



USAID | **EAST TIMOR**
FROM THE AMERICAN PEOPLE

Dezenvolve Setor Privadu

Quarterly Report
1 October 2008 – 31 December 2008

31 January 2009

This publication was produced for review by the United States Agency for International Development. It was prepared by Development Alternatives, Inc.

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QUARTERLY REPORT OCTOBER TO DECEMBER 2008

SUMMARY

In October to December 2008 DSP continued its work in several areas that define DSP's program of work through 2010, including a substantially increased focus on increasing incomes and stimulating business activities in rural areas. This report covers activities undertaken during the second full quarter under the DSP Year Four Work Plan submitted to and approved by USAID in August 2008.

SUCSESSES AND HIGHLIGHTS

Significant actions during the quarter include:

- At the Lequitura Special Horticultural Area (SHA) crops of capsicum (bell pepper) and cherry tomatoes came into full production in November-December 2008. Production of green, yellow and capsicum (bell pepper) reached 100kg per week by the end of the quarter. Production of cherry and beef tomatoes was over 120kg per week.
- This additional production resulted in over 400kg of produce being sold per week creating over US\$2,000 in value shared roughly equally between the farmers and the wholesaler, Zero Star. Zero Star increase its profit margin from approximately \$3,000 per quarter to \$6,000 per quarter.
- Weekly deliveries of the Zero Star Fresh Produce Box increased from 46 to 65 boxes, creating over \$2,288 gross income in the month of December 2008.
- DSP supported the establishment of the Mungbean Marketing Association of Suai-Loro, Cova Lima District. A new trader was assisted to enter the Cova Lima commodities market. New commodities marketing opportunities were explored in Cova Lima and Manatuto Districts.
- DSP coordinated the participation of Buy Timor Network producers stall at the Women's Business Fair at the recently renovated Mercado Lama Convention facility. In addition, two other network producers set up their own sales displays.
- DSP designed and procured three Buy Timor Product display cases for the prominent display of certified producer products in Dili supermarkets.
- DSP worked in coordination with Alola Foundation on the planning and publicity of a Christmas Fair on 6 December. At the fair, 43 producer groups from nine districts sold more than \$9,615 of handicrafts.

AGRIBUSINESS

At the Lequitura Special Horticultural Area (SHA) crops of capsicum (bell pepper) and cherry tomatoes came into full production in November-December 2008. This additional production resulted in over 400kg of produce being sold per week, creating over US\$2,000 in value shared roughly equally between the farmers and the wholesaler, Zero Star. As a result, Zero Star has increased its profit margin from approximately \$3,000 per quarter to \$6,000 per quarter. To ensure that this growth continues, a Client Feedback Meeting was held by Zero Star and DSP at Casa Minha Hotel on 9 December 2008.

In order to develop commodity product value chains (for peanuts and mungbeans) DSP assisted local traders from across Timor-Leste to give feedback to the government regarding local product procurement by government staff. Sales to government were monitored and a program of post harvest processing mechanization was developed for peanut de-shelling. New peanut and mungbean farmers continued to be identified and DSP partner traders are preparing to buy from the 'farm gate' following information from the DSP Commodities team.

[1] Horticultural Production

Progress: In addition to the additional production from the Lequitura Special Horticultural Area (SHA) infrastructure improvements took place. The water tank shelter was roofed, a table for washing and sorting vegetables was constructed and the site access road was repaired by the local community.

Indoor Production

Production of green, yellow and capsicum (bell pepper) reached 100kg per week by the end of the quarter. Production of cherry and beef tomatoes was over 120kg per week. Each week over 400 kg of produce was sold from the greenhouse creating over US\$2,000 in value shared roughly equally between the farmers and the wholesaler, Zero Star. Technical assistance was provided by consultant Edy Widiyanto, who will carry out one more consultancy during the growing season.

Site visits

During this quarter a number of senior members of the Governments of Timor-Leste and the United States of America visited the Lequitura SHA.

- Minister of Agriculture, Mariano Asanami Sabino visited the SHA in November. He was accompanied by the National Director of Agriculture, Deolindo da Silva. This visit resulted in a donation, by the Ministry of Agriculture, of a range of agricultural inputs to the farmers of both Lequitura and Sarin, Aileu.
- US Ambassador to Timor-Leste Hans Klemm attended a First Harvest Ceremony 19 December. This ceremony was also attended by USAID Mission Director Mark White, various local community leaders, a representative of the District

Administrator, the Aileu District Police Commander, and farmers from other areas of Aileu.

