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EAST TIMOR

Dezenvolve Setor Privadu

Quarterly Report
July 1, 2006 – September 30, 2006

October 31, 2006

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ACRONYMS AND ABBREVIATIONS

AMAP	Accelerated Microenterprise Advancement Project
AMFITIL	Association of Microfinance Institutions in Timor-Leste
BDC	Business Development Center
CCN	Cooperating Country National
CCT	Cooperativa Café Timor
DAI	Development Alternatives, Inc
DSP	USAID Dezenvolve Setor Privadu Project
ETDA	East Timor Development Agency
IADE	Instituto do Desenvolvimento Emprezarial
IFC	International Finance Corporation
IMF	International Monetary Fund
IMFTL	Institute for Microfinance Timor-Leste
LTTA	Long-termed Technical Assistance
MFI	Microfinance Institution
MSME	Micro, Small, and Medium Sized Enterprises
NGO	Non-government organization
STTA	Sort-term Technical Assistance
TCN	Third Country National
TRM	Tuba Rai Metin
UNDP	United National Development Programme
US	United States
USAID	United States Agency for International Development
WFP	World Food Programme

Prelude

Development Alternatives, Inc (DAI) was awarded Task Order # GEG-I-03-02-00011-01 under its AMAP Microfinance indefinite quantity contract on July 19, 2005 to manage and implement the United States Agency for International Development (USAID) private sector development project in Timor-Leste. Originally titled the Bolstering Agriculture and Sustainable Agribusiness/Private Sector Reform Project, DAI and its subcontractor, ACIL Australia, renamed the project to Dezenvolve Setor Privadu (DSP) – Development of the Private Sector - to reflect the main goal of the project: to spur the development of the private sector. By focusing its efforts on the private sector the project will assist USAID in achieving its strategic objective to accelerate Timor's economic growth.

The DSP project goal is to support economic growth and promote market efficiencies, for agribusinesses, commercial enterprises, financial institution, and the governmental entities that affect businesses. DSP's program approach is to strengthen the business environment in Timor-Leste – the enabling environment-- while offering and strengthening the services that businesses need to grow and contribute to creating jobs and incomes in Timor.

The project assists USAID to achieve its Economic Growth objectives of increasing the number jobs and increasing the income generated from the private sector. The project will achieve these goals through the implementation of programs in four primary project components: commercial services, agribusiness sub-sector development, financial services, and enabling environment. In each program area, the actions support the overall goal:

- **DSP** supports private sector growth by increasing access to technical and business services essential for efficient enterprise operation.
- **DSP** supports expanded marketing of improved agricultural products by working with producer organizations to increase output, production efficiency, and quality, and linking those organizations to buyers.
- **DSP** provides technical assistance to financial institutions to help expand access to credit, savings and other financial services throughout East Timor.
- **DSP** facilitates business growth by helping to improve Timor Leste's commercial and legal framework, to be more conducive to business formation and efficient operation.

Additionally, the project will be flexible and responsive to the opportunities and needs of the private sector within specific sectors of the economy and will respond to the demand and potential to grow domestic and international markets.

This report covers the period from 1 July through 30 September 2006 and is the fifth quarterly report submitted under this task order.

QUARTERLY OVERVIEW

KEY ACTIONS

- The USAID Dezenvole Setor Privadu (DSP) Project began outreach for agribusiness activities in coconut processing, fresh produce marketing in Dili, and cattle fattening – that will lead to increased production of better agricultural products.
- DSP provided policy support work with the Ministry of Development and the Ministry of Agriculture regarding government initiatives to stock emergency food supplies, to expand a school meals program and deliver micro credit to rural residents.
- DSP completed the legal and regulatory analysis necessary for Moris Rasik to participate in a pilot wholesale lending product at ANZ Bank.

CHALLENGES

Continued incidents of violence in Dili have weakened staff moral and reduced productivity. These incidents, that occur almost daily, are a constant reminder of very real tragedies of the past and the potential for trouble again. Four of the DSP local staff lost their homes during the violence. At the end of the quarter, two DSP staff members were living in the office, one staff member is living in an IDP camp, and two are living with relatives.

