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YEAR 5 WORKPLAN: 2009-2010

TIMOR LESTE—DEZENVOLVE SETOR PRIVADU (DSP) PROJECT

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DSP YEAR 5 WORKPLAN

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INTRODUCTION

July 20, 2009 marks the beginning of the fifth and final year for USAID's Dezenvelope Setor Privadu Project. In DSP's fifth year, covering the period from 20 July 2009 to 18 July 2010, work will be organized into four components:

- Component 1: Agribusiness Services
- Component 2: Business Development Services
- Component 3: Enabling Environment
- Component 4: Project Closeout

The first three components build on and continue year four activities in each of the main technical areas, and the agribusiness and tourism/hospitality sectors will continue to be key focal points. Component 4, project closeout activities, will begin in January 2010.

DSP's year five work plan is not typical of a final project year work plan. There are three main reasons for this, representing major challenges to successful year five implementation:

Sustainability of some DSP activities cannot be achieved within the remaining one year.

Timor-Leste has only been peaceful for a short time and significant challenges stem from a lack of deeply rooted socioeconomic institutions that are the framework for a successful market economy. Governmental efforts still focus on rehabilitation and nation building, while private businesses are hampered by poor infrastructure, high costs, and a restrictive business enabling environment. Given the limited number of existing private sector entrepreneurs, groups, or even firms to engage as partners, over the last two years, DSP has in many cases created its own partners from the ground up. Not all of these young partners will be ready to stand on their own at the end of the DSP project. Clear examples include the two new greenhouse operations to be set up under the USAID/Conoco-Phillips Public Private Alliance (PPA) and the Timor Products Value Network, among others. Rather than propose a rushed exit strategy that could doom these nascent organizations to early failure, this work plan instead assumes that institutional capacity development activities will continue under a follow-on project or will be folded into activities supported by other donors or other USAID projects. It will be critical that continuity of assistance to these partners is maintained beyond the end of the DSP project or USAID's investment to date could be wasted.

Despite an aggressive implementation schedule for the USAID-Conoco-Phillips PPA, much work will remain to be done.

The construction and startup of the two new greenhouses will triple the workload for the agribusiness services team. Even with additional staff and short-term technical consultants, the tight timeline requires that procurement and construction of the greenhouses must be done extremely quickly, and it will be impossible to provide trainees with extensive on-the-job training before the end of the project.

Hiring and retaining Timorese Staff will be difficult. Competition for qualified professional staff can be intense in Timor-Leste and we expect difficulties in retaining DSP's very competent

staff members until the end of the project. Additionally, filling open Timorese positions, particularly for the expanded greenhouse activities, will be especially challenging because only short-term employment can be offered by the project in its final year. To address this challenge, DSP will maintain its aggressive CCN recruitment activities, and will also continue to supplement staffing with TCN and expatriate STTA to ensure timely delivery of project results.

COMPONENT 1: AGRIBUSINESS SERVICES

DSP's agribusiness activities will focus on expanding and managing local production of agricultural goods to meet identified market opportunities, and establishing linkages between buyers, trade/wholesalers, and producers. DSP's efforts are directed at supporting traders to provide instruction and demonstration to their farmer producers on simple technologies and techniques for improving product quality and volume, as well as resolving transport and storage constraints. In the subsections below, we present the agribusiness activities in three parts: [A] commodity crops, [B] horticulture crops, and [C] the USAID/Conoco-Phillips PPA.

A. COMMODITY CROPS

The main objective of DSP's Commodity Crops component will be to expand the volume of commodity cash crops sold to domestic and export markets from remote areas of Timor-Leste. In project year five, DSP's agribusiness commodities team will continue with activities aimed at increasing mungbean and peanut production. Activities will focus on strengthening commodity marketing with a medium- to long-term time horizon. Emphasis will be placed on collecting information that enables supply chain participants to respond quickly to both market signals and incentives offered by Government and foreign private sector procurement programs. Each of the main activities in the commodity crops component is outlined below:

A1. INCREASE THE NUMBER OF TRADERS

To increase competition and improve the prices offered to farm households, DSP staff will work with more commodity traders. With three already in place, the project will sign three additional MOUs with trading companies that will receive assistance to purchase and market domestically-produced cash crops.

A2. STRENGTHEN TRADER PRESENCE IN REMOTE AREAS

In order to encourage traders to establish a more permanent presence in rural areas, DSP sales consultants will establish four regular pick-up points per year per consultant. In DSP's final year, five pickup points will be established in the same areas in which the DSP Commodities Team currently works. This system improves confidence between traders and producers. In establishing these pick-up points, particular focus will be placed on coordinating sales around existing peanut de-sheller sites.

A3. BUILD A FARMER AND AGENT DATABASE

DSP will continue to develop a farmer and agent database that is populated with data collected by the sales consultant staff working within each trading company. Farmer ID cards will be printed to identify households producing over a certain volume of cash crop per season. Sales data for each of these households will then be stored in DSP's database. DSP will attempt to

facilitate a better price for ID card holders, but the ID card system will increase the sense of community among the lead commodity producing households.

