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# YEAR FOUR ANNUAL REPORT: 2008-2009

**TIMOR LESTE—DEZENVOLVE SETOR PRIVADU  
(DSP) PROJECT**

**AUGUST 31, 2009**

This publication was produced for review by the United States Agency for International Development. It was prepared by DAI. The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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## Acronyms and Abbreviations

AMNTL	Women's Business Association
ATCTL	Associação de Transportes dos Camiões de Timor-Leste
BACET	USAID Building Agricultural Capacity through Education and Training
DAI	Development Alternatives, Inc.
DSP	USAID Desenvolve Setor Privado Project
ETDA	East Timor Development Agency
FETL	Fórum dos Empresários de Timor-Leste (Timor-Leste Business Forum)
HIIP	Hospitality Industry Internship Program
ILO	International Labor Organization
MTCI	Ministry of Tourism Commerce and Industry
PAT	Poverty Assessment Tool
TLTC	Timor-Leste Tourism Centre
USAID	United States Agency for International Development
VCO	Virgin Coconut Oil
WFP	World Food Programme

## Executive Summary

In July 2009, the Dezenvolve Setor Privadu Project (DSP) completed its fourth year of operation. Throughout the year, project activities continued to focus on strengthening the private sector in Timor-Leste by increasing business incomes through improving business linkages within supply chains.

In project year 4, DSP continued the activities underway in the areas of agribusiness services, business development, and enabling environment, as well as undertook new initiatives through the start of its grant program and the provision of direct assistance to the Government of Timor-Leste in important endeavors, focusing specifically on improving the country's nascent tourism industry. These activities continued to further USAID's strategic objective of accelerating economic growth in Timor-Leste.

Fortunately for the nation of Timor-Leste, July 2008 to July 2009 was the first complete year in the project's four-year history where severe political/social disruptions did not interfere with implementation of DSP's activities.

In project Year 4, agribusiness continued to be a key focal point for DSP. Agribusiness initiatives focused on expansion of the horticulture value chain through increased production and strengthening of marketing activities. Through collaboration with mungbean and peanut producers, the DSP project made significant progress in developing "farm gate sales" to help expand the volume of cash crops sold from remote areas of Timor-Leste. Creation of the Lequitura Special Horticultural Area (SHA) established a consistent supply of locally grown, high quality crops such as capsicum (bell peppers) and cherry tomatoes, for domestic markets.

DSP strengthened the business community in Timor-Leste by creating linkages to markets, improving access to information, and building the local capacity of individual enterprises. DSP supported the Timor Product Network of certified quality producers by expanding access to retail market locations, increasing product visibility through events such as the successful Beach Craft Fair, and building the capacity of producers in key business skill areas. The project has also made progress in expanding the tourism sector as evidenced by the Hospitality Industry Internship Program that DSP administers through a grant to the East Timor Development Agency (ETDA).

## Selected DSP Successes

DSP achieved important milestones in each of its three core components; agribusiness, business development, and enabling environment, and also made gains in the newly introduced grants and tourism/hospitality development program areas. Key accomplishments in these areas of intervention are summarized in the table described in the following sections.

**Table I:**

<b>DSP Objective</b>	<b>Selected Successes</b>
Increase horticulture production	<ul style="list-style-type: none"> <li>▪ At the Lequitura Special Horticulture Area crops of capsicum, cherry and beef tomatoes came into full production Kmanek Supermarkets funded and installed, with DSP-provided technical assistance, a 50m<sup>2</sup> nursery providing nearby farms in Sarin and Aileu a reliable source for vegetable seedlings.</li> </ul>
Improve horticulture production marketing/income	<ul style="list-style-type: none"> <li>▪ The Lequitura Farmers Group had gross earnings of \$28,000 during first growing season. Distributed income was about \$2600 per household.</li> <li>▪ KMANEK Supermarket purchased \$ 3,584 worth of horticultural products from two sites in Aileu in the fourth quarter.</li> <li>▪ Average weekly production of 450kg of produce from the Lequitura SHA was sold, creating over \$1,200/week in gross revenue shared roughly equally between farmers and wholesaler, Zero Star.</li> <li>▪ Zero Star Fresh Produce boxes deliveries averaged 65 subscriptions or \$3,500 gross income monthly.</li> <li>▪ Added two new enterprises, Combole LDA and Lau Qatal LDA, to the horticulture supply chain.</li> <li>▪ Completed a series of three films promoting Buy Timor-Leste brand produce.</li> </ul>
Improve cash crop marketing in domestic markets	<ul style="list-style-type: none"> <li>▪ DSP assisted farmers to sell about 265m.t. worth about \$265,000.</li> <li>▪ The Ministry of Commerce, Tourism and Industry (MCTI) began purchasing large quantities of mungbeans at a set price from DSP assisted farmers.</li> <li>▪ Supported 11 groups of lowland mungbean growers, comprising 546 households, to market their dry season mungbean crop in lowland areas of Cova Lima.</li> </ul>
Initiate “farm gate” marketing processes	<ul style="list-style-type: none"> <li>▪ Distributed peanut de-shelling machines to two districts to assist small traders in amassing larger volumes for “farm gate” sales.</li> <li>▪ 5,000 sacks with the USAID LOGO and two partner trader logos were procured to assist partner traders to monitor the general quality of product purchased at the “farm gate.”</li> </ul>