Both of these visits were attended by national television, print and radio media outlets and received good coverage and positive feedback.

Outdoor Production

During the quarter the DSP Horticulture team extended production technical assistance to three new sites; Suco Liurai - Aileu District, Suco Bazartete - Liquica District and Suco Gleno Kota - Ermera District. After trial production of crops at these sites two of the three new sites continue to sell fresh product to Zero Star while more follow up is needed at the Liquica site.

DSP assigned a consultant, Carlito Tiago da Costa, to work in Suco Sarin Aileu District to increase outdoor production. We expect his work will demonstrate to Zero Star the value of providing a field based production coordinator who can work with farmers to ensure continual supply.

Next Steps:

DSP project staff will:

- Assist Horticultural Production Training international consultant Edy Widiyanto to work with the farmers at the Lequitura SHA to insure use of an Integrated Pest Management system at the site.
- Work with new partners to set up 'out-growing' nurseries for the preparation and distribution of vegetable seedlings. These new nurseries will enable new farmers to participate in the value chain and create competition for the only existing specialized vegetable wholesaler, Zero Star.

[2] Horticultural Product Marketing

Zero Star Deliveries

DSP continued to facilitate agreements and deliveries of graded local product by Zero Star to Dili supermarkets. Work with Zero Star in this quarter was focused in measuring *activities* rather than financial data. This focus has meant that the level of detail seen in past quarterly reports will not be continued into the future. An income/costs spreadsheet was developed by Zero Star staff themselves.

Some general trends have continued during the quarter:

- The volume of product purchased is increasing and the "farm gate" value of product purchased is increasing as prices in Dili rise.
- The business profits have significantly increased from approximately \$3,000 per quarter to \$6,000 per quarter.

Zero Star Operations Manual

During the quarter a consultant was engaged to work closely with Zero Star to assist the company to implement an operational plan. Mr. Tito Lelo is a graduate of the

National University of Timor-Leste and he has been reporting weekly on the extent to which Zero Star staff follow individual job descriptions and responsibilities.

Zero Star Fresh Produce Box

Weekly deliveries of the Zero Star Fresh Produce Box increased from 46 to 65 boxes creating over \$2,288 gross income in the month of December 2008. Zero Star has now offered the Fresh Product Box delivery service to all the customers who had registered their name on a 'wait list' with the company. New customers are now being added to weekly deliveries as they contact the company.

DSP also assisted Zero Star to conduct Producers and Client coordination meetings during the quarter. A Producer Feedback Meeting was held at the Lequitura SHA in early December and the meeting covered payment processes and outdoor production targets.

A Client Feedback Meeting was held by Zero Star and DSP at Casa Minha Hotel on 9 December. Attendance was lower than previous meetings, less than 10 of the 60+ invited clients attended. Clients not attending the meeting said that the service was good and 'they had no problems or comments'. Some of the suggestions from people who did attend the meeting were:

- New crops for outdoor production are wanted so new seed supplies are needed.
- Produce extension materials for farmers unfamiliar with some new crops.

Horticulture Product Showcase

The first of three films promoting the quality of Timor-Leste fresh produce was produced during December. The film *Timor-Leste Nia Gostu: Husi Foho* has been used to promote the modern supply chain to potential clients. During 2009 the films will be offered to the national television station (TVTL) for broadcast.

Next Steps:

DSP will:

- Assist growers in the SHA and other locations to increase production to keep up with demand from new Fresh Product Box retail clients;
- Market the horticultural products coming from the new technologies/equipment supplied under the SGP grant, including the greenhouse;
- Strengthen the business management of Zero Star.
- Work with ANZ bank to train Lequitura farmers in bank processes.

DSP will also attempt to establish working relationships with new supply chain participants as opportunities arise.

[3] Expand production of cash crops for domestic and export markets

DSP also works with growers and traders of low-value, bulk commodities which are produced by more farm households than those which grow vegetables. As a part of the work, DSP supported the establishment of the Mungbean Marketing Association

of Suai-Loro, Cova Lima District. A new trader was assisted to enter the Cova Lima commodities market. New commodities marketing opportunities were explored in Cova Lima and Manatuto Districts. Local traders from across Timor-Leste were assisted to give feedback to the government regarding local product procurement by government staff.