Travel within Dili is sometimes restricted and travel to certain areas proscribed because of incidents of fighting, illegal roadblocks, and dangerous rock-throwing. Office hours have been occasionally shortened to allow staff sufficient time to return home before dark when taxi drivers refuse to go into some parts of the city in the late afternoon. Frequently business meetings are rescheduled at the last moment because of safety concerns. These events combine to create tension that erodes project output.

PROGRESS ON PROGRAM ACTIVITIES

This section describes activities by program areas as described in the Year Two work plan submitted to USAID/Timor-Leste on 31 August 2006.

AGRIBUSINESS

DSP supports expanded marketing of improved agricultural products by working with producer organizations to increase output, production efficiency, and quality, and linking those organizations to buyers. The DSP agribusiness team continues to tackle the challenging task of identifying viable markets and helping producers to meet market specifications.

The highlights for the July-September 2006 period include:

- DSP's coconut processing specialist, Divina Bawalan, returned for her second mission between the 23rd of September and October 9th, and supervised training of 50 people from 3 districts representing 12 village coconut enterprises and NGOs. In early October a seminar was also delivered to Government and NGOs on health and nutrition benefits of the coconut.
- The DSP fresh produce specialist, Dr Merle Menegay, arrived on September 4th to lead initiatives aimed at supplying fresh products to the high-end market in Dili. A demand survey on restaurants, supermarkets and institutional buyers is underway to identify viable fresh products to target a pilot supply chain initiative. This is being conducted together with East Timor Insight, a local survey institute. Simultaneously, DSP is investigating potential partners for seed supply, pilot production sites, and designing wholesale marketing mechanisms suitable for the Dili commercial environment.
- DSP has responded to requests by the Minister of Development and USAID for assistance on a government initiative to stock emergency food supplies. Identifying a potential to expand local production to serve this market is the key entry point for DSP on this activity.

Progress by planned activity:

[1] Strengthen Small Scale Coconut Oil Enterprises in Villages by Introducing Better Technology, Production Techniques, and Appropriate Packaging

Objective: Improve the economic viability of the coconut industry.

Progress: The current environment and export constraints dictate focusing on village-level enterprises and local markets. DSP's coconut processing specialist, Divina Bawalan, returned for her second mission between the 23rd of September and October 9th.

Activities and progress to date includes:

- **Improved hydraulic press trialed and demonstrated in Baucau.** A local company was commissioned to manufacture a hydraulic press based on a technology used to produce coconut oil in the Philippines. Additional presses will be made available for additional trials during the next quarter.
- **Training delivered to 30 representatives from 6 groups from Lautem and Baucau districts.** The training, held in Baucau in late September, focused on the modified fermentation method for producing virgin coconut oil, as well as production improvements for coconut oil soap. (Further training in Viqueque took place in the 1st week of October.)

Next Steps: The next steps in developing village-level coconut enterprises will be further training to support expansion of production adopting the new technologies. This will be done simultaneously with marketing initiatives to identify buyers and markets, and investigations into packaging and labeling options.

[2] Expand Sales of Fresh Products, Increase Variety, and Improve Quality, Targeting High-end Institutional Buyers

Objective: Develop local supply chain for high-end perishable 'fresh' products.

Progress: Originally scheduled to take place in May/June, the demand survey to determine priority high-value product lines for Dili was rescheduled and commenced in September. Dr Merle Menegay arrived on September 4th to provide technical supervision to a local institute, East Timor Insight, awarded the contract for the study. Activities and progress to date includes:

- Methodology and questionnaires prepared, and key respondent identified, including the majority of hotels, restaurants, supermarkets, caterers and institutional buyers, and 50 percent of targeted respondents interviewed.
- Contact made with seed suppliers in Taiwan to investigate potential for pilot vegetable production sites and private sector multiplication of seed.
- Draft preliminary findings prepared for internal discussion.
- Draft production calendars for local vegetables and fruits prepared.

Next Steps:

The next steps in promoting local fresh products will depend on the findings of the demand surveys. Preliminary findings indicate that egg production, specialized vegetable production, and seafood offer opportunities. DSP will prepare detailed plans for establishing pilot vegetable production sites, cool/cold chains, and wholesale marketing facilities.

