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Dezenvolve Setor Privadu

**Quarterly Report
1 January – 31 March 2009**

30 April 2009

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

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DEZENVOLVE SETOR PRIVADU QUARTERLY REPORT JANUARY – MARCH 2009

SUMMARY

This report covers activities undertaken during the period January to March 2009, the third quarter under the DSP Year Four Work Plan submitted to and approved by USAID in August 2008.

SUCCESSSES AND HIGHLIGHTS

President of the Democratic Republic of Timor-Leste, Jose Ramos Horta and US Ambassador Hans Klemm visited the Lequitura SHA on 7 February to inspect the operation of the production facilities. This joint-visit was also attended by USAID Mission Director, Mark White and various local community leaders. President Horta later mentioned his favorable impressions of the project to USAID-Washington.

Kmanek Supermarket funded and installed, with DSP technical assistance, a 50m² nursery which is the centre of an outgrowing system supplying vegetable seedlings to surrounding farms in Sarin, Alieu.

Each week an average of over 450kg of produce was sold from the Lequitura greenhouse creating over \$1,200/week in value shared roughly equally between the farmers and the wholesaler, Zero Star. Outdoor production at Suco Sarin and Suco Liurai amounts to more than \$400 per week.

DSP funded three Timorese trainees to attend the 27th Regional Training Course in Vegetable Production and Marketing at the Asian Vegetable Research and Development Centre in Bangkok, Thailand, during January.

DSP contracted the local production of 30 peanut shelling machine units to assist small traders in rural communities to shell the entire harvest of peanuts shortly after drying, thus making large volumes available for farm gate marketing.

Total recorded supermarket sales of *products* from the Timor Product Network increased 49% since last quarter, totaling about \$11,440 for the January-March period.

On 17 March the Minister of Tourism, Industry and Commerce Gil da Costa Alves officially launched the USAID-funded Hospitality Industry Internship Program together with the US Embassy's Charge d'Affairs, Henry Rector; USAID Representative, Mark A. White and Acting Secretary of State for Professional Training and Employment, Secretary of State for Natural Resource Mr. Alfredo Pires.

On 10 -11 February DSP hosted farmers from the Lequitura Farmers Group in Dili to hold their quarterly committee meeting and receive financial literacy training from the ANZ bank.

AGRIBUSINESS

[1] Horticultural Production

Progress: At the Leqitura SHA yields of capsicum (bell pepper), beef tomatoes and cherry tomatoes were steady with harvests of roughly 150kg per crop per week. Sales from the site are continuing through the wholesaler, Zero Star.

Income Sharing

On 10 -11 February DSP hosted farmers from the Leqitura Farmers Group for their quarterly committee meeting and receive financial literacy training from the ANZ bank. This event was the second such ANZ bank training and the sessions have created a strong relationship between ANZ staff and the group members. Following this training the committee (the four group members who are co-signatories on the group ANZ bank account) which governs the sharing of income from the greenhouse, met to agree on the allocation of group funds to the payment of costs, income and future investment for community projects.

Indoor Production

Each week an average of over 450kg of produce was sold from the greenhouse creating over \$1,200/week in value shared roughly equally between the farmers and the wholesaler, Zero Star. At the end of March 2009 production of green, yellow and capsicum (bell pepper) held steady at 400kg per week. It is normal for the yield of hydroponic crops to decline during the life of the crop. When the yield is near zero, likely at the end of May 2009, the crop will be pulled and the greenhouse sterilized for re-planting.

Outdoor Production

Kmanek funded and installed, with DSP technical assistance, a 50m² nursery which is the centre of an outgrowing system supplying vegetable seedlings to surrounding farms. Inputs and seeds are provided by Kmanek at no charge to the grower, to ensure that the product is sold back to them. The nursery has already produced over 30,000 seedlings of 5 key crops and will be launched officially in April 2009.

DSP is providing production technical assistance to four sites: Suco Sarin – Aileu District, Suco Liurai - Aileu District, Suco Bazartete - Liquica District and Suco Gleno Kota - Ermera District. Technical assistance at Suco Sarin and Suco Liurai was greatly increased in response to a large order from Kmanek Supermarket and production from these two sites amounts to more than \$400 per week.

