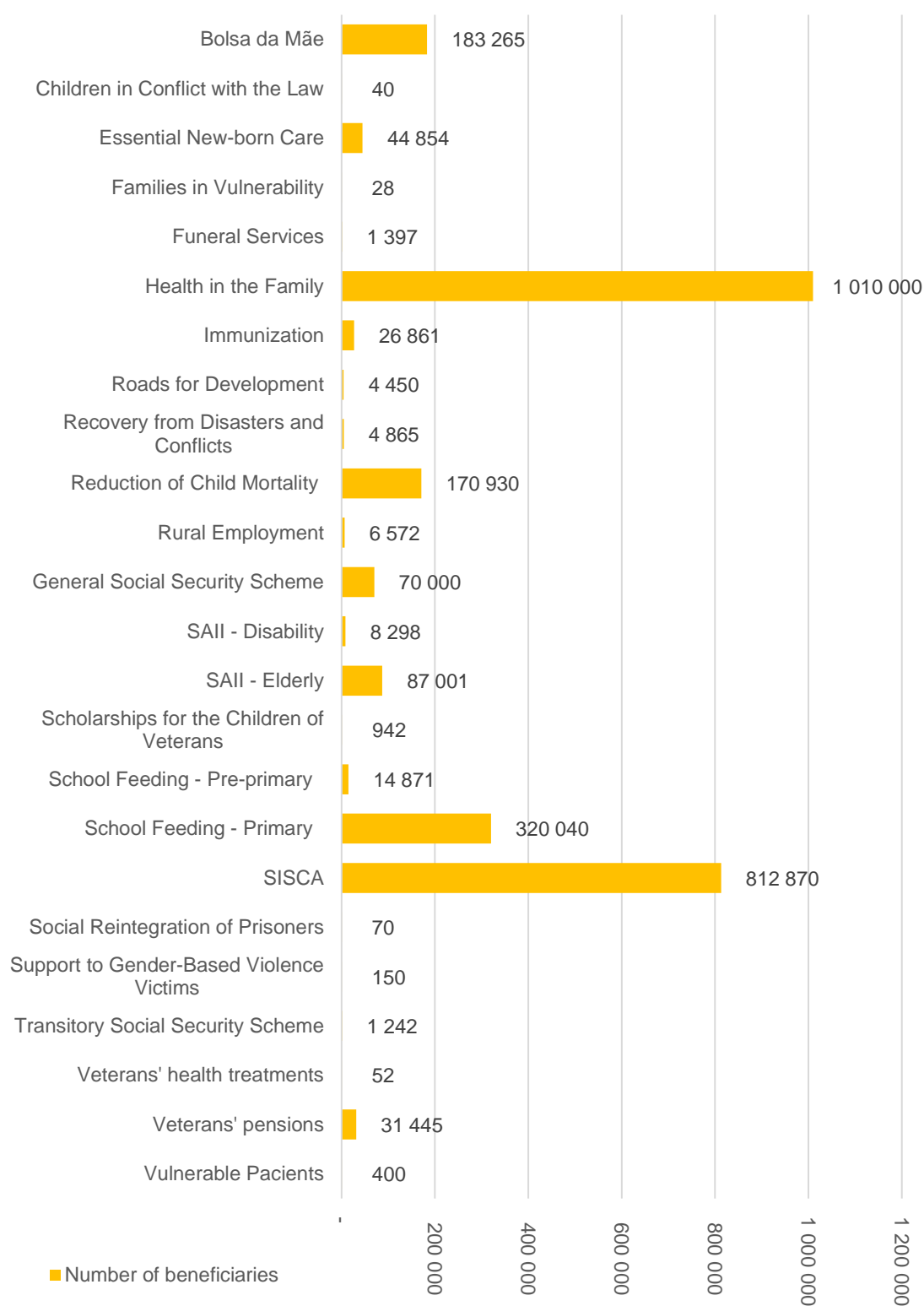
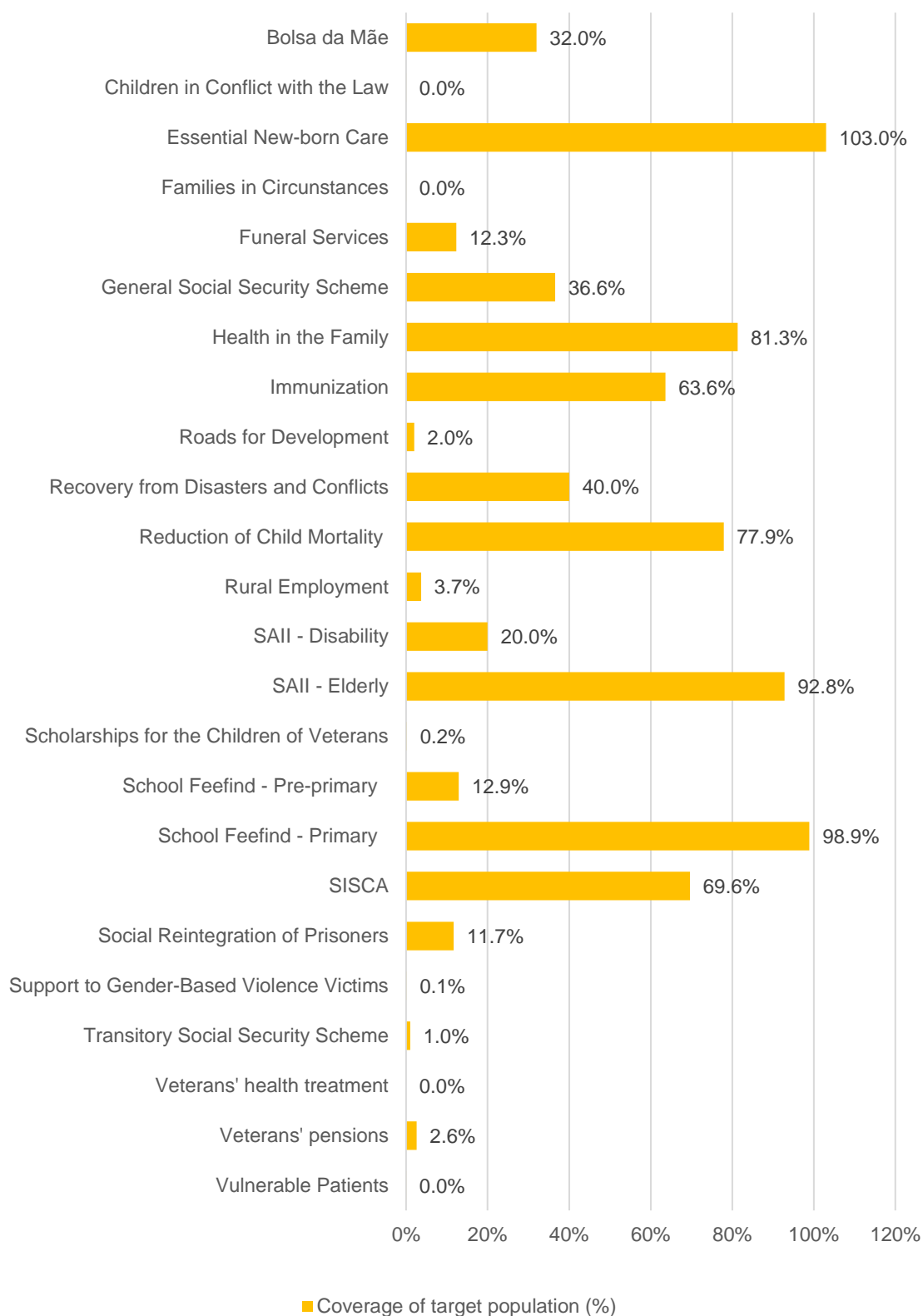