A4. CONDUCT LOCAL TRADER NETWORK MEETINGS

Currently, three Government of Timor-Leste Ministries intend to purchase local products for various uses. To date, these purchasing opportunities have been difficult to track, predict, and access. This difficulty primarily results from opaque procurement methods. DSP has begun facilitating meetings between DSP-supported traders and government departments wishing to procure local products. The DSP Commodities team will continue to facilitate quarterly meetings and report back on results to the broader agribusiness community via the MAF Mungbean and Soyabean Working Group.

A5. IMPROVE MARKET INFORMATION SYSTEMS

In project year five, DSP will develop a “farm gate sales” instructional package with the intention of promulgating it for use by other international projects in the future. The package will be used to communicate the process of farm gate sales to key stakeholders in rural areas, an activity often constrained by the lack of qualified staff to organize communications activities in the agricultural sector in remote areas.

B. HORTICULTURAL PRODUCTION

The main objectives of DSP’s horticulture activities are to:

- Assist farming households to increase and improve the variety, volume, and quality of fresh horticultural products available for purchase by local supply chain actors.
- Develop the capacity of vegetable distribution partners in the local horticultural product supply chain to increase the gross value of domestic sales to institutional buyers and high income retail consumers.

To meet these objectives, during year five DSP will assist growers to reduce crop damage from disease and from post harvest handling, including transport. In addition, DSP will help growers and their vegetable marketing partners to source and install protected cropping technologies for maintaining year-round production, manage pest and disease issues, and identify new water resources for use in horticultural production.

B1. IMPROVE NURSERY MANAGEMENT

The Dili market has responded positively to the introduction of a number of crops including broccoli, cauliflower, Chinese cabbage, lettuce, and herbs. These high value horticultural products return more to farmers relative to traditional crops. DSP activities with farm households in the Special Horticultural Areas (SHAs) will focus on improving the control of volume sent to market by vegetable marketing partners and their cooperating farm households. DSP will remain focused on providing technical assistance to producers of a small number of target crops and helping growers to improve nursery management for crops already in production. Additionally, a Nursery Management Handbook will be produced that will assist field staff to provide practical training to trainers who will live and work with the outgrower group at Aldeia Sarin.

B2. ASSESS POTENTIAL FOR NEW CROPS

DSP vegetable marketing partners and restaurant clients have identified three new crops for which domestic production is not currently available in large quantities: strawberries, brown onions, and European potatoes. The viability of domestic production of these crops will depend on a number of factors such as the availability of suitable seed, yields per unit area, and identifying/adapting new cropping technologies to resolve pest and disease issues. During DSP year 5, the agribusiness team will assess the viability of local production of these crops in large commercial quantities via either outgrower systems or by using hydroponic cropping. Given that this is DSP's final year—and to maintain focus on a small number of target crops—DSP will not encourage production of these new crops as part of year five activities. DSP will only assess the viability of producing these crops domestically in order to provide growers, marketing partners, and USAID with information they can use beyond the end of DSP in July 2010.

B3. CONTINUE TO DEVELOP YEAR ROUND PRODUCTION

In addition to using plastic and netting to grow hydroponic crops throughout the year, protected cropping can be used for crops grown in soil. DSP will assist vegetable marketing partners to identify new sites for simple protected cropping technologies such as screen houses and plastic tunnels. DSP will then assist partners to identify vendors of these protected cropping technologies, import the materials as necessary, and install the technologies onsite. The number of farmers, the amount of protected cropping material needed, and the cost-sharing needed for the purchase of these materials will be determined through negotiation with DSP's marketing partners.

B4. IMPROVE PEST AND DISEASE CONTROL

In year 4, DSP sought to ensure high quality fresh product was consistently delivered to Dili customers by limiting on-farm pest or disease damage and minimizing damage to fresh product during transport and/or storage. It is now apparent that the matching of seed variety to local climatic conditions needs to be added to the list of factors affecting product quality. Further technical assistance and experimentation in this area will continue to help growers to resolve the pest and disease issues for each of the targeted crops. Each of the disease or pest solutions will be tested, after which practical, easy to use and implement extension materials will be produced for each target crop and disseminated.

B5. IDENTIFY WATER RESOURCES FOR EXPANDED HORTICULTURAL PRODUCTION

Donor-funded work to improve the water and sanitation facilities in Timor-Leste has often focused on household drinking water supply. Work in the agriculture sector has largely focused on the provision and rehabilitation of large scale rice irrigation systems. Building on work in the USAID/Conoco-Phillips PPA component below, DSP will focus on permanent water resource identification and management. In this final project year, DSP will summarize its work to date, and that of other donors, with water resource identification, including descriptions of various technologies and their effectiveness. In addition, DSP will use the 2009 dry season (September and October) to identify and survey a number of water resources that do not diminish significantly during the dry season.