**Table I (continued):**

<p>Link businesses to market opportunities</p>	<ul style="list-style-type: none"> <li>▪ Worked in coordination with Alola Foundation on the planning and publicity of a Christmas Fair where 43 producer groups from nine districts sold more than \$9,615 of handicrafts.</li> <li>▪ Coordinated the participation of Buy Timor Network producers at the Women’s Business Fair at the Mercado Lama Convention facility and the International Trade Fair.</li> <li>▪ Presided over the successful re-opening of the Dili Tais market, made possible by the Small Grants Program and 44 vendor contributions totaling \$10,910.</li> <li>▪ Worked with the International Labour Organization’s (ILO) Women in Economic Self Employment Program to train and link six new village level VCO production groups to supply Acelda with quality oil.</li> <li>▪ Planned a Beach Craft Fair in Maubara, Liquisa District on June 20, 2009 that attracted an estimated 1,000 people. Participating handicraft vendors earned a total of over \$7,700 at the one day event.</li> </ul>
<p>Improve access to quality business services</p>	<ul style="list-style-type: none"> <li>▪ Linked Coffee Tatole to a printing company to provide cost-effective printed packaging and labeling materials.</li> <li>▪ Linked the Lequitura Farmers Group to ANZ Bank for financial literacy training.</li> </ul>
<p>Improve the quality of services that support hospitality and future tourism industry.</p>	<ul style="list-style-type: none"> <li>▪ Supported the implementation of a 4-day international trade fair sponsored by the MTCI attended by thousands of visitors and 70 national and international businesses.</li> <li>▪ Launched the USAID-funded Hospitality Industry Internship Program with 62 interns.</li> </ul>
<p>Promote a constructive dialogue between businesses and the government.</p>	<ul style="list-style-type: none"> <li>▪ Continued longstanding support for the Women’s Business Association (AEMTL) to provide technical assistance, office space, computer equipment, and secretarial personnel for the organization’s ongoing operations.</li> </ul>
<p>Strengthen the institutional capacity of the Ministry of Economy &amp; Development</p>	<ul style="list-style-type: none"> <li>▪ Supported the Ministry of Economy and Development by providing an advisor who identified initiatives to stimulate economic growth through strengthening the enabling environment, enhancing financial services and identifying opportunities for foreign investment.</li> </ul>

## **Agribusiness Services**

DSP supports income generation through improved business linkages within supply chains. The agribusiness initiative is focused on: (1) Horticulture production, (2) Horticulture production marketing, (3) Cash crop marketing in international and domestic markets, and (4) Communication of “farm gate” marketing processes.

### ***July – September 2008***

Significant actions for the July – September 2008 period include:

- Over 1000m<sup>2</sup> of cherry tomatoes and capsicums (bell peppers) were planted in both the greenhouse and nursery in the Lequitura Special Horticulture Area (SHA).
- Students and teachers from the USAID Building Agricultural Capacity through Education and Training (BACET) held a week long workshop to learn about the Lequitura SHA greenhouse and production system.
- Deliveries of the Zero Star Fresh Produce box increased from 23 to 46 boxes creating over USD \$491 in profit per month.
- Two new enterprises, Combole LDA and Lau Qatal LDA were added to the horticulture supply chain.
- Supported 11 groups of lowland mungbean growers, comprising 546 households to market their dry season mungbean crop in lowland Cova Lima.
- The Ministry of Commerce Tourism and Industry (MCTI) began purchasing large quantities of mungbeans at a set price.