[3] Identify Innovative Agribusiness Opportunities and Prospective Markets

Objective: Investigate, identify and track potential initiatives that will provide markets and opportunities for Timorese farmers.

Progress:

- Preliminary meetings with the Minister of Development have been held regarding execution of the Government of Timor-Leste's (GoTL) US\$7.5 million initiative to create a stock of emergency food stocks, and potential to supply local commodities, as a part of this stock of food supplies. USAID and DSP will continue to negotiate support to the Ministry for this initiative.
- Discussions were held with Cooperativa Café Timor (CCT/NCBA) regarding sourcing of cattle and potential replication of cattle fattening activities in the eastern districts. DSP will investigate this opportunity further with the MAFF Agribusiness unit, and field surveys may be undertaken to identify cattle herds.

Next Steps:

- DSP will provide short-termed technical assistance (STTA) for preliminary assessments of the main issues, constraints and actions necessary for the government to deliver the emergency food program, as well as develop other scopes of work for further technical assistance.
- DSP will arrange a field trip to Los Palos to identify cattle areas and arrangements for centralizing pickup of cattle. DSP will work with the Associacao de Transportes dos Camioes de Timor-Leste (Transportation Truckers Association of Timor-Leste) to make trial a delivery of about 20 animals to look at costs and issues related to movement of cattle from Los Palos to Dili or Suai.

COMMERCIAL SERVICES

DSP supports private sector growth by increasing access to technical and business services essential for efficient enterprise operation.

The highlight from the July-September 2006 period is the continued growth in the commercial services requested by the donor community and provided by the Transportation Truckers Association in the movement of emergency food to those displaced or adversely affected by the April/May violence. Specifically, DSP continued its assistance to the association in managing the World Food Programme (WFP) emergency food aid distribution contract and assisted them in the successful bid preparation for the following contracts:

- A three month (July – Sept) contract to deliver 2,000 tons in emergency food aid. The estimated value of this contract is \$47,000.
- A one month contact (for October) to deliver 1,000 tons of food for general food aid, food aid to support the WFP school feeding and the child and maternal health programs. Estimated contract value: \$20,000.

Progress by planned activity**[1] Increase the Number of Enterprises Accessing Commercial Services**

Objective: Support the growth of the private sector through increasing micro, small to medium enterprises (MSME) access to technical and business training and other support services (wholesalers, transportation, information services, marketing services, etc.).

Progress: DSP continued its work with Business Development Centers (BDCs) to expand delivery of business skills and promote marketing of locally produced products. The BDCs were formerly World Bank supported but now operate under the Ministry of Development. Upon re-mobilization of DSP's expatriates DSP entered a dialogue with the BDCs and the Instituto do Desenvolvimento Emprezarial (IADE) – a department within the Ministry of Development created to support and increase domestic businesses - to assess natural synergies and shared program areas of interest. However, due to delay in the approval of Timor-Leste's annual budget, the BDCs were not able to have their operational budgets approved until mid September.

Next Steps: DSP is scheduled to participate in workshop in which the BDCs will be presenting their annual work plans on October 18 – 19th. During this workshop DSP will learn of the agricultural and other products from the districts that each BDC will be promoting. DSP will be looking to link these with the project's Agribusiness section and other donor initiatives. DSP will also lead a discussion section during this workshop to introduce the concept of business incubators. After the workshop DSP will be working with IADE to select two pilot BDCs for DSP to assist in the expansion of services to support the growth of businesses and producers in the communities and districts the centers are located.

[2] Introduce New Commercial Service Products into the Market

Objective: Introduce new commercial services and products to support the growth of the private sector.

Progress: With the evacuation of DSP staff, the lack of an approved budget for the BDCs, and the suspension of operations of the East Timor Development Agency (EDTA) due to the troubles, no progress was made on this indicator during the reporting period. However, DSP is assisting ETDA in drafting a basic money management course. This course will be piloted with the members of the Transportation Truckers Association. If this program works as a pilot, DSP will assist ETDA to offer similar training courses to micro enterprise owners, targeting enterprises that receive assistance from DSP or microfinance institutions (MFI).