B6. FORMALIZE PRODUCER GROUP STRUCTURES AND IMPROVE THEIR BUSINESS

SKILLS

DSP will assist the horticultural producer groups at each of the SHAs to choose a suitable organizational structure. In many other countries, these groups would almost certainly be cooperatives, but the choice is less clear in Timor-Leste because of both a poor history of successful cooperatives and very confusing laws and regulations governing registration of a business. DSP will assist each group to implement the most suitable organizational structure through ongoing mentoring during monthly group meetings. DSP will assist all of the groups to develop and negotiate Memorandums of Understanding (MOUs) that govern their structures, particularly rules for adding or removing group members. Additionally, DSP will work with Junior Achievement to develop and deliver financial literacy training to group members. Where groups are ready and it makes business sense to do so, DSP will also assist interested groups to formally register as businesses.

B7. IMPROVE POST-HARVEST HANDLING

Post-harvest handling has been identified by DSP vegetable marketing partners as a major cause of stock losses. DSP will work with producers and the marketing partners to identify short-, medium-, and long-term solutions to limit the damage occurring at the storage and transport stages. Practical hands-on training in these solutions will be provided to DSP staff, selected farmer producers, and the vegetable distribution partners.

B8. CONTINUE TO DEVELOP CAPACITY AMONG DSP'S HORTICULTURAL PARTNERS

In year five, DSP will continue to bring partner businesses into closer contact with their customers to integrate production planning into business practices, and to improve the storage and transportation systems to reduce post-harvest damage. DSP will focus on capacity development of two key partners:

- *Kmanek Supermarket.* DSP will assist Kmanek Supermarket to improve their control over production at the SHAs and outgrower areas via staff training in seed and varietal planning. The project will assist Kmanek to build new revenue streams and make connections to new institutional clients. DSP's agribusiness team will work together with the business development services team to improve vegetable packaging and promotion.
- *Zero Star.* Zero Star has replicated the Lequitura SHA on a small scale in Gleno with a 20m x 10m greenhouse. The DSP agribusiness team will assess and troubleshoot current difficulties at the Gleno greenhouse, and—subject to cost sharing negotiations with Zero Star—offer farmer training to producer groups in the area wishing to setup outgrower nurseries. Zero Star has submitted an Action Plan to DSP outlining desired assistance to the company, which is now profitable and able to continue business with little active DSP support.

In addition, DSP will continue efforts to identify and assist new entrepreneurs and vegetable/marketing partners. In addition to leveraging the extension and outreach activities above, this will be done through the screening of the Horticulture Product Showcase films and lectures delivered by DSP staff and partner businesses at business schools in Dili.

C. USAID/CONOCO-PHILLIPS PUBLIC-PRIVATE ALLIANCE

Support from the Public-Private Alliance (PPA) between Conoco-Phillips and USAID will enable the Dezenvolve Sector Privadu (DSP) project to expand and continue to improve the production and marketing of agricultural products in Timor-Leste. Before June 2010, DSP will achieve this supplemental objective by replicating the success of the existing Special Horticultural Area (SHA) facilities at Lequitura at two additional locations. The new activities funded by the USAID-Conoco-Phillips PPA will include comprehensive technical training in horticultural production and marketing for up to 21 Timorese farmers selected to work at the two new SHA facilities. The supplemental USAID-Conoco-Phillips PPA activities for DSP are organized into four integrated tasks described below:

Task One: Indoor Production: Expand the capacity for indoor production using hydroponic technology in the new SHA greenhouse facilities;

Task Two: Outdoor Production: Enable outdoor production in the SHA during Timor-Leste's rainy season by installing tunnels and providing protection against insect pests by using screen houses;

Task Three: Farmer Training: Build production, sales, and marketing capacity by conducting third country training for up to 21 Timorese in Bali, Indonesia;

Task Four: Access to Finance: Expand the currently successful embedded credit product and related services to value chain actors linked to the new SHA facilities and conduct a financial literacy needs assessment of new project stakeholders.

Below, we briefly outline each of the four PPA implementation tasks.¹ While the training and technical interventions within the first two tasks differ, indoor and outdoor production at each of the SHAs are integrated activities. Therefore, we present the activities for indoor and outdoor production together.

C1 AND C2. INDOOR AND OUTDOOR PRODUCTION

The core of any SHA is the nursery that produces seed stock. Quality seedlings are the most important factor determining the quality of harvested produce. The timing of plantings in the nursery also determines the continuity of harvest, which in turn is critical for consistent and dependable supply to the market. Therefore, the allocation of seedlings to participating farmers—an embedded value chain credit product that is included in task four below—is carried out by nursery staff because it determines overall production. The indoor production component will produce fruits and vegetables using hydroponic technology. This requires a level of capital

¹ This material is a summary of the proposal submitted to USAID 10 July 2009 in response to a request to DAI on 30 June 2009.

investment that is small by most standards but not feasible for typical Timorese rural businesses on their own.

A functioning nursery producing high quality seedlings in a coordinated, continual supply will also be the center of the outgrowing scheme. As part of the USAID-Conoco-Phillips PPA, the DSP project will therefore establish and develop an outgrower scheme where farmers living geographically near the nursery will grow seedlings which they receive from the nursery for sale to wholesalers visiting each area. The outdoor production component will use tunnels and screen houses that enable farmers to maintain an uninterrupted production stream. In this way, farmers will reap early income, which has shown to increase interest in ongoing involvement among DSP's current farmers.