Figure A2 Coverage of target groups of social protection programmes, 2016 or latest year (percentage)



APPENDIX II – RAPID ASSESSMENT PROTOCOL RESULTS

RAP model main indicators – Projections to 2030

RAP projection – main indicators, selected years

Indicator	2016	2020	2025	2030
GDP nominal (\$ million)	\$2 100	\$2 933	\$4 529	\$7 617
GDP growth rate (%)	-19.8%	6.8%	11.2%	10.8%
Oil GDP (\$ million)	\$620	\$286	\$ -	\$ -
Non-oil GDP (\$ million)	\$1 480	\$2 647	\$4 529	\$7 617
Inflation rate (%)	3.4%	3.4%	3.4%	3.4%
Government revenues (\$ million)	\$1 368	\$1 276	\$639	\$757
Government expenditure (\$ million)	\$1 953	\$2 182	\$2 033	\$2 408
Labour force participation rate (%)	30.3%	31.3%	32.7%	34.0%
Informal employment rate (%)	70.6%	68.9%	66.9%	64.9%
Labour productivity (\$ per worker)	\$7 047	\$4 272	\$3 970	\$4 169

Source: Author's calculation based on Ministry of Finance 2016b, 2016c, 2016d; Government of Timor-Leste, "Timor-Leste transparency portal", www.transparency.gov.tl [21 June 2018]; and IMF, 2016.