Next Steps:

DSP project staff will:

- Set up another 'out-growing' nursery in Suco Liurai – Aileu District for the preparation and distribution of vegetable seedlings.
- Assist Zero Star to being importing seeds for their own outdoor production needs.
- Assist Kmanek Supermarket to work with farm households in Aileu.

[2] Horticultural Product Marketing

Marketing Training

During January, DSP funded three trainees to attend the 27th Regional Training Course in Vegetable Production and Marketing at the Asian Vegetable Research and Development

Centre (AVRDC) in Bangkok, Thailand. The attendees were Guido Sequiera from the DSP Agribusiness team, Filomenha Salsinha from the Lequitura Farmers Group and Francisca Sarmiento from the Zero Star Company. The trainees attended a module of the training, 'Harvest to Market' which focused on vegetable production skills, farmer education and the facilitation of farmer groups.

Following the AVRDC training in Thailand, the three trainees also attended a practical short course in vegetable marketing with Joro PT in Denpasar, Bali, Indonesia. The course which was held over six days focused on production planning; product transport and grading; washing, packaging and delivery; and monitoring market and supermarket prices.

Zero Star Operations

On 13 March the final report from the Zero Star Operations Manual Consultant was presented to the company staff. Key recommendations from the report have been adopted, for example the company now holds a weekly co-ordination meeting and has split the roles Customer Relations and Administration which were previously combined. Problems generated by lack of efficient management continue to hamper growth of the company.

DSP continued to facilitate agreements and deliveries of graded local product by Zero Star to Dili supermarkets. Some general trends have continued during the quarter:

- The volume of product purchased, not including greenhouse product, has stabilized.
- The farm gate value of product purchased has stabilized.
- The business profits increased substantially whilst the greenhouse was in full production (approximately \$10,000 profit for the month of January 2009).
- Not including income from the sale of greenhouse production, business profits have stabilized at approximately \$2,000 per month.

Zero Star Fresh Produce Box

Deliveries of the Zero Star Fresh Produce Box remained constant at approximately 65 subscription boxes. This created over \$3,500 gross income each month for Zero Star. DSP assisted Zero Star in the recruitment of a new Customer Relations staff person and also assisted Zero Star to hold Producers and Client coordination meetings during the quarter.

Input Vendors

During the quarter a list of local companies and potential partner international vendors of both seed and greenhouse equipment was created. Three international companies (Yates Seeds, Lefroy Valley Seeds and East West Seeds) are currently in negotiations with DSP's local partner businesses, to determine the opportunities available for forming joint ventures to supply inputs to the Timor-Leste market.

Next Steps:

DSP will:

- Assist growers in the SHA and other locations to increase production to respond to demand from new Fresh Product Box subscription clients and supermarkets in Dili;
- Market the horticultural products coming from the new technologies/equipment including the greenhouse;
- Strengthen the business management, in particular customer relations skills within Zero Star Company;
- Complete the third film promoting Produto Timor-Leste brand and products.

DSP will also try to establish working relationships with new supply chain actors at all levels.

Promotion of Timor-Leste Horticultural Products

The second of three planned films showcasing Timor-Leste horticultural products was completed during the quarter. *Husi Agricultores Sira* ('From the Farmers') is a twenty minute short film describing the horticultural supply chain in detail, from the farm to the customer in Dili. The objective of the films is to promote horticultural business opportunities to the Timor-Leste business community as well as widely promoting the DSP program. The films will be screened on TVTL, the national broadcaster, as well as printed for souvenir packs.

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

DSP works to increase sales of low value bulk commodities which are grown by more farm households than those which grow vegetables. During the quarter, DSP entered into an MOU with a new trader, *Duas Irmãs*. DSP also monitored the Ministry of Tourism, Commerce and Industry purchases of local product from local traders. DSP assisted partner trader, Comico Suai Diak, to purchase mungbeans in Cova Lima District. Also peanut farming households across Bobonaro and Cova Lima highlands were given access to peanut shelling machines which will reduce post-harvest processing times.

MOU with Duas Irmãs

DSP entered into an MOU with Duas Irmãs, a commodity trader who works in Ainaro, Bobonaro and Cova Lima Districts. Under the MOU, Duas Irmãs agree to buy local products from farmers working with DSP, and attempt to offer the most competitive prices. In return, Duas Irmãs will receive technical assistance to identify the largest amounts of product available and assistance with:

- post-harvest shelling of peanuts and
- packaging i.e. GrainPro plastic storage bags and approximately 2,500 plastic sacks printed with Duas Irmãs and USAID logos.