Procure and import required materials. Once the PPA funding is available through contract modification, DSP will immediately begin procuring and importing the materials required for construction of the two greenhouses and the other support facilities.

Construct greenhouses and support facilities. After the two new SHA locations have been identified and finalized, DSP will begin production activities with the construction of nursery facilities at each of the new sites. The set-up activities will involve constructing the nursery structure and providing or establishing the other necessary support facilities. At the same time, a short-term hydrologist will assist in designing, building, and preparing spare parts for hydraulic irrigation systems, while a short-term construction technical specialist will monitor and train farmers in the set-up of greenhouse production kits.

Establish operations at the SHAs. Once the first training group has returned to Timor-Leste, DSP staff will assist them to establish the nurseries at the SHAs beginning as early as January 2010. Once seedlings are ready, they will be allocated among the farmers and production of the first crops will begin. During the following six months, DSP fulltime staff and short-term experts will monitor production, provide on-the-job training, and link farmers to buyers including Kmanek and Zero Star. Depending on the crops, first sales will take place in March /April 2010.

C3. FARMER TRAINING

Nurseries and outgrower schemes are excellent entry points for the delivery of production training to farmers. The Leqitura SHA now functions as a training site for nursery staff and a curriculum oriented to vegetable growing has been developed. The training will be expanded to the newly selected SHA sites through the process described below:

Identify trainees from the SHAs and conduct training at Kintamani. DSP will identify participant farmers in July and August 2009. A three month training will be conducted at the growing site of the Female Farmers Partnership at Kintamani, two hours outside of Denpasar, Indonesia. DSP has already begun working with the staff at Kintamani to establish clear performance parameters for the new trainees, including minimum standards that must be maintained for the farmers to remain in training or face being sent home. The first training will

run from approximately mid-August through November 2009. Trainers will include those previously accessed for the Lequitura SHA, including those from BaliFresh in Denpasar, as well as peer trainers among the farmers at Kintamani. A second training group will be sent to Bali in November or December 2009, followed by the second 3-month training course in Kintamani beginning in either December 2009 or January 2010, depending on the trainees' willingness to start training over the Christmas holidays. Once training is completed at Kintamani, trainees will return to Timor-Leste and production will begin at the SHAs.

During the 3-month practical training course at the SHA in Kintamani, the new horticultural trainees will learn:

- Greenhouse construction and maintenance,
- Input supply management and the preparation of good quality growing media via mixing,
- The effects of temperature and watering frequency on the seedlings,
- The use of a germination cupboard to control temperature,
- Good record keeping regarding the dates of germination,
- Greenhouse and irrigation system management, and
- The prediction of harvest dates and volumes for coordinating supply.

Conduct on-the-job farmer training at the SHAs. In addition to the farmers at each nursery that participated in the Kintamani training, DSP will conduct practical, farmer-oriented training at each SHA to reach other growers and people who did not attend overseas training. This additional training will demonstrate simple and affordable production strategies with proven effectiveness. On-the-job training will include:

- ***Horticultural production.*** Horticultural specialist consultants will advise and troubleshoot on greenhouse production on a bimonthly basis.
- ***Horticultural extension.*** An agricultural extension specialist will develop simple extension materials that can be used by DSP's private sector partners to train Timorese producers in the horticulture supply chain business.
- ***Hydrology.*** A hydrology specialist will be fielded to design, build, and prepare spare parts for a hydraulic irrigation system at the new SHAs.
- ***Post-harvest storage.*** Two practical, hands-on training events covering post harvest storage will be conducted for DSP farmers and other partners.

C4. ACCESS TO FINANCE

Access to credit is fundamental to economic development and can be key to unlocking economic opportunities for agricultural producers. However, in Timor Leste, formal and informal financial services are not currently reaching DSP's farmers. In addition to the usual constraints posed by uncertain land tenure, post conflict uncertainties, and lack of collateral, there are two other reasons for this: First, Grameen style microfinance institutions (MFI) in Timor-Leste have focused their lending on safer products such as group loans while the other viable MFI makes salary loans . While over 1000 small groups have been formed by at least one MFI, repayment rates in Timor-Leste are prohibitively low and the groups are not yet operationally or financially sustainable. Secondly, rural farmers lack the financial literacy—or even basic literacy—to

understand and access credit, a major reason identified for the low repayment rates and poor functioning of the groups.

Despite these challenges, DSP has had excellent success establishing embedded credit to participant farmers within the horticultural value chain. As part of the USAID-Conoco-Phillips PPA, DSP will continue to address access to credit challenges through embedded credit while simultaneously working with other partners to begin addressing the rural financial literacy challenge:

Begin and expand embedded credit in the SHAs. DSP will establish an embedded credit scheme for both nursery staff and outgrowers. Seedlings will be distributed at the beginning of each production period at no upfront cost to the farmers, with the agreement from the farmers that they will sell their produce exclusively to the SHA's marketing partners. The cost of this embedded credit is included in the price paid to the farmers.