Monitoring of Sales to MTCI

Following on from the meeting of local traders held in the previous quarter, DSP staff continued to monitor the sales and payment time by the Ministry of Tourism Commerce and Industry. This is a major issue for local traders and Comico Timor Diak (a key DSP partner), with a total estimated loss of more than US\$40,000 through rejected product and late payment. In the future Comico Timor Diak in particular will focus on increasing the volume of products directly exported to West Timor and other parts of Indonesia.

Mechanization

The sale of large volumes of peanuts in single purchasing events is constrained by the time it takes to de-shell peanuts by hand. Hand shelling is usually carried out by women in Timorese farm households with one household shelling roughly 50kg per week. DSP engaged a local consultant (Telofilo Maia) with experience in mechanical engineering to work with local communities and prepare the distribution, training and monitoring of peanut shelling machines in Bobonaro and Cova Lima Districts. The shelling machines will assist the recipient communities to shell their entire harvest of peanuts shortly after drying, thus making large volumes available for farm gate pickup through the DSP commodities marketing process.

Farmer Listing

Farmer listing, the process where areas of potential commodities sales are identified by DSP field staff was carried out in Bobonaro and Cova Lima Districts. Listing enables larger numbers of farm households to access DSP marketing services. New farm households are included in marketing efforts along with households from previous years.

Next Steps:

DSP will distribute and train farm households in the operation of post harvest shelling machines and assist with the marketing of peanuts in Cova Lima and Bobonaro District.

- Continue to develop MOUs for shared marketing activities with local traders.
- Facilitate visits by buyers to inspect production sites.
- Monitor prices and Government procurement processes.
- Assist household heads to coordinate commodity sales in their areas.

[4] Communications of Farm Gate Commodities Marketing Processes

DSP attempts to communicate the successful commodities marketing process to a wide number of farm households and agriculture sector stakeholders. DSP has been looking for a person with suitable skills to take on this work in remote locations but

has been unable to recruit a candidate for the role to date. Our inability to find a suitable candidate has constrained progress in the component area.

DSP Commodities Marketing Approach

During the quarter DSP Commodities staff developed a presentation which describes the Commodities Marketing approach. In 2009 this presentation will be given to participating households.

Sacks for Use in Farm Gate Sales

DSP staff also began procuring sacks printed with USAID and two partner trader logos. By swapping the farm households' sacks with new printed sacks which are consistent in size and shape, DSP partner traders can monitor the general quality of product being purchased from farmers, at the "farm gate".

Next Steps:

DSP Project staff will:

- Identify a local consultant to work on communicating farm gate marketing processes to new participating households.
- Exchange sacks at the point of sale (farm gate)

BUSINESS DEVELOPMENT

DSP supports private sector growth by increasing access to technical and business services essential for efficient enterprise operation. During this quarter, DSP business development activities included strengthening business linkages through the development of market outlets for a variety of Timorese products – especially promoting these items at Dili’s supermarkets and fairs. Additional efforts have been made to increase the product offering of Timorese goods, both within the Buy Timor Products Network as well as for handicrafts at the Tais market. Throughout this quarter, DSP concentrated programming initiatives on supporting the tourism and hospitality sector. Key activities included the reinvigoration of the tourism association, conducting “site inventories” of tourist locations around Dili, and the initial steps to develop and support a hospitality industry internship program through the newly initiated grants component of DSP. Many of the tourism and hospitality initiatives begun during this final quarter of 2008 are in their emerging stages and will further evolve and produce results in the first quarter of 2009.

DSP is operating business development/commercial services activities in three integrated areas:

- 5) Linking businesses to market opportunities
- 6) Promoting the use of business services
- 7) Improving the quality of services that support hospitality and future tourism.

[5] Linking Businesses to Market Opportunities

DSP efforts to link businesses to markets operated in two activity areas during the quarter: activities in support of the Buy Timor Network Producer Group and activities to expand sales of handicrafts. Additionally, DSP supported several clients with the development of new packaging and logo design.