RAP model policies for children results, by programme and projections

Bolsa da Mãe

Scenarios and key indicators	2018	2019	2020	2025	2030
Status quo: Increase the benefit amount in line with inflation.					
Total beneficiaries	170 052	174 205	178 387	200 353	221 980
Allowance per head (\$)	62	64	66	79	93
Total cost (in \$ million)	10.62	11.25	11.92	15.86	20.82
Cost as % of GDP	0.41%	0.41%	0.41%	0.35%	0.27%
Cost as % of govt. expenditure	0.45%	0.44%	0.55%	0.78%	0.86%
Scenario 1: Increase the benefit amount by 100% (\$10 per month per child at the year of implementation).					
Total beneficiaries	170 052	174 205	178 387	200 353	221 980
Allowance per head (\$)	124	128	133	157	186
Total cost (in \$ million)	23.22	24.61	26.07	34.69	45.53
Cost as % of GDP	0.90%	0.90%	0.89%	0.77%	0.60%
Cost as % of govt. expenditure	0.98%	0.97%	1.19%	1.71%	1.89%
Scenario 2: Increase the benefit amount by 240% (\$17 per month per child at the year of implementation).					
Total beneficiaries	170 052	174 205	178 387	200 353	221 980
Allowance per head (\$)	211	218	226	268	317
Total cost (in \$ million)	39.48	41.83	44.32	58.97	77.4
Cost as % of GDP	1.52%	1.52%	1.51%	1.30%	1.02%
Cost as % of govt. expenditure	1.66%	1.64%	2.03%	2.90%	3.21%
Scenario 3: Change eligibility to universal from birth to age 3 years while keeping proxy means test for ages 4–17.					
Total beneficiaries	287 233	294 130	300 841	335 267	367 321
Allowance per head (\$)	62	64	66	79	93
Total cost (in \$ million)	19.61	20.77	21.98	29.02	37.67
Cost as % of GDP	0.76%	0.76%	0.75%	0.64%	0.49%
Cost as % of govt. expenditure	0.82%	0.81%	1.01%	1.43%	1.56%
Scenario 4: Change eligibility to universal from birth to age 5 years while keeping proxy means test for ages 6–17.					
Total beneficiaries	340 697	348 890	357 440	398 573	436 624
Allowance per head (\$)	62	64	66	79	93
Total cost (in \$ million)	23.26	24.64	26.12	34.5	44.78
Cost as % of GDP	0.90%	0.90%	0.89%	0.76%	0.59%
Cost as % of govt. expenditure	0.98%	0.97%	1.20%	1.70%	1.86%

Scenario 5: Change eligibility to universal from birth to age 8 years while keeping proxy means test for ages 9–17.

Total beneficiaries	415 508	425 520	436 862	488 176	535 832
Allowance per head (\$)	62	64	66	79	93
Total cost (in \$ million)	28.37	30.05	31.92	42.26	54.95
Cost as % of GDP	1.10%	1.09%	1.09%	0.93%	0.72%
Cost as % of govt. expenditure	1.19%	1.18%	1.46%	2.08%	2.28%

Scenario 6: Change eligibility to universal from birth to age 14 years while keeping proxy means test for ages 15–17.

Total beneficiaries	550 407	563 994	577 639	647 889	715 866
Allowance per head (\$)	62	64	66	79	93
Total cost (in \$ million)	37.58	39.84	42.21	56.08	73.41
Cost as % of GDP	1.45%	1.45%	1.44%	1.24%	0.96%
Cost as % of govt. expenditure	1.58%	1.56%	1.93%	2.76%	3.05%

Scenario 7: Change eligibility to universal from birth to 17 years.

Total beneficiaries	609 922	624 818	639 816	718 600	796 168
Allowance per head (\$)	62	64	66	79	93
Total cost (in \$ million)	41.64	44.13	46.75	62.2	81.65
Cost as % of GDP	1.61%	1.61%	1.59%	1.37%	1.07%
Cost as % of govt. expenditure	1.75%	1.73%	2.14%	3.06%	3.39%

Scenario 8: Make the programme universal from birth to age 3 years and gradually increase universal age each year.