Conduct farmer financial literacy assessment. Financial literacy has been identified as one of the main constraints to rural access to finance. DSP partner, Junior Achievement (JA), has recently been approached by a local MFI with a request to expand its training curriculum to financial literacy and basic math, including fractions and basic bookkeeping. More specifically, local MFIs would like JA to extend financial literacy training to its microfinance borrower groups. However, JA does not have materials or a curriculum to do so. To begin to support a process for development of a rural financial literacy training course, DSP will field a financial literacy and microfinance specialist to conduct a financial literacy assessment of its participating farmers.

COMPONENT 2: BUSINESS DEVELOPMENT

Through the Business Development component, DSP supports private sector growth by increasing access to technical and business services essential for efficient enterprise operation. Over the last year, DSP has focused on supporting the commercial success of project initiatives for Timorese products by placing a high priority on developing and strengthening business linkages in the supply chain for selected products, as well as services in the hospitality sector. In its final project year, DSP will place an increased focus on supporting individual enterprises that leverage agribusiness activities, and will also place continued emphasis on supporting the tourism and hospitality sector. DSP will undertake business development activities in three integrated areas:

- Increase sales and income earning opportunities by responding to end market demand,
- Develop the capacity of project partners,
- Entrepreneur skills development.

D. INCREASE SALES AND EARNING OPPORTUNITIES BY RESPONDING TO END MARKET DEMAND

By understanding market demands and the present market situation, businesses are more likely to increase both short-term sales and achieve long-term commercial success. All too often, businesses focus first on what they can produce as a business and then look to find a market. In comparison, by taking a more demand-driven approach, local businesses are in an ideal position to respond to what their customers and the market want, thus leading to increased sales and commercial success. As a step towards supporting increased commercial success of project partners and clients, DSP will identify new market opportunities which will lead to increased sales.

D.1 IDENTIFY NEW MARKET OPPORTUNITIES

Throughout the project, DSP efforts have primarily focused on improving the market penetration of quality domestic products and services. The focus on improving the quantity and quality of domestic production and supply of agribusinesses has shown high levels of success as there was (and continues to be) strong demand for agricultural products. Other DSP partners and clients can benefit from a clearer understanding of the changing market demand and consumer preferences. DSP will conduct targeted consumer and producer surveys, particularly in the areas of tourism, handicrafts, and agricultural products, as well as the members of the Timor Products Network, to reveal potential new market opportunities for its partners and clients to expand their initial commercial success.

D.2. NEW PRODUCT DEVELOPMENT AND TESTING

Based on the outcome of these market assessments, DSP will focus efforts to support partners and clients to respond to market demand. The DSP Business Development team will work with producers of agricultural and other Timor-made products to develop and test products and services demanded by the local market. DSP will also build on previous efforts to improve the quality of packaging and labeling, as well as identify new opportunities to develop integrated products, such as gift baskets with multiple high-value products. This support may also include the provision of technical assistance to individual enterprises.

D.3 INSTITUTIONALIZE PROMOTIONAL EVENTS

As the DSP project comes to an end, the Business Development Team will work with partners and clients to institutionalize previously successful initiatives, further developing the local capacity to ensure sustainable business success without the need for on-going donor support. DSP has provided ongoing support to three significant promotional events that the Business Development Team will seek to institutionalize in the upcoming year: Timor Products Promotional Marketing Campaigns, Alola Christmas Fair and the recent Beach Craft Fair. These events, along with others sponsored entirely by the TL government, benefit not only the Timor Products Network of producers and the Tais market, but also other enterprises selling local products and services.

Beach Craft Fair. To move forward, in the first quarter of year five, DSP will work with stakeholders and other donors to identify next steps so that the next Beach Craft Fair is not completely DSP-led, but is rather supported by DSP through a local partner or partners.

Alola Christmas Fair. This event is being well coordinated by Alola at this point. DSP may provide some ongoing support if the request remains inline with project objectives, for instance the provision of basic pre-fair training for participating vendors.

Timor Products Marketing Campaigns. Ideally these campaigns would be organized and managed by the Network itself; however it is not yet institutionally prepared to take on this type of activity. DSP will work with the Timor Products Network to institutionalize marketing efforts as part of the action planning activity with the Network, described in more detail below.

E. DEVELOP THE CAPACITY OF PARTNERS

In its first four years, DSP has helped to rebuild the productive capacity of the private sector by restoring and creating linkages to markets. In year 5, DSP will continue its work in the area of local product promotion and strengthening linkages between Timorese enterprises and local buyers. DSP will make an effort to work in close concert with selected project partners and individual enterprises which will benefit from individualized technical assistance and support. The main objectives of this support will be to support the expansion of private sector income earning opportunities and to develop their capacity for long-term, sustainable success.