### ***October – December 2008***

Significant actions for the October – December 2008 period include:

- At the Lequitura SHA crops of capsicum, cherry and beef tomatoes came into full production yielding 100kg and 120kg per week respectively. The additional production resulted in over \$2,000 in value shared roughly equally between the farmers and wholesaler, Zero Star.
- Weekly deliveries of 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.
- The Minister of Agriculture, Mariano Asanami Sabino visited the SHA. He was accompanied by the National Director of Agriculture, Deolindo da Silva. As a result of the visit, a range of agricultural inputs were donated to the farmers of Lequitura and Sarin, Aileu.
- US Ambassador to Timor-Leste Hans Klemm attended a First Harvest Ceremony in December, accompanied by USAID Mission Director Mark White and various local leaders. This visit was covered by local print, television and radio media outlets.
- The DSP Horticulture team extended technical production assistance to three new sites; Suco Liurai - Aileu District, Suco Bazartete –Liquica District and Suco Gleno Kota - Ermera District.

- The first of three films to promote the quality of Timor-Leste fresh produce was produced.
- A “farmer list” of potential commodity sales locations was compiled by DSP staff to increase farmer households’ access to DSP marketing services.

### ***January – March 2009***

Significant actions for the January – March 2009 period include:

- The President of the Democratic Republic of Timor-Leste, Jose Ramos-Horta, and the US Ambassador visited the Lequitura SHA to inspect the operation of the production facilities.
- Kmanek Supermarkets funded and installed, with DSP technical assistance, a 50m<sup>2</sup> nursery providing nearby farms in Sarin, Aileu a reliable source for vegetable seedlings.
- Average weekly production of 450kg of produce from the Lequitura SHA was sold, creating over \$1,200/week in value shared roughly equally between farmers and the wholesaler, Zero Star.
- Outdoor production at Suco Sarin and Suco Liurai amounted to more than \$400/week in sales.
- DSP funded three Timorese trainees to attend the 27<sup>th</sup> Regional Training Course in Vegetable Production and Marketing at the Asian Vegetable Research and Development center in Bangkok, Thailand.
- Thirty peanut de-shelling machines were distributed to assist small traders in rural communities to assemble larger volumes of shelled product for “farm gate” sales.

### ***April – June 2009***

Significant actions for the April-June 2009 period include:

- KMANEK Supermarket purchased \$ 3,584 worth of horticultural products from two sites in Aileu.
- The Lequitura Farmers Group was hosted by DSP in a Dili hotel for a two day quarterly committee meeting to agree on the allocation of group funds to the payment of Costs, Household Incomes and Community Projects.
- A Timorese-Australian lawyer, Mr. Sahe da Silva, was engaged to provide a legal opinion regarding the most appropriate legal structure that could be used by the farmers of Lequitura to become a formal entity.
- DSP’s Agribusiness team provided technical assistance at the vegetable seeding nurseries at each site in Aileu.
- *Husi Povu* (‘From the People’), the third of a series of twenty minute short films promoting locally produced food products to consumers in Dili, was completed.
- During April 27<sup>th</sup>-29<sup>th</sup>, DSP’s Commodities Team arranged for traders from the peanut growing areas of Baucau District to visit the peanut growing areas of Bobonaro and Cova Lima Districts to begin building business relationships.
- DSP Commodities staff added 143 new mungbean farmers to its “farmer listing,” which increases access to DSP marketing services, largely in the Balibo Sub-District of Bobonaro District.

- In April, over 1.6 metric tons of mungbean were purchased in Tilomar, Cova Lima District by the trading company Comico Suai Diak, with DSP facilitating sales.
- In May, over 19 metric tons of mungbeans were purchased by the trading company LEO ATSABE.
- In June, DSP staff organized the purchase of 1.9 metric tons of peanuts from farm households in the Lolotoe Sub-District of Bobonaro District.

## **Business Development**

DSP supports private sector growth in Timor-Leste by increasing access to technical and business services essential for efficient enterprise operation. DSP's business development activities operate in the following integrated areas: (1) Linking businesses to market opportunities, (2) Improving access to quality business services, and (3) Improving the quality of services that support hospitality and future tourism.