Next Steps: Work closely with IADE and the BDCs to link new commercial training and services to support DSP's sector/product initiatives.

[3] Continue Support for Transportation Truckers Association, Including Organizational Training and Operational Training for Members

Objective: To assist the association in its natural development and growth from an informal group of private truckers, to an organization representing and accessing work for its members.

Progress: DSP has continued its support of the Associacao de Transportes dos Camioes de Timor-Leste (Transportation Truckers Association of Timor-Leste). During the quarter DSP:

- Provided training on how to properly document the delivery of WFP food aid, including proper documentation of weigh bills to 35 members and contract truckers in Dili, 10 in Baucau and 3 in Oecussi.
- Funded the training of the association's administrator in excel. The administrator is using these skills in the processing of the members/contractor's weigh bills for preparation of the invoices to the WFP.
- Assisted the Association in conducting meetings with, and preparing bids of addition work with the WFP. That has lead to:
 - o A three month (for July – Sept) contract to deliver 2,000 tons in emergency food aid. (Estimated value of the contract \$47,000)
 - o A one month contact (month of October) to deliver 1,000 tons of food for general food aid, the school feeding program, and the child and maternal health program. (Estimated contract value of \$15,000).
 - o Provided three point of service shipping request for the WFP, equaling \$1,000.

To date DSP has assisted the Transportation Truckers Association to earn additional income for the members and subcontracted truckers hired to meet the additional demand for services:

Month	Members/Contract Truckers Benefiting	Revenue
July	27	\$ 7,206
August	43	\$14,538
September	74	\$24,094
TOTAL	n/a	\$45,838

Next Steps: During the next quarter DSP will provide a consultant (association development specialist) to assist the organization in the development of their organizational structure and their operational and managerial systems.

FINANCIAL SERVICES

DSP's financial services activities support financial institutions to expand outreach to micro and small enterprises, both geographically and within the existing community of potential borrowers. The expected outcome is to have enterprises generating more income and employment through more convenient access to appropriate financial services.

The highlights for the July-September 2006 period include:

- DSP provided two consultants to the Association of Microfinance Institutions in Timor-Leste (AMFITIL) to facilitate a legal status that will help MFIs access commercial funds and operate more sustainably in the future.
- DSP facilitated two separate strategic meetings with MFIs to address the impact of the crisis on the MFIs and client businesses and potential for continued operations and expansion.

- Through AMFITIL, DSP provided the stability, communication, credible data and safe working space needed to support continued operations of MFIs displaced and/or disrupted by the security crisis.

Progress by planned activity

[I] Expand Distribution and Access to Financial Services

Objective: Expand access to credit, savings and other financial services throughout Timor.

Progress: While markets remain disrupted, especially in Dili, three MFIs have continued to operate through the worst of it (IMfTL, Moris Rasik and Tuba Rai Metin).

During the previous quarter, DSP identified three local financial institutions with the interest and capacity for increased credit service outreach throughout the country. In this quarter, DSP carried out an assessment of the Institution for Microfinance in Timor-Leste (IMfTL) and facilitated two strategic planning and assessment meetings with MFIs chosen on the basis of their current operations and potential for growth as detailed below.

- In July, DSP completed an evaluation of the potential and interest in restructuring IMfTL. DSP/USAID worked closely with the IMfTL Board of Trustees on a three year technical assistance and management package to transform the IMfTL into a profitable and sustainable financial institution that could appropriately provide a broad range of service to the people of Timor. The objective was to help IMfTL fulfill its mission to service the needs and demands of low income clients while preparing the institution for eventual sale to appropriate private investors. DSP designed a technical assistance and management package to fit the objectives but concluded it should only be undertaken if IMfTL is granted a class C banking license. Without the license, the package cannot be fully implemented and objectives of the transformation could not be met. DSP will continue to monitor activities and remain in close collaboration with the Board of Trustees in support of the license. When a banking license is granted, DSP is well positioned to step in.
- DSP facilitated two Strategy Meetings during the quarter, Moris Rasik in Bali (July 2-4) and Tuba Rai Metin (TRM) in Dili/Baucau (September 16-20). These high level and work-intensive meetings addressed the impact of the crisis on the MFIs, their client businesses and the potential for continued operations and expansion. During the quarter, both Moris Rasik and TRM continued to slowly grow and expand to new districts. DSP's support during the quarter resulted in:
 - A new strategic plan, new business plan and revised targets for Moris Rasik to cut costs, continue expansion to new products and clientele and to expand to new geographic areas.
 - Revised sustainability projections for Moris Rasik. In 2007, Moris Rasik will become the first MFI to achieve operational sustainability.
 - An agreement for partnership between DSP and Moris Rasik based upon above.