Total beneficiaries	314 365	348 890	384 628	571 220	770 120
Allowance per head (\$)	62	64	66	79	93
Total cost (in \$ million)	21.46	24.64	28.1	49.45	78.98
Cost as % of GDP	0.83%	0.90%	0.96%	1.09%	1.04%
Cost as % of govt. expenditure	0.90%	0.97%	1.29%	2.43%	3.28%

Children with Disabilities

Scenarios and key indicators	2018	2019	2020	2025	2030
Scenario 1: Provide benefits in line with the SAIL for all children with disabilities (\$30 per month per child in the year of implementation).					
Total beneficiaries	1 544	1 582	1 620	1 820	2 016
Allowance per head (\$)	372	385	399	472	559
Total cost (in \$ million)	0.63	0.67	0.71	0.95	1.24
Cost as % of GDP	0.02%	0.02%	0.02%	0.02%	0.02%
Cost as % of govt. expenditure	0.03%	0.03%	0.03%	0.05%	0.05%

School Feeding

Scenarios and key indicators	2018	2019	2020	2025	2030
Status quo: Provide one daily meal to pre-primary and primary school students at \$0.25 per day per child (for 200 school days).					
Total beneficiaries	415 312	425 971	436 193	493 580	552 265
Allowance per head (\$)	52	54	55	66	78
Total cost (in \$ million)	21.48	22.79	24.14	32.36	42.9
Cost as % of GDP	0.83%	0.83%	0.82%	0.71%	0.56%
Cost as % of govt. expenditure	0.90%	0.89%	1.11%	1.59%	1.78%
Scenario 1: Increase the value of the benefit to provide \$0.42 for each school day (200 days per year).					
Total beneficiaries	415 312	425 971	436 193	493 580	552 265
Allowance per head (\$)	87	90	93	110	131
Total cost (in \$ million)	39.7	42.12	44.62	59.82	79.29
Cost as % of GDP	1.53%	1.53%	1.52%	1.32%	1.04%
Cost as % of govt. expenditure	1.67%	1.65%	2.04%	2.94%	3.29%
Scenario 2: Increase the value of the benefit to provide \$0.83 for each school day (200 days per year).					
Total beneficiaries	415 312	425 971	436 193	493 580	552 265
Allowance per head (\$)	172	178	184	218	258
Total cost (in \$ million)	78.45	83.24	88.18	118.21	156.69
Cost as % of GDP	3.03%	3.03%	3.01%	2.61%	2.06%
Cost as % of govt. expenditure	3.30%	3.27%	4.04%	5.82%	6.51%

Scenario 3: Provide one daily meal to secondary school students (assuming status quo – \$0.25 per day per child – for 200 school days).

	2018	2019	2020	2025	2030
Total beneficiaries	475 554	487 537	499 130	565 155	633 548
Allowance per head (\$)	52	54	55	66	78
Total cost (in \$ million)	27.06	28.7	30.39	40.77	54.14
Cost as % of GDP	1.05%	1.04%	1.04%	0.90%	0.71%
Cost as % of govt. expenditure	1.14%	1.13%	1.39%	2.01%	2.25%

School Transportation

Scenarios and key indicators

Scenario 1: Provide each child in primary school with \$0.50 for each school day (200 days per year).

	2018	2019	2020	2025	2030
Total beneficiaries	398 374	408 621	418 298	473 612	530 459
Allowance per head (\$)	103	107	111	131	155
Total cost (in \$ million)	45.33	48.1	50.94	68.33	90.67
Cost as % of GDP	1.75%	1.75%	1.74%	1.51%	1.19%
Cost as % of govt. expenditure	1.91%	1.89%	2.33%	3.36%	3.77%

Scenario 2: Provide each child in primary school in rural areas with \$0.50 for each school day (200 days per year).

	2018	2019	2020	2025	2030
Total beneficiaries	280 853	288 078	294 900	333 896	373 974
Allowance per head (\$)	103	107	111	131	155
Total cost (in \$ million)	31.96	33.91	35.91	48.17	63.92
Cost as % of GDP	1.23%	1.23%	1.22%	1.06%	0.84%
Cost as % of govt. expenditure	1.34%	1.33%	1.65%	2.37%	2.65%

Scenario 3: Provide each child in primary or secondary school with \$0.50 for each school day (200 days per year).