Monitoring of Sales to MTCI

Monitoring of the sales and payment time by the Ministry of Tourism Commerce and Industry continued during the quarter. Payment delay is a major issue for local traders. DSP staff heard anecdotal evidence that a Manatuto District rice miller and trader is owed roughly \$70,000 for product which they delivered to MTCI December 2008.

Mechanisation Component

The sale of large volumes of peanuts in single purchasing events is constrained by the time it takes to de-shell peanuts by hand. Hand shelling is usually carried out by women in Timorese farm households with one household shelling roughly 50kg per week. DSP contracted the local production of 30 peanut shelling machine units. Eight of these units were then installed in the Bobonaro and Cova Lima Districts to assist small traders in those communities to shell the entire harvest of peanuts shortly after drying, thus making large volumes available for farm gate pickup through the DSP commodities marketing process. Installations of the machines are ongoing and they will be formally handed over to the communities, from DSP in collaboration with local traders and their agents, in early April. Between 10 and 15 machines will also be stored by key DSP partners, Comico Timor Diak and Duas Irmãs for use as mobile units for shelling large harvests.

Farmer Listing

DSP has undertaken an enumeration of the farmers working with the project. “Farmer listing”, the process where areas of potential commodities sales are identified by DSP field staff, was carried out in Bobonaro and Cova Lima Districts. Listing enables larger numbers of farm households to access DSP marketing services. More than 160 new farm households are included in marketing efforts along with households from previous years.

Mungbean Sales Suai Upland

As part of this listing process the DSP Commodities Team field staff listed an additional 22 farmers in two Sucos of the remote Tilomar Sub-District, Cova Lima District where mungbeans are commonly grown. Only 745kg of mungbean were collected by DSP’s partner trader Comico Suai Diak. This was lower than expected and was a result of a lack of competition in price. Comico Suai Diak buyers were offering 50c/kg, the same price as Fini Esperanca and other traders in nearby Salele Sub-District.

Next Steps:

DSP will continue to distribute and train in the operation of post harvest shelling machines. As well as this DSP will assist with the marketing of peanuts in Cova Lima and Bobonaro District.

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

[4] Communications of Farm Gate Commodities Marketing Processes

DSP is attempting to widely communicate the successful commodities marketing process to many farm households and to other agriculture sector stakeholders. DSP has been attempting to recruit a person with suitable skills to take on this work in remote locations but has been unable to find a candidate for the role to date.

Sacks for Use in Farm Gate Sales

DSP procured 5,000 sacks printed with USAID and two partner trader logos. By swapping the farm households’ sacks with new printed sacks that are consistent in size and shape, DSP partner traders can monitor the general quality of product being purchased from farmers, at the “farm gate”.

Next Steps:

DSP Project staff will:

- Identify a local consultant to work on communicating farm gate marketing processes to new participating households.
- Exchange sacks at the point of sale (farm gate)
- Contract the production of a film promoting commodities marketing as a method of increasing commodity trader gross turnover and profit.

Extra Time- Visits to Lequitura SHA

President of the Democratic Republic of Timor-Leste, Jose Ramos Horta and US Ambassador Hans Klemm visited the Lequitura SHA on 7 February to inspect the operation of the production facilities. This joint-visit was also attended by USAID Mission Director, Mark White and various local community leaders, the District Administrator and the Aileu District Police Commander as well as DSP collaborating farmers from other areas of Aileu. The visit was covered by national television, newspapers, and radio media outlets with good coverage and positive feedback.

On 7 March the Timor-Leste National Parliamentary Committee D for Agriculture, Natural Resources and the Environment made an unscheduled visit to the Lequitura SHA. Unscheduled visits to the site are common and DSP has commissioned the building of a small sign to explain the basics of the program to drop-in visitors.