- Reliable assessment of TRM's potential for continued operation and expansion.
- A realistic TRM business plan, a new strategic plan, revised projections and clear targets.
- New TRM agriculture lending product and plan for a potential pilot in early 2007.

[2] Increase the Quality and Availability of Financial Sector Market Information

Objective: Strengthen AMFITIL through training on financial systems, communication, outreach, and reporting on portfolio and crisis management.

Progress: With DSP's re-mobilization of AMFITIL's financial consultant and continued presence of DSP-funded Administrator, DSP resumed its financial and accounting assessments and MFI field staff training in September. The development of these systems improved market and supply information, increasing efficiency and competition among association members. This in turn should improve services to local MFI clients.

AMFITIL continues to be an important resource for the sector as micro finance providers adjust to disrupted markets and businesses. It provides (or forces the MFIs to provide) the data MFIs and donors need to track changes and to make important strategic decisions. In the current insecurity, AMFITIL's advocacy role was more pronounced in the quarter as the most effective mechanism to present information to government and others that clarified the role of microfinance in time of crisis.

During the quarter, while only two AMFITIL members increased the number of borrowers and overall number of borrowers declined, four members increased the amount of savings and the overall amount collected from clients increased. DSP concludes that savings services provided by AMFITIL members were an important service during the turbulent times.

DSP continued to ensure that AMFITIL tracked data and provided a safe and reliable working space for members. Consistency of service, where loans, savings collection and payments continue without interruption, is critical in this financial services market. Alternatively, interruption of services can be a serious threat to all financial service providers. DSP's support to AMFITIL helped MFIs to convey to all borrowers that the lending and savings businesses continued, and that clients were expected to pay their loans even during this tough time. This helped stabilize MFI portfolio at risk ratios.

Next Steps:

Accurate information is now more important than ever, to inform strategy of financial institutions and clarify options are for each institution going forward. To continue to generate reliable and accessible data, DSP will provide an Administrator to continue to support AMFITIL's provision of such data.

DSP will provide STTA to assist Moris Rasik to develop a course for financial institution staff that will become a pilot course for Timor-Leste's first financial/accounting course tailored to financial services providers.

[3] Define the Optimal Legal and Tax Status for MFIs Operating in Timor to Correct the Existing Problem of MFIs Operating as NGOs Instead of as a Company

Objective: Support the MFIs to achieve a legal status that will help them access commercial funds and operate more sustainably in the future.

Progress: This activity addresses the growing problem of MFIs currently operating as NGOs instead of under the other option available to them in TL, as a company.

- The project analyzed the implications of MFIs registering as a company and transferring to it all microfinance business and prepared three reports tailored to chosen institution's Boards of Directors. The reports included analysis of the legal and tax implications of incorporating, deposit taking, and the division of functions between the financial company and an NGO. The reports were completed at the end of the quarter and will be presented to AMFITIL members by DSP in the next quarter.
- DSP provided two consultants to AMFITIL to facilitate steps to achieve a legal status that will help MFIs access commercial funds and operate more sustainably in the future.

Next Steps: DSP will present the reports as well as follow up options to AMFITIL members and engage the ANZ Bank and Mandiri Bank to both understand the changes made by MFIs as well as incorporate the changes in terms for wholesale lending. DSP will continue to coordinate multi-donor interest in a wholesale lending pilot and in the next quarter with the UNDP, ANZ Bank and the International Finance Corporation (IFC); to help banks increase rural outreach through a new commercial loan product(s) from ANZ to MFIs (potential ANZ partnerships will be explored with Moris Rasik and IMfTL).