	2018	2019	2020	2025	2030
Total beneficiaries	458 615	470 187	481 234	545 186	611 742
Allowance per head (\$)	103	107	111	131	155
Total cost (in \$ million)	52.19	55.35	58.6	78.65	104.56
Cost as % of GDP	2.02%	2.02%	2.00%	1.74%	1.37%
Cost as % of govt. expenditure	2.19%	2.17%	2.69%	3.87%	4.34%

Scenario 4: Provide each child in primary or secondary school in rural areas with \$0.50 for each school day (200 days per year).

	2018	2019	2020	2025	2030
Total beneficiaries	323 324	331 482	339 270	384 356	431 278
Allowance per head (\$)	103	107	111	131	155
Total cost (in \$ million)	36.79	39.02	41.32	55.45	73.71
Cost as % of GDP	1.42%	1.42%	1.41%	1.22%	0.97%
Cost as % of govt. expenditure	1.55%	1.53%	1.89%	2.73%	3.06%

RAP model policies for working-age population results, by programme and projections

Rural Employment

Scenarios and key indicators

Status quo: Maintain coverage and adjust benefit value constant in real terms.

	2018	2019	2020	2025	2030
Total beneficiaries	7 613	7 896	8 199	9 985	11 951
Average pay per worker (\$)	40.34	41.74	43.18	51.15	60.6
Total cost (in \$ million)	0.34	0.36	0.39	0.56	0.8
Cost as % of GDP	0.01%	0.01%	0.01%	0.01%	0.01%
Cost as % of govt. expenditure	0.01%	0.01%	0.02%	0.03%	0.03%

Scenario 1: Expand the programme's coverage to execute 200 projects per year (following the status quo of 106 workers per project working 13 days).

	2018	2019	2020	2025	2030
Total beneficiaries	22 008	22 851	23 734	28 697	34 489
Average pay per worker (\$)	40.34	41.74	43.18	51.15	60.6
Total cost (in \$ million)	0.98	1.05	1.13	1.61	2.3
Cost as % of GDP	0.04%	0.04%	0.04%	0.04%	0.03%
Cost as % of govt. expenditure	0.04%	0.04%	0.05%	0.08%	0.10%

Scenario 2: Expand the programme's coverage to execute 200 projects per year and increase the number of work days to 50 (following the status quo of 106 workers per project).

	2018	2019	2020	2025	2030
Total beneficiaries	22 008	22 851	23 734	28 697	34 489
Average pay per worker (\$)	155.17	160.52	166.06	196.73	233.07
Total cost (in \$ million)	3.76	4.03	4.34	6.21	8.84
Cost as % of GDP	0.15%	0.15%	0.15%	0.14%	0.12%

Cost as % of govt. expenditure	0.16%	0.16%	0.20%	0.31%	0.37%
Scenario 3: Expand the programme's coverage to execute 200 projects per year and increase the number of work days to 75 (following the status quo of 106 workers per project).					
Total beneficiaries	22 008	22 851	23 734	28 697	34 489
Average pay per worker (\$)	232.76	240.78	249.09	295.1	349.61
Total cost (in \$ million)	5.63	6.05	6.5	9.32	13.26
Cost as % of GDP	0.22%	0.22%	0.22%	0.21%	0.17%
Cost as % of govt. expenditure	0.24%	0.24%	0.30%	0.46%	0.55%

RAP model policies for older persons results, by programme and projections

SAII

Scenarios and key indicators	2018	2019	2020	2025	2030
Status quo: Adjust benefit value to keep constant in real terms.					
Total beneficiaries	85 584	87 138	88 833	99 856	116 296
Allowance per head (\$)	372	385	399	472	559
Total cost (in \$ million)	35.06	36.93	38.94	51.86	71.56
Cost as % of GDP	1.35%	1.34%	1.33%	1.15%	0.94%
Cost as % of govt. expenditure	1.47%	1.45%	1.78%	2.55%	2.97%
Scenario 1: Change eligibility of the programme, making it pension tested (excluding veterans and pensioners from the Transitory and General Social Security Schemes).					
Total beneficiaries	84 771	86 271	87 417	95 537	108 488
Allowance per head (\$)	372	385	399	472	559
Total cost (in \$ million)	34.73	36.56	38.32	49.62	66.75
Cost as % of GDP	1.34%	1.33%	1.31%	1.10%	0.88%
Cost as % of govt. expenditure	1.46%	1.43%	1.76%	2.44%	2.77%
Scenario 2: Change eligibility of the programme, making it affluence tested (excluding individuals whose income lies above \$5 per day and active civil servants).					
Total beneficiaries	82 095	83 585	85 210	95 781	111 550
Allowance per head (\$)	372	385	399	472	559
Total cost (in \$ million)	33.63	35.42	37.36	49.75	68.64
Cost as % of GDP	1.30%	1.29%	1.27%	1.10%	0.90%
Cost as % of govt. expenditure	1.41%	1.39%	1.71%	2.45%	2.85%
Scenario 3: Change eligibility of the programme, making it means tested only for people living on income below the national poverty line.					
Total beneficiaries	22 937	23 353	23 807	26 761	31 167
Allowance per head (\$)	372	385	399	472	559
Total cost (in \$ million)	9.4	9.9	10.44	13.9	19.18
Cost as % of GDP	0.36%	0.36%	0.36%	0.31%	0.25%
Cost as % of govt. expenditure	0.39%	0.39%	0.48%	0.68%	0.80%