Extra Time- Private Sector Involvement

DSP signed a Memorandum of Understanding (MOU) with Clarence Hung Meng Lim the owner/manager of Kmanek Supermarket on 21 January, to establish a working relationship with this private company. Under the MOU, DSP technical staff will assist Kmanek Supermarket to engage and train a team of field staff who can promote and co-ordinate outdoor production by providing technical assistance to farm households. Kmanek Supermarket is one of the few supermarkets in Dili that import fresh vegetables

BUSINESS DEVELOPMENT

DSP supports private sector growth by increasing access to technical and business services essential for efficient enterprise operation. During this quarter, DSP business development activities have included strengthening business linkages through the development of market outlets for a variety of high-quality Timorese products. Efforts continue to support the increase of handicraft sales, especially at Dili's Tais Market. The Business Development team has been working in concert with the Agribusiness team to support the expanded use of business services by business partners. DSP has also assisted ongoing activities to support tourism and hospitality through support of the industry, as well as with grants to educational institutions and funding the Hospitality Industry Internship Program.

DSP operates business development/services activities in three integrated areas:

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

[5] Linking Businesses to Market Opportunities

DSP efforts to link businesses to markets operated in two activity areas during the quarter: activities in support of the quality certified "Produto Timor-Leste" Buy Timor network of producers and activities to expand sales of handicrafts.

5.1 Buy Timor Network -- Producer Group

DSP continued efforts to support the *Timor Product Network* of certified quality producers, through the active promotion of the products. Currently, three supermarkets have installed *Buy Timor Product* displays in their stores. An additional four store locations will be receiving the displays at the beginning of next quarter.

DSP has facilitated direct linkages between network producers and Dili-based supermarkets. Three producers who had not been able to access these markets now have their products sold in prominent supermarkets that have the *Produto Timor-Leste - Buy Timor Product* display cases.

DSP is monitoring the Buy Timor Product displays and network products available in stores. Each week, DSP staff visit eight supermarkets (three of which currently have the Buy Timor Product display) to monitor the availability of products. When quantities in-store are low, DSP contacts the producers to deliver additional stock.

Significant outcomes:

- Total recorded supermarket sales of *products* from the Timor Product Network increased 49% since last quarter:

Quarterly sales	<u>January</u>	<u>February</u>	<u>March</u>	Total
Cassava Chips	\$86.50	\$218.10	\$154.15	\$458.75
Coffee CCT	\$1,918.00	\$2,948.15	\$2,330.85	\$7,197.00
Coffee Kapa'as Lakoma	\$1,077.10	\$1,351.50	\$786.90	\$3,215.50
CTID Coconut Soap		\$86.00	\$126.25	\$212.25
Tofu Furak	\$95.00	\$144.00	\$124.00	\$363.00
Total:	\$3,176.60	\$4,747.75	\$3,522.15	\$11,446.50

- Buy Timor Product display cases are now located in three local supermarkets: Kmanek, Senior Shop and W-Four. Displays will be delivered to an additional three Dili-based supermarkets and one is Suai. DSP is planning to encourage selected additional supermarkets to make a space for the displays in their stores.
- During this quarter, all three of the supermarkets that have the Buy Timor Product displays added new products to their regular offering of network products.
- Conducted meetings with prospective members of the Timor Product Network in Dili and three new businesses will join the network of producers: Zero Star – Fresh Vegetables, Tropical Stone – Marble and Stone Furniture, and VeCom Lorasae – Rattan Furniture. Instituted weekly monitoring of Timor Product Network product availability in supermarkets.
- Collaborated with the Agribusiness team on the films promoting the quality of Timor-Leste fresh produce. The film highlights the *Produto Timor-Leste - Buy Timor Product* quality symbol.

Next steps:

- Install remaining displays in supermarkets, and consider expansion of the display program to additional supermarkets in Dili.
- Conduct a workshop with the Timor Product Network to discuss and plan activities for the Network in the coming year.
- Investigate the possibility of expanding media coverage to continue enthusiasm for certified Timor Product Network products, specifically building on the recently completed film highlighting the quality symbol.

5.2 Expanding sales of handicrafts

DSP's work to support handcraft sales this quarter focused on support to the Dili Tais Market. Additionally, DSP has begun efforts to plan a Beach Craft Fair, which will highlight a tourist destination while encouraging sales of handcraft products.

Assisting the Dili Tais Market

The DSP program has conducted monthly follow-up on the progress of the vendors since the new market was completed in May 2008. DSP continued activities to link Tais market vendors to other craft producers throughout Timor, thus expanding the availability of products at the market.