### ***July – September 2008***

Significant actions for the July – September 2008 period include:

- Held a series of workshops with all Timor Product Network producers to address questions regarding product marketability, packaging and new market opportunities.
- Designed new labels for both a local salt producer and Minutil Virgin Coconut Oil (VCO), as well as packaging for a cassava chip company; all members of the Timor Product Network.
- Advised Coffee Tatole on the procurement of cost-effective packaging labels to replace costly direct printing.
- Presided over the successful re-opening of Dili's Tais market, made possible by the Small Grants Program and 44 vendor contributions totaling \$10,910.
- Created a simple bookkeeping ledger and individual vendor stamps to track sales data at the Tais Market.
- Working with the ILO's Women in Economic Self Employment Program, DSP trained and linked six new village level VCO production groups to supply Acelda with quality oil.
- Facilitated meetings between coconut oil producers, Acelda and Supermarkets to adjust the price of VCO.
- Assisted Cento Tazino Integrale Desenvolvimento (CTID) to conduct workshops in fermentation processing methods for 20 coconut farmers in Baucau.
- Hired a technical consultant to assess the dive sector in Timor-Leste and provide recommendations for promoting hospitality and future tourism related activities.
- Worked in collaboration with the Ministry of Tourism, Commerce and Industry to support the planning, production and promotion of the Dili International Trade Fair attended by 70 national and international businesses. The event garnered considerable local publicity and exposure for participants.

### ***October – December 2008***

Significant actions for the October – December 2008 period include:

- Coordinated the Timor Product Network vendor stalls at the Women's Business Fair held in October at the recently renovated Mercado Lama Convention facility.

- Designed and procured three Buy Timor Product displays to showcase certified local products at select Dili supermarkets.
- Instituted a monitoring system to track sales of all Buy Timor Network producers in eight Dili supermarkets.
- Provided basic sales training for 40 vendors on topics such as: basic costing, use of a calculator, selling techniques, record keeping and stock control.
- Collaborated with the 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 \$9,625 worth of handicrafts.
- Improved the physical facilities at the Alola Foundation compound, including the addition of a selling pavilion for vendors to set up their sales displays.
- Supported the Truck Transportation Association of Timor-Leste (ATCTL) management board by providing office space and technical assistance in response to a new RFQ from the World Food Programme (WFP) in December.
- Developed a logo for the newly created Timor-Leste Tourism Centre (TLTC) and created an accompanying database of businesses involved in the hospitality industry.
- Began discussions with Civil Aviation at the Dili airport regarding the possibility of setting up a “Welcome Booth.”
- Developed a site inventory of beach communities near Dili to improve the visibility of tourism related offerings.

### ***January – March 2009***

Significant actions for the January – March 2009 period include:

- Sales of *Buy Timor Product* supermarket merchandise increased 49% over the previous quarter, totaling \$11,440.
- Linked the Leqitura Farmers Group to ANZ Bank for financial literacy training.
- Conducted weekly monitoring of eight supermarkets carrying *Buy Timor Product* items to provide feedback to producers regarding their products availability.
- Completed a film highlighting the value of the *Produto Timor-Leste* brand in collaboration with the agribusiness team.
- Identified business development service providers with the capacity to provide technical support to farmer groups interested in business practices.
- Continued to support the management board of the Truck Transportation Association (AATCTL) to improve its financial and management systems.

### ***April – June 2009***

Significant actions for the April – June 2009 period include:

- Total recorded quarterly sales of *Timor Products Network* items increased over 50 percent since the previous quarter, to more than \$17,250.
- Held a workshop in May with TPN producers to discuss best ways to continue to support the network.