[4] Assist Moris Rasik to Expand Product Offerings and Reach More Clients

Objectives:

- Facilitate a grant from the USAID Small Grants Program to provide funding for the start-up costs of four new branches
- Assist Moris Rasik to adopt lower cost methods of service delivery, adapted from a model used in Bangladesh.
- Assist Moris Rasik to develop and offer a micro insurance product.
- Strengthen financial management through intensive training in Indonesia and on-site.
- Pilot a wholesale lending product at ANZ Bank in Dili.

Progress: Partnership agreement supporting documents (business plan to include expansion plans, revised targets to meet USAID/DSP requirements, etc.) were revised in the quarter.

With the above expansion and continuing operations, Moris Rasik will increase their portfolio and have a loan capital need of \$700,000. DSP has already facilitated a relationship between

Moris Rasik and the IFC to pilot a wholesale lending product at ANZ Bank in Dili. In this quarter DSP completed the legal and regulatory analysis necessary for Moris Rasik to participate in a pilot wholesale lending product at ANZ Bank.

Next Steps: A Partnership agreement between DSP and Moris Rasik for 2006-7 will be drafted and signed in the next quarter based upon mutually agreeable targets and benchmarks. This partnership will provide technical assistance and facilitation to grant and loaning capital needed for expansion. Expected outcomes from the implementation of the DSP/MR partnership will be as follows:

- Moris Rasik will become a national MFI offering financial services in 12 districts, giving access to most of the rural poor households in Timor-Leste. It will be able to reach a client base in its group lending of 10,000 poor women by end 2007 and 12,000 by 2008. It will also offer consumption loans to civil servants in all districts and small business loans in all district and sub-district towns.
- Moris Rasik will be incorporated as a commercial entity, enabling it to access funds for on-lending from banks and international lenders. It will retain the support of the founding NGO which will undertake human resource development, start-up of new branches and credit plus activities.
- Moris Rasik will achieve operating self sufficiency during 2007, which will make it an attractive partner to wholesale lenders, including IMfTL. In 2008 it will make sufficient profit for the company to offer better salary and conditions to its staff and to fund some credit-plus activities for its group lending clients. The company will also be able to review the interest rate structure to make it less burdensome on its poorest clients.
- Moris Rasik will strengthen its capacity in accounts and financial management and the related MIS system to reach international standards and compliance with the reporting requirements of wholesale lenders. It will have a Chief Financial Officer in place to carry the organization forward into 2008.
- Moris Rasik will pioneer in Timor Leste the low cost model of microfinance developed by ASA in Bangladesh. It will break what one development consultant has called “the Achilles heel of MFIs in Timor-Leste”, which is the failure of all programs except IMfTL to reach viability.
- Moris Rasik will provide to its client base increased financial security by offering life, disability and hospitalization insurance covers. This service may be extended to clients of other MFIs operating in Timor Leste.
- Moris Rasik will use its extensive rural client base to partner DSP and specialist NGOs in agricultural initiatives to increase crop production and stimulate the rural economy. It will also enhance its client’s capacity to invest and profit, through other credit-plus initiatives in Business Development Services and health and nutrition projects

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 operation.

[I] Continue to Support Development of the Timor Leste Business Forum.

Objective: The Timor Leste Business Forum will develop a strategic plan and policy manual with assistance from DSP. The strategic plan will define core services (including but not limited to advocacy) to be offered by the Forum, costs associated with the development and delivery of those services and a plan for attracting financial support.

Progress: The Forum's activities were suspended during the April-May crisis period. During that time, most of the members of the Forum left Dili - either to rural districts or abroad. Most returned before mid- July but the Chairman of the Presidential Council, Julio Alfaro, did not return until September.