DSP collects monthly sales data for the 44 Tais Market vendors. However, while the data is illustrative, information is not considered reliable since most vendors do not keep regular records and the vast majority of the vendors have limited literacy. DSP's market coordinator has undertaken the assembling of monthly vendor sales. The data indicate sales of about \$2,000 monthly, with an increase in sales during the pre-Easter period:

	<u>January</u>	<u>February</u>	<u>March</u>	<u>Total</u>
Total Tais Market Sales	\$1,940.00	\$2,235.00	\$2,950.00	\$7,125.00

Significant outcomes:

- Facilitated initial purchase of Homan products by Tais Market representatives, at which discussions on long-term relationships occurred. Tais market vendors bought an initial \$89 in products, at a negotiated rate.
- Facilitated meetings with Tais Market representatives and two craft producer groups, Homan from Maubara and Ceramics from Manatutu, to discuss the potential for linking additional products to the Dili Tais Market.

Next steps:

- Follow up with Tais Market on the outcome of increased offering of handcraft products at the market.
- Continue to collect monthly sales generated at the Tais market.
- Conduct a Training Needs Analysis for Tais Market vendors to determine if there is demand for basic financial management and bookkeeping trainings.

Beach Craft Fair

DSP is planning a Beach Craft Fair to be held at a beach community with opportunities for ongoing tourist activities. This event will integrate two DSP activities – increasing craft sales and supporting community-based tourism activities. DSP plans to facilitate an event which attracts prospective buyers of handcraft products and tourism services, thus creating a situation in which more money is being spent in communities.

Next steps:

- Meet with Ministry of Commerce, Industry and Tourism to discuss opportunities to collaborate on this event.
- Organize date, location and logistics for the Fair.
- Facilitate a Beach Craft Fair.

[6] Improving access to quality business services

DSP attempts to increase the quality and quantity of business services available to SMEs both through support directly to businesses and through business associations. Quality business services are central to increasing consumer access to high value products.

Linking businesses to business service providers

DSP has focused efforts to increase the use of business services by partner businesses. During this quarter, DSP has worked with several agribusiness businesses to link them to providers of various business services.

Significant actions:

- Collaborated with Zero Star/Timor Fresh on the revision of their invoices to be more useful for their business records. DSP also worked with Zero Star on the process for collecting quotations and selecting a printing vendor. Through this hands-on exercise, Zero Star is now well positioned to make future changes and order invoices without DSP support.
- Identified business development service providers (BDSPs) with the capacity to provide technical support to farmers groups interested in 1) forming a business statute/constitution and 2) basic training on simple financial management and business practices. This information will be used by current and future farmers groups working with DSP.
- Provided contact information to member of the Buy Timor Product network of a packaging company in Surabaya able to provide high quality packaging materials.

Next Steps:

- Develop a detailed directory of BDSPs in Timor-Leste who provide services relevant to partner needs. This list will include business providers of services such as: printing, design, training, accounting, and consultancy.
- Continue to link businesses to relevant BDSPs, either through the directory of service providers or, as needed, through more specialized support.

Truck Transport Association

During the first quarter of 2009, DSP continued to support the management board of the Truck Transportation Association (ATCTL) by providing office space and technical assistance. The ATCTL was awarded a follow-on contract by the UN World Food Programme (WFP) to provide continued trucking services throughout Timor-Leste. Additionally the ATCTL is continuing to service the Dili Port Authority.

Total income earned for services by the 37 ATCTL members (including sub-contractors hired on an as-needed basis) amounted to over \$135,000 during the quarter:

	<u>January</u>	<u>February</u>	<u>March</u>	TOTAL
Dili Port	\$24,991	\$44,611	\$60,164	\$129,766.55
WFP	\$0	\$5,595	\$0	\$5,595.21
TOTAL	\$24,991	\$50,206	\$60,164	\$135,361.76

Despite these substantial numbers, the ATCTL has not instituted financial or organizational management procedures and certain members claim that there is a lack of transparency within the association. This criticism was directed especially at the previous board of directors. In an attempt to increase transparency, the current President and Board of

Directors have requested DSP's support to incorporate transparent and responsible financial and administrative systems.

As a first step to creating transparency, DSP organized a workshop for members of the ATCTL on how to open a new business bank account and access business credit at ANZ bank. Following this workshop, the association opened a new bank account at ANZ. To address the need for increased transparency, the ATCTL held a general meeting to discuss the financial reports from the previous and current treasurers. However, after this meeting, questions remain regarding the accounts and payments still due to members.