Buy Timor Network -- Producer Group

DSP continued efforts to support the Buy Timor Network of producers through the active marketing of the products. DSP coordinated with producers to sell their products at a Buy Timor Products sales display at two fairs: the Women’s Business Fair in October and the Aloia Foundation Craft Fair in December. In addition, DSP finalized agreements with three of Dili’s supermarkets to procure floor space for Buy Timor Product displays.

Despite on-going efforts to support the producers within the Buy Timor Products network, there has been limited interest and response from the producers. In general, the producers have not committed resources to actively participate in the network. This lack of commitment can be seen by the limited participation of producers at the fairs and coordination meetings during the quarter. Additionally, the producers have demonstrated difficulty responding to the regular demand for their products in the supermarkets. DSP will continue to support this group of

companies to address these supply-side issues as well as expand their sales and market for quality Timorese products.

The future of the virgin coconut oil (VCO) initiative is unclear. The supply of coconut oil remains limited and, despite efforts to contract with the Ministry of Health for delivery of VCO to the Maternal Health Program, Acelda – the distributor of VCO – was not able to respond to all of their demands and the contract was awarded to rural women’s group producers. Without a regular supply of VCO, it is not possible for the distributor to retain positive relationship with final buyers.

Significant /outcomes in this area:

- Coordinated the participation of Buy Timor Network producers stall at the Women’s Business Fair at the recently renovated Mercado Lama Convention facility. A total of \$207.50 was earned by the three products featured at the Fair: Cassava Chips - \$108, Minutil Virgin Coconut Oil - \$52.00, and Coffee Kapas Lakoma - \$47.50. In addition, two other network producers set up their own sales displays.
- Conducted meetings with prospective members of the Buy Timor Network in Eimera and Baucau. Currently, the products produced by these companies do not meet the requisite standards of the network.
- Instituted a monitoring system to track sales of Buy Timor Network products sold in eight Dili supermarkets. Currently three of the eight products can be regularly found at the stores. Future data collection will incorporate additional products as they are more regularly available. Following is a table of quarterly sales for these items:

	<u>October</u>	<u>November</u>	<u>December</u>	<u>TOTAL</u>
Cassava Chips	\$100.35	\$56.55	\$213.00	\$369.90
Coffee CCT/NCBA	\$1,975.50	\$1,926.20	\$2,506.10	\$6,407.80
Coffee Kapa’as Lakoma	\$297.90	\$2,320.85	\$1,886.35	\$4,505.10
TOTAL	\$2,373.75	\$4,303.60	\$4,605.45	\$11,282.80

- DSP designed and procured three Buy Timor Product display cases for the prominent display of certified producer products in Dili supermarkets. During this quarter, the design for the display cases was finalized and the displays were procured. One display was delivered to Senior Shop supermarket and the others will be delivered at the beginning of next quarter. DSP is planning to encourage additional supermarkets to make a space for the displays in their stores.
- Collaborated with the Agribusiness team on the first of three films promoting the quality of Timor-Leste fresh produce. The film highlights the “Buy Timor Product” symbol.
- In preparation for the Alola Craft Fair, DSP conducted a workshop with Buy Timor producers to ensure proper stock planning and preparation for the fair.

Next steps:

- Install remaining displays in the pilot supermarkets, and consider expansion of the display program to additional supermarkets in Dili.

- Meet with the Buy Timor Product Network of producers to discuss next steps for ensuring adequate and regular delivery of products to supermarkets and other vendors.
- Investigate the possibility of expanding media coverage to continue enthusiasm for Buy Timor products.
- Include Zero Star, which has been working closely with the Agribusiness component of DSP - delivering fresh horticulture products to Dili supermarkets and end consumers - into the Buy Timor Product Network.
- Continue collaboration with the Agribusiness team on the development of future films promoting Timorese fresh produce.

5.2 Expanding sales of handicrafts

DSP's work to support handcraft sales this quarter focused on support to the Alola Foundation and the Dili Tais Market.

Support for Alola Foundation in preparation for the 2008 Christmas Fair

On December 6, 2008 the Christmas craft fair occurred at the Alola Foundation compound.

DSP worked in coordination with Alola Foundation on the planning and publicity of the Christmas Fair. Timorese products including coconut soaps and oils, coffee, and *Tais* handicrafts, were offered for sale at a "crafts fair". In addition to providing an increase in incomes for village producers for the holiday season, the Christmas Fair increased awareness of the diversity and quality of Timorese products.