RAP model policies for health results, by programme and projections

Emergency Transport Expenses Refund

Scenarios and key indicators	2018	2019	2020	2025	2030
Scenario 1: Refund cost of transportation to health facility for patients in emergency situations – up to \$20.					
Total beneficiaries	11 042	11 345	11 656	13 326	15 155
Allowance per head (\$)	21	21	22	26	31
Total cost (in US\$ million)	0.25	0.27	0.28	0.38	0.52
Cost as % of GDP	0.01%	0.01%	0.01%	0.01%	0.01%
Cost as % of govt. expenditure	0.01%	0.01%	0.01%	0.02%	0.02%
Scenario 2: Refund cost of transportation to health facility for poor patients in emergency situations – up to \$20.					
Total beneficiaries	4 616	4 742	4 872	5 570	6 335
Allowance per head (\$)	21	21	22	26	31
Total cost (in \$ million)	0.11	0.11	0.12	0.16	0.22
Cost as % of GDP	0.00%	0.00%	0.00%	0.00%	0.00%
Cost as % of govt. expenditure	0.00%	0.00%	0.01%	0.01%	0.01%

Scenario 3: Refund cost of transportation to health facility for poor patients in emergency situations – up to \$20 – in municipalities that have insufficient ambulances and/or no working emergency telephone line.

Total beneficiaries	2 265	2 327	2 391	2 733	3 109
Allowance per head (\$)	21	21	22	26	31
Total cost (in \$ million)	0.05	0.05	0.06	0.08	0.11
Cost as % of GDP	0.00%	0.00%	0.00%	0.00%	0.00%
Cost as % of govt. expenditure	0.00%	0.00%	0.00%	0.00%	0.00%

Incentives for Maternal and Infant Care

Scenarios and key indicators	2018	2019	2020	2025	2030
Scenario 1: Benefit with the value of \$5 will be given in each of the 4 recommended prenatal visits and in the value of \$10 will be delivered in each of the 2 recommended postnatal exams.					
Total beneficiaries	24 159	24 692	25 087	27 417	29 268
Allowance per head (\$)	41	43	44	52	62
Total cost (in \$ million)	1.1	1.16	1.22	1.58	2
Cost as % of GDP	0.04%	0.04%	0.04%	0.03%	0.03%
Cost as % of govt. expenditure	0.05%	0.05%	0.06%	0.08%	0.08%
Scenario 2: Benefit with the value of \$10 will be given in each of the 4 recommended prenatal visits and in the value of US\$15 will be delivered in each of the 2 recommended postnatal exams.					
Total beneficiaries	24 159	24 692	25 087	27 417	29 268
Allowance per head (\$)	72	75	77	92	109
Total cost (in \$ million)	1.92	2.03	2.14	2.77	3.5
Cost as % of GDP	0.07%	0.07%	0.07%	0.06%	0.05%
Cost as % of govt. expenditure	0.08%	0.08%	0.10%	0.14%	0.15%
Scenario 3: Benefit with the value of \$5 will be given in each of the 4 recommended prenatal visits and in the value of \$10 will be delivered in each of the 2 recommended postnatal exams – only to poor families (means tested).					
Total beneficiaries	11 838	12 099	12 293	13 435	14 341
Allowance per head (\$)	41	43	44	52	62
Total cost (in \$ million)	0.54	0.57	0.6	0.78	0.98
Cost as % of GDP	0.02%	0.02%	0.02%	0.02%	0.01%
Cost as % of govt. expenditure	0.02%	0.02%	0.03%	0.04%	0.04%

Low- and high-cost aggregated scenarios, by social protection floor guarantee and programme