Next Steps:

Based on continued feedback from the board of the ATCTL, the main problem facing the association was its very poor accountancy system. DSP will continue to assist ATCTL in the improvement of its financial and administrative management systems.

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

Tourism service providers are currently at the center of much of the private sector economic activity in Timor-Leste. Demand for such services is strong and will likely continue to remain so in the near future. This demand is presently based on the large international donor and diplomatic presence, of long- and short-term consultants, which forms a captive market in which tourism businesses do not need to compete aggressively for customers. As a result, there has been limited substantial investment, innovation, or competitive standards for products and services.

During this quarter DSP supported the hospitality and tourism industry by : 1) attempting to provide organization support to reinvigorate the Timor-Leste tourism association, 2) determining how best support tourism operators, 3) tracking hotel occupancy levels, and 4) continuing the Hospitality Internship Industry Program.

Supporting Timor Leste's tourism association

DSP worked with the newly formed Timor-Leste Tourism Centre (TLTC) in 2008 and at the beginning of 2009. The TLTC hosted a membership drive/office opening event at DSP's Marconi office on January 22, 2009. About 65 business attended the event.

Despite the initial activities, the TLTC has not continued its efforts as an inclusive representative body of Timor's tourism industry. The interim executive body of the TLTC realigned its initial mandate of serving its members as an association, deciding to move ahead with registration as a business rather than an association. As a result of this shift, DSP is not considering the possibility of providing the organization a grant. However, DSP remains interested in supporting specific activities that improve the quality of tourism and hospitality services in Timor-Leste.

Supporting Tourism Operators

While individual businesses are committed to the improvement of tourism in Timor, there is generally a lack of trust among businesses which limits the potential for working with groups of businesses. In with the opinion of one tour operator, businesses in Timor are not collaborative and it may not be possible to get a representative group of business owners to work together.

Tracking Hotel Occupancy Levels

DSP is tracking average occupancy levels of the major hotels in Dili. This information will be useful to gain a clearer understanding of trends in visitation to Timor-Leste. Both hotels and tour operators can use this information for planning and incorporating tourism packages into their offerings. At present, few hotels have shown any interest in the tourism sector per se, focusing efforts on servicing to the international donor community. This focus, while currently profitable, does not incorporate a long-term business focus. Following are the occupancy rates collected for this quarter.

	<u>January</u>	<u>February</u>	<u>March</u>
Average Hotel Occupancy*	65%	76%	83%

* based on data provided by nine hotels in Dili.

Hospitality Industry Internship Program

DSP is supporting an expanded Hospitality Industry Internship Program (HIIP). The expanded HIIP will consist of two six-month classes of about 50 interns (in each class) who will participate in the on-the-job (OTJ) training in hotels and restaurants throughout Dili (and possibly Baucau). Interns are being selected from leading hospitality and tourism schools throughout the country: ETP Venilale, CTID in Baucau, and Dili Institute of Technology.

Under an agreement with DSP, the East Timor Development Agency (ETDA) is coordinating and managing the internship program, including coordinating placement and participation in the HIIP for all interns, as well as pre-work and on-going training. ETDA will also monitor the interns at their OTJ training sites and provide monthly reports on progress. With a local institution managing the program, it is expected that the program will eventually be viewed as a valued practice into hospitality training by schools, government and the industry. It will also allow for the initiation of effective and continuing partnerships between the schools/training institutions and ETDA and in turn, GoTL.

Grants are being provided to tourism training institutions; CTID, DIT and ETP are all receiving support for training materials and equipment to help upgrade their facilities to teach using improved practices in hospitality and tourism management.

Significant outcomes:

- On 17 March 2009 the Minister of Tourism, Industry and Commerce Gil da Costa Alves officially launched the USAID-funded HIIP together with the US Embassy's Charge d'Affairs, Henry Rector; USAID Representative, Mark A. White; and Acting Secretary of State for Professional Training and Employment, Mr. Alfredo Pires.
- The first class of 62 interns — 38 women and 24 men – coming from 13 districts in the country received six-days of basic pre-work training.
- As of 31 March, 33 of the enrolled 62 interns have been placed in on-the-job training posts. ETDA has noted a challenge placing some interns because of their limited language skills.

Next Steps:

- Monitor the training and internships during 2009.