DSP assisted with the improvement of the physical facilities at the Alola Foundation compound which created a selling pavilion for vendors to set up their sales displays. DSP facilitated the participation of a "Buy Timor Products" producer table as well as participation of the Tais market vendors at this year's training and fair. DSP provided similar capacity building support to the vendors as it did for the 2007 Christmas fair. Support included offering training in customer service, stock management, costing and pricing, and how to use a calculator.

The Christmas fair was a success by any of several indicators:

- 43 producer groups from nine districts participated.
- Vendors sold more than \$9,615.00 of handicrafts at the fair.
- 40 vendors received training from DSP on basic sales skills training. Topics covered included: using a calculator, basic costing, sales techniques, record keeping and stock control. Feedback from the training was extremely positive.

Assisting sales at Dili's Tais Market

The DSP program has conducted monthly follow-up on the progress of the vendors since the new market was completed in May 2008. Based on anecdotal data gathered, sales have shown no significant indication of improving. DSP is working

with the Tais Market coordinator to investigate opportunities to expand the market offerings by linking to craft producers throughout Timor.

With the vast majority of the vendor with limited to no literacy, the market coordinator is responsible for collecting monthly vendor sales. This lack of verifiable sales data revealed to DSP staff the pressing need to improve the vendors' bookkeeping and financial management systems and skills. However, literacy skills pose a challenge to conducting basic financial management and bookkeeping.

Tais market vendors sold an impressive \$551.50 at the Alola Craft Fair in December.

Next steps:

- Work with the Tais Market to increase the variety of crafts offered at the market (e.g. paper flowers, flower pots, Tai dolls) by linking with additional craft producers.
- Continue to follow-up on the monthly sales and income generated at the market and to identify ways to continue to improve the skills of vendors.
- Begin planning for a Craft Day at a local beach community. This activity will integrate two DSP activities – increasing craft sales and supporting community-based tourism activities – by facilitating an event which attracts prospective buyers of their products and services.

[6] Improving Access to Quality Business Services

DSP has been increasing the quality and quantity of business services available to SMEs both through support directly to businesses and through business associations. Quality business services are central to increasing consumer access to high value products. During this quarter, DSP has provided support to the Truck Transport Association, as well as working with the tourism association. (Additional details on the tourism association can be found in section 7.)

Truck Transport Association

During the final quarter of 2008, DSP continued to support the management board of the Truck Transportation Association (ATCTL) by providing office space and technical assistance to the newly formed body. The ATCTL is in the process of finalizing invoices for payment for all deliveries completed to-date. As a result of this contract, which concluded on December 31, 2008, truckers earned over \$33,500. DSP provided continued assistance to the ATCTL in response to a new RFQ from the WFP in December.

Next Steps:

- Based on continued feedback from the board of the ATCTL, the main problem facing the association was its very poor accountancy system, which creates unease by its members due to a lack of transparency. DSP will continue to support the ATCTL by assisting in the improvement of their financial and administrative management systems.

- Continue to follow-up on the ATCTL's on the close-out of the current contract with WFP.

[7] Improving the Quality of Services That Support Hospitality and Future Tourism

Tourism service providers (hotels, restaurants, tour operators, dive shops, car hire) are currently at the center of much of the private sector economic activity in Timor-Leste. Demand for such services is strong and will likely continue to remain strong in the near future. This demand is based on international donor and diplomatic presence which forms a captive market in which businesses do not need to compete aggressively for customers. As a result, there has been no substantial investment, innovation, or competitive standards for products and services.

Throughout this quarter, DSP has been developing a strategy to address tourism needs in Timor Leste, specifically focusing on 1) reinvigorating the Timor Leste tourism association and 2) determining how best to improve tourism offerings in beach communities and other tourism destinations near Dili, including putting together a baseline assessment of what these communities currently offer and potential interventions for each site.

Supporting Timor Leste' tourism association

The process of reinvigorating the association involved weekly meetings in October – December with the interim executive body. One outcome has been the creation of a new organization altogether, called the Timor Leste Tourism Centre (TLTC) which is dedicated to establishing an active and representative private sector voice, providing a vibrant and open forum for all of its members to share ideas, address concerns, collaborate on promotions, and speak with one voice to the government on issues affecting the industry. TLTC is committed to engaging with all facets of the tourism industry—restaurants, hotels, dive shops, and tour agencies, both foreign- and Timorese-owned.