Programme	Scenario	Low	High
Policy scenarios for children			
Bolsa da Mãe	1. Increase the benefit amount by 100% (\$10 per month per child at the year of implementation).		
	2. Increase the benefit amount by 240% (\$17 per month per child at the year of implementation).		
	3. Change eligibility to universal from 0 to 3 years old, while keeping proxy means test for 4–17.	X	
	4. Change eligibility to universal from 0 to 5 years old, while keeping proxy means test for 6–17.		
	5. Change eligibility to universal from 0 to 8 years old, while keeping proxy means test for 9–17.		
	6. Change eligibility to universal from 0 to 14 years old, while keeping proxy means test for 15–17.		
	7. Change eligibility to universal from 0 to 17 years old.		X
	8. Make the programme universal, starting for ages 0–3 years and gradually increase universal age each year.		
Children with Disabilities	1. Provide benefits in line with SAIL for all children with disabilities (\$30 per month per child, in the year of implementation).	X	X

School Feeding	1.	Increase the value of the benefit to provide \$0.42 ¹⁴⁴ for each school day (200 days per year).	
	2.	Increase the value of the benefit to provide \$0.83 ¹⁴⁵ for each school day (200 days per year).	X
	3.	Provide one daily meal to secondary school students (assuming status quo – \$0.25 per day per child – for 200 school days).	X
School Transport	1.	Provide each child in primary school with \$0.50 for each school day (200 days per year).	
	2.	Provide each child in primary school, in rural areas, with \$0.50 for each school day (200 days per year).	X
	3.	Provide each child in primary or secondary school with \$0.50 for each school day (200 days per year).	X
	4.	Provide each child in primary or secondary school, in rural areas, with \$0.50 for each school day (200 days per year).	
Policy scenarios for working age			
Rural Employment	1.	Expand the programme's coverage to execute 200 projects per year (following the status quo of 106 workers per project, working 13 days).	X
	2.	Expand the programme's coverage to execute 200 projects per year and increase the number of work days to 50 (following the status quo of 106 workers per project).	
	3.	Expand the programme's coverage to execute 200 projects per year and increase the number of work days to 75 (following the status quo of 106 workers per project).	X
Policy scenarios for older persons			
SAII	1.	Change eligibility of the programme, making it pension tested (excluding veterans and pensioners from the Transitory and General Social Security Schemes).	X
	2.	Change eligibility of the programme, making it affluence tested (excluding individuals whose income is more than \$5 per day and active civil servants).	
	3.	Change eligibility of the programme, making it means tested, only for people living on income below the national poverty line.	X
Policy scenarios for health			
Emergency Transport Expenses Refund	1.	Refund cost of transportation to health facility for patients in emergency situations – up to \$20.	X
	2.	Refund cost of transportation to health facility for poor patients in emergency situations – up to \$20.	
	3.	Refund cost of transportation to health facility for poor patients in emergency situations – up to \$20 – in municipalities that have insufficient ambulances and/or no working emergency telephone.	X
Incentives for Maternal and Infant Care	1.	Benefit with the value of \$5 will be given in each of the four recommended prenatal visits and in the value of \$10 will be delivered in each of the two recommended postnatal exams.	
	2.	Benefit with the value of \$10 will be given in each of the four recommended prenatal visits and in the value of \$15 will be delivered in each of the two recommended postnatal exams.	X
	3.	Benefit with the value of \$5 will be given in each of the four recommended prenatal visits and in the value of \$10 will be delivered in each of the two recommended postnatal exams – only to poor families (means tested).	X

¹⁴⁴ Equivalent to half the national food poverty line, according to Ministry of Finance, 2016c.

¹⁴⁵ Equivalent to the national food poverty line, according to Ministry of Finance, 2016c.

APPENDIX III – MICROSIMULATION METHODOLOGICAL NOTE

To estimate the impact of the recommendations proposed on poverty (considering monetary poverty) in Timor-Leste, a microsimulation exercise was performed. The simulation exercise made use of household survey findings to assess the potential impact of policy changes on household or individual consumption or income levels and, consequently, the impact on poverty incidence and depth. These simulations provide a primary indication of the possible impact of the introduction of social protection benefits on poverty reduction. This analysis also provides additional information on the potential cost-benefit of a policy reform or introduction, allowing for a more informed discussion for policy-making. Additionally, microsimulation exercises observe the extension of social protection as an investment contributing to national development rather than a cost.