- In July and August DSP helped the Business Forum to assess the amount of losses from the crisis of the Business Forum members as well as together with DSP commercial services team to identify the companies which were ready and able to support the Government during the emergency period.
- During the quarter, DSP supported the Business Forum to organize its structure as well as consolidating its position as the principal public advocacy group in Timor-Leste regarding private sector issues. During the quarter DSP assisted members of the Forum to draft a strategic plan for the organization, with a set of activities for one year and services to be offered in the future has also been developed and currently being discussed among Business Forum members. A comprehensive budget for the next two years is pending approval from the Business Forum members.
- DSP has promoted and facilitated regular meetings between the Forum and senior government officials to discuss urgent issues and constraints faced by the business community in general. Three meetings were organized directly with the Prime Minister to discuss the role of the Business Forum in the crisis and other urgent issues affecting particularly Business Forum members. Some of the issues were also discussed in two business consultation meetings, open to the entire business community in Timor-Leste.
- DSP organized and facilitated two business consultation meetings with Prime Minister Ramos-Horta, the Deputy Prime Minister da Silva, the Minister of Development and the Vice Minister for Public Works. The aim of the consultations is to discuss key constraints in the business environment that hinder private sector development. The first meeting took place at the Ministry of Foreign Affairs on July 21st, and the second was held at the Independence Memorial Hall on September 15th. Present at the meetings were more than 50 national and foreign entrepreneurs as well as representatives from the World Bank, IMF, and IFC. Issues discussed were the procurement law and procedures, business registration and visa problems, tax impositions and the need for clear and rational decisions on land titles. Corruption allegations within the public services were also discussed. The consultations represent a major achievement in bringing together the government, international agencies, and the private sector. DSP will continue to facilitate these meetings as requested by the Prime Minister.

Next Steps: The Business Forum members will approve a comprehensive budget for the next two years during the upcoming quarter.

[2] Provide Technical Assistance to the Government of Timor-Leste to Make Business Registration a Transparent and less Burdensome Process.

Objective: To clarify the process of obtaining a business license and applying for a tax identification number

Progress: DSP and members with the Business Forum held several meetings with Commerce Directorate (Ministry of Development) with to discuss the changes needed to make business registration easier, more transparent and less burdensome. Some suggestions were made, including production of leaflets in four languages on the start-up procedures. The Business Registration Unit at the Commerce Directorate agreed to simplify the start-up process by cutting some procedural steps.

Next Steps: DSP will continue in the next quarter to assist the government to publicize widely the new procedures and to look at other changes needed in the future when the Ministry of Justice takes over the process. DSP also encouraged the Commerce Directorate to compile a list of new business registered and renewals of registrations until the end of August in order to compare with last year's registrations, assessing at the same time the impact of the current crisis on the creation of new businesses. This study will be completed in the next quarter after the Commerce Directorate decides on the new registration procedures.

[3] Work to have the Land Law Approved by the End of DSP Project Year Two.

Objective: Speed up the enactment of the Land Law.

Progress: Clear land titles represent an essential condition for business development. The need to have the Land Law approved by the Council of Ministers by the end of the year has been stated during several Business Consultation Meetings and repeatedly during other informal meetings with Government officials, including Prime Minister and the Deputy Prime Ministers. Some steps have already been taken by the government and the bill is just awaiting for submission and approval by the Council of Ministers, and then later be discussed at the Parliament.

Next Steps: DSP will continue to work with the GoTL to facilitate the passing of the Land Law.

SUCCESS STORIES

Making the News, Discussing Business Activities

DSP Enabling Environment Advisor, Zacarias da Costa, participated in a television program aired on September 10th on TV Timor-Leste dedicated to a discussion about the development of the private sector in Timor. Other participants were Deputy Prime Minister Estanislau da Silva and a member of the National Parliament Francisco Miranda Branco.

Improvements in Regulations

The Government of Timor-Leste took initial steps to improve the business enabling environment in Timor-Leste, following DSP/Business Forum Business Consultation Meetings:

- Eighty percent of the delayed payments from the GoTL have been made,
- A new business registration procedure is in place, reducing processing time to only 30 days,
- The land law is now on the agenda of the Council of Ministers for approval,
- A dialogue between the concerned departments and the private sector on issues affecting the business community continues,
- Customs and tax departments are reviewing their procedures.
- The Prime Minister has appointed a special advisor to deal with the problems faced by the business community and its relations with the concerned government departments and a special team of legal advisors to look at the legal and regulatory environment.