TIMOR PRODUCTS NETWORK. The Timor Products Network is a value network of quality certified products made in Timor-Leste. Certified members are encouraged to include the “Produto Timor-Leste” quality seal on their packaging. Over the last 15 months, DSP has worked with the Network to link producers to supermarkets and national trade fairs, as well as to provide assistance in developing improved labeling. DSP will continue this support, but focus efforts in this final project year on working closely with the Timor Product Network to develop a detailed action plan for next steps, to include: moving towards sustainability, improving relationships with supermarkets, leveraging resources, developing further income generating activities, and creating marketing plans. This action plan will serve as the Network’s guiding principles for continued operation in the absence of donor support.

Additionally, DSP will provide enterprise-level support for selected members to allow them to more effectively and efficiently respond to market demand and therefore increase sales and income. Based on individual assessments of each enterprise, DSP may provide the following types of technical assistance: General Business Planning, Operational Planning, Personnel/Staffing Planning, Customer Relationship Building & Maintenance, Product/Service Development, Identifying New Revenue Options, Product Improvement and Packaging Improvements.

TAIS MARKET. DSP will continue to monitor the success of vendors at the Tais Market, following up on support initially provided by the Small Grants Program. In an effort to increase earning opportunities, DSP will support the development and production of targeted marketing materials that will improve public awareness about Tais and other handicraft offerings at the Tais Market, as well as assist vendors to improve product labeling, organization, and expand product offerings.

VIRGIN COCONUT OIL PRODUCERS/DISTRIBUTOR. DSP will work with virgin coconut oil (VCO) producers and Acelda, a collector and distributor of VCO, to address gaps in the current value chain. DSP will work with Acelda to develop stronger, long-lasting business relationships with VCO producers and sales outlets.

SUPERMARKETS/RETAIL ESTABLISHMENTS. DSP will support supermarkets that serve as distributors of fresh horticultural products, especially those taking advantage of the increased supply of locally produced horticulture products from DSP agribusiness supported activities, to more effectively respond to consumer demand for products, as well as create a positive shopping experience. This support may include activities such as: developing linkages with local producers and distributors of Timorese products or improving supermarket set-up and display areas.

KMANEK. As a key agribusiness partner, DSP will provide Kmanek with business development support to effectively market and distribute agricultural products, specifically through the development of new market channels. DSP will provide continued support with the development of appropriate marketing/promotional materials for use with industry clients. DSP will also continue to provide assistance with the importation of seeds and other agribusiness inputs.

ZERO STAR. Provide continued assistance with business operating procedures, procurement of needed seeds and other agricultural inputs.

HORTICULTURAL PRODUCERS. Working in concert with the agribusiness team, assess need for organizational and business skills training of current and future horticultural producers. Based on the needs of the producers, DSP will deliver relevant training and mentoring on topics which may include: group formation, group organization, registration, basic business skills, basic finance, etc.

ATCTL. DSP will support the ATCTL with the provision of financial and accounting training and mentoring. Support will include the development of an appropriate accounting system, training and on-going on-the-job mentoring, and assistance to develop their Financial Management Manual. Additionally, DSP will provide basic computer training for ATCTL board and staff members who will participate in the accounting and finance training/mentoring. At the end of this training and mentoring, ATCTL is expected to be in a position to effectively manage their financial and accounting procedures. If ATCTL is successful in managing their day-to-day operations, DSP may assist the ATCTL to update their registration with the government.

HOSPITALITY INDUSTRY. DSP will provide continued support to hospitality and tourism industry partners. DSP will work with hotel operators and other key players in the hospitality industry to enlist their input into activities. Additionally, DSP will support the hospitality training industry through the continuation of four grants for the Hospitality Industry Internship Program and partner training institutions.

F. IDENTIFY AND SUPPORT NEW PARTNERS

As DSP enters its final year of programming, there are several sectors and links in the value chain that have emerged as possible areas for additional focus. DSP will identify and assess the possibility of working with new partners or clients to address these gaps.

AGRICULTURAL INPUTS IMPORTER/DISTRIBUTOR. Responding to the lack of consistently available seeds and other agricultural inputs in Timor-Leste, using existing reports and assessments previously made, DSP will produce a 'white paper' describing the barriers to importation. DSP's Business Development team will then organize a workshop for growers, traders, and other stakeholders in the agricultural production and marketing supply chain to discuss the findings in the 'white paper'. The results of the workshop will be provided to relevant government ministries and donors, together with an action plan, to eliminate or reduce the constraints identified.

PACKAGING. The lack of access to good packaging and labeling materials means that local producers either need to use substandard locally available materials or import materials themselves. DSP's Business Development team will organize a workshop for local producers and other stakeholders in the food industry to document the constraints faced by these enterprises. The results of the workshop will be provided to relevant government ministries and donors together with an action plan to eliminate or reduce the constraints identified.

FOOD PROCESSING. As Timor-Leste's capacity to produce quality agricultural products increases, the opportunities to add-value by processing these products do as well. DSP will assess the commercial practicality of processing selected products, which may include peanuts or other horticultural commodities. The results of the assessment will be provided to relevant government ministries and donors together with list of recommendations concerning likely food products that could be processed and the needed interventions that could lead to a food processing industry in Timor-Leste.