- *Buy Timor Product* display cases are now located in seven supermarkets: Eastern Dragon (Dili and Suai), Kmanek, Leader, Senior Shop, Tiger Fuel and W-Four.
- *Timor Products Network* producers were introduced to supermarkets in Dili and Suai. During this quarter, additional products were introduced (or reintroduced) to supermarkets that have the *Buy Timor Product* displays. Minutil Virgin Coconut Oil, which had not been available in Dili supermarkets for over nine months, was reintroduced to four supermarkets with plans to enter additional markets.
- Facilitated the presence of the Timor Products Network at Expo 2009, held in May, to commemorate the Restoration of Timor-Leste Independence and Popular Consultation Day. Seven of the nine Timor Product Network members participated, selling a total of \$1,030 worth of products during this week-long event.
- Facilitated the participation of eight of the nine members of the TPN at the Beach Craft Fair in Maubara in June attended by 1,000 people. Participating Timor Product Network members had total sales of \$884 during this one day event. Participating handicraft vendors earned a total of over \$7,700.
- Monitored sales at the Tais Market determining that sales have increased significantly from the previous quarter's average of \$2,900/month.
- Provided basic computer and email training to agribusiness partners ZeroStar and Kmanek.
- Assisted both Kmanek and ZeroStar to develop relationships with seed exporters in Australia in order to import seeds to provide to partner farmers.
- Developed a simple contact directory of Business Development Service Providers in Timor-Leste who provide services relevant to partner needs. This list includes providers of services such as: printing, design, training, and consulting.
- Surveyed 11 restaurants that may be affected by the reported restaurant closures in Metiaut to measure impact on local jobs and business revenues.
- As of June 30, 2009, 58 of the initially enrolled 62 interns in the Hospitality Industry Internship Program have been placed in on-the-job training (OJT) posts.
- In May 2009, DAI began management of a USAID subcontract with Junior Achievement in Timor-Leste to provide youth job skills training.

## **Enabling Environment**

DSP facilitates business growth by helping to improve Timor-Leste's commercial and legal framework, to be more conducive to business formation and efficient business operation. The focus is on frequent and constructive engagement with business associations to improve the quality and dissemination of information available to the local business community and investors.

### ***July-September 2008***

Significant actions for the July-September 2008 time period include:

- Provided technical assistance to the Ministry of Tourism, Commerce and Industry's International Trade Exposition linking public sector organizations and private enterprises to promote discussion of international businesses in Timor-Leste.
- Continued support to the Women's Business Association (AEMTL) and signed an MOU providing technical assistance, office space, computer equipment and secretarial personnel for the organization's ongoing operations.
- Supported the Ministry of Economy and Development by providing Mr. Colin Heartwell to advised the Ministry on a wide-range of initiatives to stimulate economic growth through strengthening the enabling environment, enhancing financial services and identifying opportunities for foreign investments.
- Explored the potential for a Global Development Assistance partnership between USAID and Conoco-Phillips to fund a number of future SHA sites.
- Implemented the Poverty Assessment Tool (PAT) on behalf of USAID Timor-Leste showing that 51.7 percent of Timorese benefiting from USAID's microenterprise programs are considered to be among the 'very poor.'

### **October-December 2008**

Significant actions for the October-December 2008 time period include:

- No activity in the telecommunications reform area occurred due to a stalemate in contract re-negotiation between GOTL and Timor Telecom.
- No public-private dialogues were initiated during the quarter.
- Mr. Colin Heartwell prepared four decree laws and submissions to the Council of Ministers concerning direct foreign investment and thus concluded his work as advisor to the Ministry of Economy and Development.
- Five grants totaling \$209,482 were awarded by DSP to local institutions providing training to Timorese youth in the areas of hospitality/tourism and agricultural export marketing.

### ***January-March 2009***

Significant actions for the January – March 2009 time period include:

- No public-private dialogues were initiated during the quarter.
- No activities related to telecommunications reform were carried out this quarter.
- The Minister of Tourism, Industry and Commerce, Gil da Costa Alves, officially launched the USAID-funded Hospitality Industry Internship Program together with The US Embassy's Charge d'Affairs, Henry Rector, USAID Representative Mark A. White and Acting Secretary of State for Professional Training and Employment, Secretary of State for Natural Resources Mr. Alfredo Pires. A total of 62 interns participated in the training class and 39 were subsequently placed in on-the-job training posts.

## ***April-June 2009***

Significant actions for the April - June 2009 time period include:

- No public-private dialogues were initiated during the quarter.
- DSP did not engage in any activity in the area of telecommunications reform in the 4<sup>th</sup> quarter due to the current stalemate in contract re-negotiation between the GOTL and Timor Telecom.
- Activity related to strengthening the institutional capacity of the Ministry of Economy and Development is no longer active. Mr. Colin Heartwell worked in Timor-Leste until the first quarter of 2009, when funding for his position as Advisor to the Ministry of Economy and Development expired.