The TLTC submitted a grant request to DSP, requesting support for the association. Based on feedback from USAID, the grant will be revised and resubmitted to DSP. DSP hired a full-time assistant dedicated to TLTC to support the administrative needs of the organization, with this position and perhaps others to be included in the pending grant to TLTC.

Significant action in this area:

- Developed a logo for the TLTC
- Began development of a database of potential members of the TLTC, including points of contacts for all types of businesses involved in the hospitality industry in East Timor.
- Began discussions with Civil Aviation at the Dili airport to discuss the possibilities of setting up a “Welcome Booth”.

- Supported the interim executive committee in identifying the necessary steps to register the association with the Government of Timor Leste, Department of Justice.
- Began a membership drive of tourism industry businesses committed to pledging their interest in becoming members of the TLTC, upon official registration of the association. By the end of the quarter, an estimated 20 businesses had committed to joining the TLTC.

Next Steps:

- Assist the TLTC with the steps to officially register with the Government of Timor Leste as an association. Significant complications exist when registering any association or private business with the Ministry of Justice.
- Develop multi-lingual map of Dili, with key tourist locations and contact details of taxi drivers.
- Continue discussions with Civil Aviation to finalize “Welcome Booth” location.
- Support on-going membership drive.
- Support the TLTC in the organization of a membership drive reception.

Improve tourism offerings near Dili

DSP has begun the development of a site inventory of popular dive sites near Dili. As part of this process, DSP representatives have been visiting the sites, meeting with the ches and making a detailed assessment of the recommendations. The use of these inventories is two-fold. Firstly, the information can be used to design activities which support the tourism industry in these beach communities. Secondly, with some editing, each of these assessments can be shortened into one-page brochures on each of the locations that can be provided to tourist interested in visiting the sites.

Next Steps:

- Continue the development of Site Inventories of beach communities near Dili.
- Based on conclusions of the site inventories, work with beach communities to implement feasible support projects.

Hospitality Industry Internship Program

A major component of the DSP grants program is the implementation of a Hospitality Industry Internship program to follow on the pilot program funded by the USAID-funded Small Grants Program. To gauge the demand for internships, DSP met with the Dili Institute of Technology, ETP Venilale, CTID Baucau, and East Timor Development Agency to discuss their work and their ideas for a new training program. DSP also met with hotels and restaurants in order to assess the demand and commitment of these players in collaborating with DSP on this endeavor. The goal of this initiative is to develop on a sustainable program that is a regular component of the curriculum in these institutions. As part of this program, interns

will participate in continued training programs while also receiving six months of on-the-job training in the hospitality sector.

Next Steps:

- Monitor the training and internships during 2009.

ENABLING ENVIRONMENT

During the 4th quarter of 2008, DSP continued its facilitation of business growth by helping to improve Timor-Leste's commercial and legal framework, to be more conducive to business formation and efficient business operation.

[8] Promoting a constructive dialogue between the private and public sectors in Timor-Leste

No public-private dialogues were initiated during the quarter.

[9] Telecommunications Reform

DSP has not engaged in any activity in the area of telecommunications reform in the 4th quarter due to the current stalemate in contract re-negotiation between the GOTL and Timor Telecom. There is an apparent lack of leadership and coordination by the Task Force charged by the World Bank to lead this effort.

[10] Strengthen the Institutional Capacity of the Ministry of Economy and Development

Mr. Colin Heartwell worked in Timor-Leste until mid-November in his position as Advisor to the Ministry of Economy and Development, Joao Goncalves. In this Quarter, Mr. Heartwell advised the Minister in the implementation of a wide range of initiatives to stimulate economic growth through strengthening the enabling environment, enhancing financial and commercial services, and identifying opportunities for the promotion of foreign investment.

In November – December, he worked in Canada to produce funding proposals to be submitted to the World Trade Organization for "Pre-DTIS Activities. (DTIS stands for Diagnostic Trade Integration Study.) Mr. Heartwell acted as the trade focal point for the Government, pending appointment of a national principal spokesperson/coordinator. During the quarter, he prepared four decree laws and submissions to the Council of Ministers concerning foreign direct investment.