DSP Support to Commercial Services Builds upon Donor Needs after the Conflict

One of the direct activities DSP took in response to the security crisis in Timor was working to link the international donors providing food and other assistance to the internally displaced persons camps with local business/entrepreneurs providing the support services needed. As result of those efforts DSP brokered the contractual partnering of the Transportation Truckers Association with the WFP.

This contract represents the first time in Timor when a transportation contract for food assistance delivery was awarded to a local entity. Returns to local truckers are:

- A three month (for July – Sept) contract to deliver 2,000 tons in emergency food aid. (Estimated value of the contract \$47,000)
- A one month contact (month of October) to deliver 1,000 tons of food for general food aid, the school feeding and the child and maternal health program. (Estimated contract value of \$15,000).
- Provided 3 point of service shipping request for the WFP, equaling \$1,000.

MANAGEMENT ACTIONS

By the end of July 2006, all evacuated staff had returned to Dili from the Bali, Indonesia safe-haven location.

Dr. David Dyer joined DAI/DSP on 20 July 2006, to become DSP's Chief of Party. Dr. Dyer has more than 25 years of experience in business, market analysis, policy development, and managerial expertise. In addition to his experience as a business owner, Dr. Dyer held government positions in the US Senate and in the US Department of Agriculture.

DSP is recruiting for two additional staff members in the agribusiness program areas, expecting these two new people to join the project in November 2006.

The bookkeeper/administer for AMFITIL was replaced during the quarter.

DSP is actively looking for a new office building. The current office location is neither adequate for professional work by the existing staff nor secure enough to deal with potential civil disturbances.

REPORT ON THE DELIVERY OF WORK DAYS

USAID ordered a total of 8,187 days from various labor categories for the life of the contract. To date the project has delivered a total of 2,502 days of labor, or 31 percent of the total labor for the contract. The specific breakdown per labor category and the delivery of days through this reporting period is as follows:

LTTA – US

Category	Days Ordered	Days for Quarter	Cumulative	% Expended	Days Remaining
Chief of Party	690	50	273	40%	417
MFI Advisor	460	66	241	52%	219
Commercial Services Advisor	690	45	249	36%	441
TOTAL	1,840	161	763	41%	1,077

STTA – US

Category	Days Ordered	Days for Quarter	Cumulative	% Expended	Days Remaining
Ag. Specialist	100	9	45	45%	55
Financial Analyst	-	24	24	n/a	(24)
Com. Services Specialist	30	5	5	17%	25
Microfinance Specialist	120	-	-	-	120
Enabling Environ. Spec.	57	-	30	52%	27
Microfinance Spec. (L2)	60	8	8	13%	52
Project Admin. (L2)	-	-	8	n/a	(8)
Project Admin. (L3)	20	-	24	120%	(4)
Information Tech. (L3)	20	-	-	-	20
Researcher/Admin. (L3)	60	-	-	-	60
TOTAL	467	15	144	31%	323

LTTA – TCN/CCN

Category	Days Ordered	Days for Quarter	Cumulative	% Expended	Days Remaining
Coop. Advisor (TCN)	460	64	224	49%	236
Program Director	690	147	147	11%	543
Market Dev. Spc. (M&E)	650	52	106	16%	544
Com. Services Specialist	650	56	227	35%	423
Microfinance Specialist	650	60	241	37%	409
Ag. Coop. Specialist	650	112	323	49%	327
Microfinance Spc. – Field	630	54	120	19%	510
Com. Serv. Spc. – Field	630	-	-	-	630
Sub-sector Spc. – Field	600	-	-	-	600
TOTAL	5,610	545	1,388	25%	4,222

STTA – TCN/CCN

Category	Days Ordered	Days for Quarter	Cumulative	% Expended	Days Remaining
Com. Services Specialist	50	-	-	-	50
Microfinance Specialist	160	-	54	34%	106
Market Specialist	60	28	28	47%	32
MIS Specialist	-	-	14	n/a	(15)
Systems Admin.	-	-	16	n/a	(16)
Finance and Accounting Spc.	-	27	95	n/a	(95)
TOTAL	270	55	207	77%	63