ENABLING ENVIRONMENT

Limited opportunities were available during the first few months of 2009 for private sector companies to engage the government in discussions about ways improve Timor-Leste's commercial and legal framework, to be more conducive to business formation and efficient business operation.

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

No public-private dialogues were initiated during the quarter.

[9] Telecommunications Reform

DSP has not yet engaged in any activity in the area of telecommunications reform in 2008/2009. We are awaiting any signal from the World Bank (the lead agency in this activity) or from the GOTL. We remain ready to undertake any supporting activity but we continue to observe an apparent lack of leadership and coordination by the Task Force charged by the World Bank to lead this effort.

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

This activity was completed with the departure of Mr. Colin Heartwell who worked in Timor-Leste until January 2009 as Advisor to the Ministry of Economy and Development,

GRANTS

In December, DSP awarded five grants amounting to \$209,482 to local institutions that will provide training to Timorese youth for work in the hospitality/tourism industry and improve agricultural export marketing. This support is a part of DSP's strategy to increase income generation through improved business linkages within supply chains, including a concerted effort to build a better tourism industry and strengthen agribusiness.

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

Four grants are directed to the hospitality and tourism sector with aims to support the training institutions largely consists of equipment to upgrade and improve the quality of the student training in order to respond to the industry's demand.

ETDA has been awarded a grant for the coordination and monitoring of the internship program. As a part of the grant activities, on March 17, 2009, ETDA have organized a ceremony of Hospitality Industry Internship Program (HIIP). This ceremony was officially launched by the Minister for Tourism, Commerce, and Industry, Mr. Gil Alves. At the same time, the hotels manager has signed a contract with interns and ETDA Manager as form that the interns have been accepted to deploy at the hotel for "On the Job Training" program. So

far 39 out of 62 interns have accepted by the hotels to start their internship program. For those that have not deployed yet, the ETDA still make an effort to approach the others hotel and restaurant to accept those remain interns.

For the others four grant recipients such as DIT, ETP Venilale, CTID and Comiko Diak mostly the procurement items has been delivery to each grantee. The actual budgets that have been disbursed were about 23 % from the total budget which was \$209,482.

Next Steps:

- Monitoring for the ongoing activities need to be conducted regularly by the Grant teams.
- The remaining procurement for each grantee should to be complete by May 2009.

ADMINISTRATIVE AND TECHNICAL MANAGEMENT

During the period from January to March 2009, the administration staff has supported DSP program activity by providing assistance in terms of logistical arrangement, administrative and procurement support to the following short-term consultants.

Mr. Collin Heartwell – for 24 days beginning 2 January, 2009.

Ms. Cecile Hipos – for 10 days beginning 6 January, 2009.

Mr. Edy Widyanto – for 32 days beginning 9 January, 2009.

Mr. Keith Doxtater – for 41 days beginning 9 December, 2009.

Mr. Toby Gibson – for 57 days in two assignments 21 January, 2009 to 6 April, 2009.

Ms. Christy Ferguson – for 45 days beginning 10 February, 2009

Mr. Tom Bauch – for 3 days beginning 13 March 2009.

Procurement

Procurement by the DSP during the quarter was mainly for the grants program.

Departures and New Assignment

Mr. Eusebio Belo, Commodities Field Assistant, resigned from DSP on 10 February 2009 and has been replaced by MS. Angela Barros. The offer contract was signed on 17 February, 2009.

Mr. Elizito Barros has been recruited as Technical Field Staff Assistant related to the field of horticulture marketing on 17 February, 2009.

Mr. Tito Lelo has been recruited as Technical Field Assistant related to the field of horticulture marketing on 1 March, 2009.

FINANCIAL REPORT THROUGH 31 MARCH 2009

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

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

Balance of Obligated Funds:

Amount Obligated by USAID:	\$ 8,800,000
Expenditures through 31 March 2009: (including grants)	\$ 7,216,386
Funds Remaining vs. Obligation:	\$ 1,583,614 (18%)
Funds Remaining vs. Contract:	\$ 3,572,088

With submission of the January 2009 invoice, DSP has reached expenditures exceeding 77.6 percent of obligated funding. In January 2009, DAI provided to USAID a Limitation of Funds Notification, and 12 March notified USAID that expenditures had exceeded 82 percent of obligated funding.