HANDICRAFTS. To date, DSP has focused efforts on supporting the Tais Market and events that showcase handicraft products. In this final project year, DSP will provide technical assistance to producers of traditional Timorese handicrafts other than Tais, such as wood carving, homan, and jewelry. In addition, DSP will combine efforts to support Timorese handicrafts with activities in support of hospitality/tourism by producing a series of posters that show and explain aspects of Timorese craft items such as Tais to potential buyers. The posters will be made available to retail outlets, hotels, tour operators, and other businesses. The posters will also be made available for sale to tourists and other visitors who can be expected to take this art/advertising to other countries, thereby expanding the scope of DSP's work to promote sales of handicrafts while simultaneously increasing the potential scope of tourism arrivals in the future.

G. ENTREPRENEURSHIP SKILLS DEVELOPMENT

Being successful in the entrepreneurial world, even with a small business, requires individuals with a strong determination for excellence, confidence, and a cohesive understanding of running a business. To build these skills and to identify and support up and coming entrepreneurs, in its

final year, DSP will run a business plan contest and continue to develop entrepreneurial skills among youth in collaboration with its subcontractor, Junior Achievement.

G.1 BUSINESS PLAN CONTEST

Advertised in the local newspapers, radio and on TV, DSP will run a business plan contest targeting entrepreneurs. Interested contestants will be asked to submit an application and a business idea with a brief business plan. A panel of judges from government and the private sector will select the top three submissions, each of which will receive a grant of up to \$10,000, based on their business plan and the review of the panel. The winners will be congratulated on TV and in the newspapers and will be supported with individualized mentoring by DSP during business start up and early operation.

G.2 ENTREPRENEURSHIP SKILLS DEVELOPMENT AMONG TIMORESE YOUTH

After a lengthy dialogue concerning the focus of a program, DAI was tasked by USAID to manage a subcontract with Junior Achievement in Timor-Leste, with the formal agreement concluded in May 2009. As a condition of the new task, DSP was instructed to incorporate Junior Achievement's work into DSP's project Year Four Work Plan as well as later workplans. Focused on identifying entrepreneurs and then developing business and entrepreneurship skills among Timorese youth, subcontractor Junior Achievement (JA) will continue its work to expand existing elementary grade programs:

Elementary School Program. Using its localized, piloted, and implemented training and classroom materials for students in Grades 1-6, between July 2009 and January 2010, JA will conduct four 2-day workshops to train 144 Timorese teachers in JA's theory and methodology specific to each respective grade in elementary school. Working on average with 45 students per teacher, JA's program will reach a minimum of 7,500 Timorese students. Each training group of teacher and students will have a coordinator acting as liaison between the teacher and JA. Students will be introduced to concepts and skills such as applying information and thinking skills, critical thinking, decision making, listening responsively, responsibility, teamwork, role playing, and problem solving.

Feasibility Assessment for a JA Program Outside the Formal Classroom. Begun late in year four of DSP, JA will finish the assessment of JA programs both in and out of the typical classroom environment. The assessment team is identifying existing organizations and NGOs, both local and international, to explore the suitability of partnering with JA to provide people with practical, hands-on lessons and experience in financial literacy, entrepreneurship, and work readiness. Though the standard JA Worldwide model is the partnership of business and education in the formal setting of school classrooms, the assessment team is ascertaining when and if the model could be adapted for application outside the classroom. By March 2010, the assessment team will deliver a strategy and action plan to increase the readiness of youth to become active members of the workforce; increase, on an age appropriate basis, youth involvement in the economy; and create a more conducive environment for youth entering the workforce.

COMPONENT 3: ENABLING ENVIRONMENT

To help Timor-Leste to create a better business environment, DSP will collaborate whenever possible with business associations to improve the quality and dissemination of information available to the local business community and investors. In addition, DSP plans to undertake additional activities in support of the Government of Timor Leste's efforts to bring about telecommunications policy reform.

H. PROMOTE DIALOGUE BETWEEN BUSINESSES AND THE GOVERNMENT

During year five, DSP will continue to work to promote a constructive dialogue between the business community in Timor-Leste and the government. DSP will work with both the Business Forum and the Business Women's Association of Timor-Leste, *Forum dos Empresarios de Timor-Leste (FETL)* and *Associacao Empresarial Das Mulheres De Timor-Leste (AEMTL)*, respectively. When requested, DSP will participate in or facilitate meetings between FETL and AEMTL, government, and other international organizations such as IFC and the World Bank. DSP will also continue to arrange and support internal workshops and meetings for both organizations.

I. TELECOMMUNICATIONS REFORM

DSP will assist the Government of Timor-Leste in negotiating the removal of monopoly rights in the telecommunications sector. The telecommunications market structure in Timor-Leste is restrictive. The telecommunication operator, Timor Telecom, holds a 15-year monopoly in the form of a build operate transfer (BOT) concession contract. The nature of the arrangement, in which the provider is required to transfer assets to the government at the end of the concession period, is a disincentive to long-term investment.