For the microsimulation exercise, the dataset used was the Timor-Leste Standard of Living Survey 2014 (TLSLS-3), which covered 5,916 households between 2014 and 2015. The dataset contains information on household income and consumption, characteristics of household members, such as age, employment, education, health and use of services, and household characteristics, such as access to safe water, sanitation, electricity, and household conditions. Based on the characteristics of households and their members, the potential impact of chosen scenarios on the incidence of poverty was simulated.

The TLSLS-3 established the per capita poverty threshold, with a municipal breakdown and for the whole country, at \$1.54 per capita per day. This national poverty line is based on the value food consumption (purchased and own produced), the rental value for housing (actual or imputed) and the value of all other non-food, non-rent consumption. Individuals with a per capita consumption below the national poverty line were considered poor. When this was applied to the TLSLS-3 dataset, the nationwide poverty headcount was 41.8 per cent, which is the benchmark for the measurement of poverty reduction impacts of the exercise.

Simulating the impact of proposed scenarios

Among the scenarios proposed for the rapid assessment protocol cost-estimation model, only some could be directly evaluated with the microsimulation. The scenarios for the simulation were chosen based on the nature of the benefits and the availability of relevant data. The microsimulation has limitations as to which scenarios or type of benefits can be simulated, leaving more complex assessment, such as the contributory benefits, to be evaluated by a more specific and specialized analysis. Consequently, this microsimulation includes benefits that can be translated into financial benefits and that are based on criteria suitable for the available data.

Additionally, the poverty impact simulation is static. It measures the poverty status of individuals at a specific point in time, in this case, at the period that the data of the TLSLS-3 was collected – 2014 to 2015. It makes this the status quo of the simulation (without implementing any of the recommendations and including any effects that the existing social protection schemes might have produced).

From the status quo, the per capita poverty threshold is calculated, and the poverty status of individuals is measured. Next, the income of the individuals is modified by the social protection benefits that they would be or not entitled to, assuming that the recommendation scenarios have been realized. Finally, poverty is measured in the new state to establish if there were changes in the poverty headcount in the country. This methodology was applied for each of the scenarios that were selected for the microsimulation. The scenarios simulated are specified in the results section.

Limitations

Microsimulation exercises are naturally limited by the data available in the survey used. As mentioned, the methodology is static and assumes that implementation and impacts of simulated reforms are instantaneous and homogeneous for each beneficiary. Thus, results are as if the new benefits or reforms are done in the time frame covered by the dataset – 2014 and 2015. Coverage of different programmes might have suffered some changes and impacts on poverty calculated without correcting the poverty line according to inflation. This cannot be changed without more complex simulations that involve the “ageing” of the dataset to present day, which falls outside the scope of this report. However, because the data are fairly recent and inflation rates and the social protection policy landscape have not experienced any big change, this limitation produces little effect on the results.

To overcome other limitations of methodology, some assumptions were made. First, while simulating the impact of an increase in the benefits of an existing scheme, the beneficiaries who already receive some benefits from the programme at status quo need to be taken into account. In these cases, the data allowed for the identification of households and individuals already receiving benefits and applied the change in the benefit level (for example, it simulated the increase of Bolsa da Mãe from \$5 to \$10). This implicitly assumes that take-up and coverage rates of these types of reforms will remain constant (unless specified otherwise by the scenario).

Second, for scenarios that changed eligibility or coverage of programmes (making Bolsa da Mãe universal for children up to 5 years old), the benefit was first subtracted of those already receiving it (Bolsa da Mãe beneficiaries aged up to 5 years) while leaving those not affected by the reform untouched (in this case, the Bolsa da Mãe beneficiaries aged 6–17). It was then reapplied to the new eligibility or coverage rule to the first group.

Third, it is assumed that the scenarios have been fully implemented, with every eligible individual actually receiving the benefits. In reality, this may not be the case due to limited implementation capacities or by lower take-up rates by beneficiaries. This might have overestimated to different degrees of magnitude the effect on poverty. Impacts of turning programmes universal might be overestimated, and conversely, reforms that restrict eligibility (such as making a programme means tested) probably have their impact underestimated.

Last, as a simple microsimulation exercise, the impact of the proposed reforms on poverty do not take into consideration other important factors that should have a positive or negative impact on the poverty headcount rates, such as economic growth, employment and macroeconomic policies of the Government. Given these limitations, the results presented should be taken as indications of potential poverty reduction and a measure to compare simulated impacts with simulated costs (as per the rapid assessment protocol model) and not as a precise tool to determine how many people will be lifted out of poverty by any given change in Timor-Leste’s social protection framework.