

## In East Timor, U.S. Retreats From Plan to Build ‘Lifesaving’ Sewage Plant

A U.S. aid agency had committed hundreds of millions of dollars to the project, which could help provide clean water. Now its board wants to pull out of the agreement.



*Residents of Dili, East Timor's capital, washing clothes in a dried-up riverbed under a bridge last year.*

*Credit...Ulet Ifansasti for The New York Times*

New York Times, Oct. 1, 2025. By Ted Alcorn reporting from Dili

Ravaged by a brutal military occupation, East Timor won its independence just over two decades ago. The young nation has built itself into a stable democracy, but poverty remains widespread.

Nearly half of the children in Dili, the capital, are physically stunted by malnutrition and repeated infections from waterborne diseases. The city does not have a municipal sewer system, and drinking water is often contaminated by raw sewage.

The United States offered to help fix the problem. A small U.S. development agency, the Millennium Challenge Corporation, agreed to spend \$420 million in part to build a wastewater treatment system. The local government spent millions buying land and preparing it for construction.

But a field of debris may be the project's lasting legacy.

In August, the M.C.C.'s board of directors recommended terminating the agreement with East Timor, which is also known as Timor-Leste, according to the offices of two senators notified of the action. The board's decisions are subject to congressional review.

It also recommended scrapping large infrastructure projects in the African nations of Lesotho and Malawi, and agreements in development with eight other poor countries. At the same time, it [selected](#) two South Pacific countries, Fiji and Tonga, for possible investment.

The M.C.C. referred queries to the State Department, which declined to comment. But in a statement, it said "the United States is proud to support Timor-Leste and remains focused on advancing and strengthening our strong bilateral relationship."



*Children playing in the Comoro River in Dili in 2019.  
Credit...Matthew Abbott for The New York Times*

Jose Caetano Guterres, who worked for years on the Timorese team coordinating the project, surveyed the rubble of the site in Dili on an afternoon in August. "If it has ended in nothing," he trailed off. "I don't know what I can say, but it's not good."

The M.C.C. was established in 2004 under President George W. Bush and makes short-term grants known as "compacts" designed to foster economic growth in beneficiary countries. With a narrow mission and small footprint, it has eluded the fate of the U.S. Agency for International Development, which the Trump administration dismantled earlier this year.

But in July, the M.C.C. issued [a statement](#) indicating that compacts around the world were being reviewed to "ensure that the agency continues to make America safer, stronger, and more prosperous."

Reneging on the commitment with East Timor could tarnish America's reputation in the young democracy, where China competes for influence. Citing East Timor's longstanding relationship with the United States, President José Ramos-Horta said the grant's termination "is beyond comprehension and is unprecedented between friends."

The decrepit state of East Timor's infrastructure reflects its history. As the decades-long occupation by Indonesia came to an end, its military and affiliated militias sabotaged water systems, obstructed roads and destroyed public buildings. Dili's deteriorated water supply infrastructure dates to Portuguese colonial rule. Most of the city's sewage is still buried in the soil or dumped untreated into the sea.

Roughly 325,000 people live in the Dili area. Many families spend hours each day retrieving water from communal standpipes or shallow wells, according to José Mousaco, a health expert at the World Bank.

"The time that children spend collecting water is wasted from schoolwork or just being a child and playing," he said.



*Children collecting water in Ermera, East Timor, last year.  
Credit...Ulet Ifansasti for The New York Times*

As East Timor emerged as Asia's newest democracy, it forged close ties with the United States, which has provided hundreds of millions of dollars in foreign aid. Its official currency is the U.S. dollar.

When the M.C.C. began exploring a compact with East Timor during the first Trump administration, the agency determined that the foul condition of the capital's groundwater was constraining economic growth.

“People were getting sick so often that they were unable to be productive members of the work force,” said Jon Richart, an M.C.C. veteran who left the agency in May.

Clean water would also reduce East Timor’s rate of childhood stunting, which is among the world’s highest.

“This is a lifesaving project,” said Mariano Carmo, an East Timorese government official who worked on the project until December 2024.

The M.C.C. proposed constructing a centralized plant where the city’s sewage could be piped in and treated before disposal. The [World Bank](#) and [Asian Development Bank](#) both agreed to finance some of the work.

The countries finalized the agreement, and East Timor’s Parliament [ratified](#) it in 2022. In addition to the investment in water and sanitation, the compact would fund training for secondary school teachers and principals. The M.C.C. agreed to contribute \$420 million, and East Timor would put up \$64 million.



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But a new coalition government in 2023 reviewed all loans for fiscal prudence, and withdrew from the agreement with the World Bank. The compact negotiations were further delayed because East Timor had yet to purchase the final 1.2 acres of land for the plant.

Mr. Carmo said that pace was to be expected given the scale of the project, equivalent to nearly 20 percent of the national budget. The delays “are not because of the unwillingness of the government,” he said. “We are a new country. We are still very fragile.”

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