Given the current structure and performance of the telecommunications sector in Timor Leste, the Government of Timor Leste (GOTL) has sought potential options for reform. The World Bank is the lead donor/international organization in this effort and has outlined alternative approaches. Option 1 would represent the *status quo*, with continued high costs and low quality telecommunications. Option 2 would represent a full or partial re-negotiation of the concession contract

This second option, preferred by the World Bank entails -

- negotiations with TT and/or shareholders for the removal of the exclusive privileges;
- development and implementation of a new telecommunications regime including a new policy and new draft laws and subordinate regulations to be ready at the time agreement is reached.
- addressing important issues in the new policy including rural and universal service policies, quality of service, interconnection, and regulation of the sector.

To support this effort, USAID requested a proposal from DAI to assist the World Bank work with consultancies. In response to a request in 2008, DAI proposed to provide two consultants to

assist the Government of Timor-Leste (GOTL) to define a new Telecommunications policy for approval by GOTL and issue a new set of telecommunications laws and regulations conforming to the draft of the new policy. This work entails participation in and support to negotiations between GOTL and TimorTelecom, with the objective of eliminating monopoly rights in the telecommunications sector currently held by TimorTelecom. USAID subsequently tasked DAI to provide up to 137 days of L1 ME Legal and Regulatory Specialist to serve in the capacity of Negotiator for the GOTL activities and up to 45 days of L1 ME Operations Analyst Financial Modeler. To date this assistance has not been requested.

No progress toward telecommunications reform has been made in the past two years, but in recent meetings World Bank officials have expressed an optimistic view about prospects in 2009/2010. DAI remains committed to this effort, however absent any request for these consultants by October 2009, we will ask USAID to reprogram the funding.

COMPONENT 4: PROJECT CLOSEOUT ACTIVITIES

J. GRANTS MANAGEMENT AND CLOSEOUT

DSP has extended six grants under its grants program. One of these to the Jesuit Mission has already been canceled and closed at the grantee's request. The other five will be closed out in DSP's final year. The current status and remaining activities for each grant are described below:

Comico Diak received a grant for improved commodity crop collection and storage. All procurement of equipment and construction supplies has been completed. Construction will be completed in early August.

CTID Baucau received a grant to upgrade its practical training facilities. All equipment, including IT equipment and software, has already been procured and is in place. One remaining training event in hospitality management will be funded through the grant.

East Timor Development Agency (ETDA) received a grant to coordinate and manage the Hospitality Industry Internship Program. Of the planned 110 internships, 58 interns have completed, or are completing, their internships. It is expected that an additional 22 internships will be added by the end of the year, and that 80 total interns will have completed their assignments by the end of February 2010. To utilize the remaining funds left by the shortfall of 30 interns, ETDA has requested to redirect the funds to an English Training program. Not yet approved, DSP has asked ETDA to submit a budget and proposal for the redirected funds by August 2009.

ETP Venilale received a grant to develop training activities and on-the-job training for hotel and tourism management. All procurement of equipment, software, and training materials has been completed. One remaining training event in hotel and hospitality management remains to be

held. DSP is also considering ETP Venilale's request to use a portion of the grant funds remaining to purchase additional English Language training software such as Rosetta Stone.

Dili Institute of Technology received a grant to improve their vocational education facilities and hospitality training materials. Approximately \$2,000 in equipment remains to be procured, after which the grant will be closed out.

Based on grant funds already expended and remaining disbursements, DSP will have unprogrammed grant monies available. These funds will be re-programmed in the first quarter of Year 5.

K. PROJECT CLOSEOUT

Coordinated closely with the DAI home office, DSP project closeout will begin in January 2010, six months before the end of the project. A DAI project closedown manager and business manager will be sent to Timor-Leste to:

- Update the project budget, LOE tracker, and the budget pipeline projection for the final six months of operation,
- Prepare a final budget realignment request, if necessary,
- Compile the closedown plan with the COP for review by the COTR,
- Draft the asset disposition request to be submitted to USAID,
- Train the Timorese administrative and technical teams on project closedown,
- Start grant program closeout,
- Audit project files, personnel files, and approval files,
- Prepare Timorese staff for entry into the local labor market, including CV writing, interview skills training, etc.

Upon returning to DAI headquarters, the closedown manager will have routine (weekly or biweekly) telephone meetings (using voice-over-internet) with the Timorese administrative staff to provide guidance on ongoing project closeout over the next five months.

In the final month of the project (June 2010), DAI's home office project coordinator for DSP will be fielded to ensure that electronic files are backed up for archiving, to pack files that must be warehoused, to verify proper closeout of all project grants, to disburse project assets according to the approved asset disposition plan, and to organize a public event celebrating the end of the project. The coordinator will also assist the COP to terminate expat housing and local service contracts. Additionally, the project coordinator will make arrangements to take care of any bills or invoices that will require payment after project closeout.

L. M&E AND REPORTING

Quarterly reports will be submitted to the USAID COTR at the end of each quarter. In addition, in May 2010, a DAI staff member will be fielded to Timor-Leste to compile and assist in writing the final report for the project. Each report will include updated monitoring and evaluation

information, which is collected weekly or monthly, depending on the indicator and related data source.