Grants

In December, DSP awarded five grants amounting to \$209,482 to local institutions that will provide training to Timorese youth for work in the hospitality/tourism

industry and improve agricultural export marketing. This support is a part of DSP's strategy to increase income generation through improved business linkages within supply chains, including a concerted effort to build a better tourism industry and strengthen agribusiness.

The five grant recipients are the Dili Institute of Technology (DIT), Escola Tecnica Maria de Mazarello Venilale (ETP Venilale), Centro Treino Integral Desenvolvimento Baucau (CTID), Comiko Diak and East Timor Development Agency (ETDA). Using USAID assistance, the grantees will implement 14-month programs.

Four grants are directed to the hospitality and tourism sector. Support for the training institutions largely consists of equipment to upgrade and improve the quality of the student training in order to respond to the industry's demand. As part of the hospitality and tourism program, a grant was awarded to ETDA for the coordination and monitoring of the internship program. The internship program is a collaborative response to the industry demand. So far, more than ten restaurant and hotels around Dili are sponsoring interns. These industries will employ two groups of interns and pledge their participation for six months for each of the two period of time.

One grant will support community efforts to stimulate the production of mungbeans for commercial use (export sales). USAID will fund the purchase of materials to be used for construction of storage facilities for agriculture commodities in Suai. The storage facilities will enable larger quantities of agricultural products to be gathered for export to Indonesia.

Next Steps:

Approval for a grant to Timor-Leste's newly constituted tourism association is pending. USAID has approved the grant in principle, conditional upon receipt of a satisfactory budget and registration of the association with the Government, which is a complicated process that consumes both staff time and resources.

ADMINISTRATIVE AND TECHNICAL MANAGEMENT

During the period from October to December 2008, the administration staff has supported DSP program activity by providing assistance in terms of logistical arrangement, administrative and procurement support to the following short-term consultants.

Short Term Technical Assistance

Mr. Keith Doxtater - for 67 days in two assignments 21 September 2008, to 25 January 2009.

Ms. Shoshana Hecker - for 28 days beginning 16 October 2008

Mr. Toby Gibson - for 23 days beginning 11 November 2008

Ms. Lilach Shafir - for 23 days beginning 12 November 2008.

Ms. Kate Heuisler - for 23 days as of 16 November 2008.

Mr. Colin Heartwell – for 17 days during October- December 2008, while in Canada.

Office Systems Improvement

In October 2008, DSP instituted a direct-deposit program for all staff members. DSP staff members have their salaries directly transferred to their ANZ account and have the cash available as of payday through ATM withdrawals. This system eliminates the need for staff members to wait in line to cash paychecks, and in some cases wait again in long lines to re-deposit funds.

Promotions

Ms. Nina Sarmiento, has been promoted to a new position as a DSP's Marketing Service Coordinator started from 1 January 2009.

Arrivals and Departures

Mr. Sancho da Silva resigned from DSP on 10 November, 2008 to join the USAID-funded Land Law project after serving the DSP Office for period of 2.5 years with DAI.

Mr. Julio Barros resigned his position to undertake further study in Dili.

FINANCIAL REPORT THROUGH 31 DECEMBER 2008

Contract cost

After this task order's most recent contract modification, No. 9, counter-signed by the RCO on 1 August 2008, DAI's contract with USAID to implement the DSP Project has a ceiling price of \$10,788,474 in the following categories:

Workdays Ordered:	\$ 6,044,992
Other Direct Costs:	\$ 4,187,020
<u>Grants</u>	<u>\$ 556,462</u>
Contract Ceiling Price:	\$10,788,474

Balance of Obligated Amount

Amount Obligated by USAID:	\$ 8,800,000
Expenditures through 31 December 2008:	\$ 5,986,081
Funds Remaining vs. Obligation:	\$ 2,813,919 (25.9%)
Funds Remaining vs. Contract:	\$ 4,802,393

DSP will reach expenditures at or exceeding 75 percent of obligated funding with submission of the January 2009 invoice.

At the current estimated rate of expenditures ("burn rate") and with obligations under both the DSP grants program (\$306,462) and a subcontract with Junior Achievement (approximately \$229,000), DSP will reach 87 percent of obligated funding by submission of the May 2009 invoice. This expenditure closely tracks the estimate presented to USAID (12 September 2008) as a part of the Project Year 4 work plan submission.