



QUARTERLY REPORT: APRIL-JUNE 2009

TIMOR LESTE—DEZENVOLVE SETOR PRIVADU (DSP) PROJECT

AUGUST 1, 2009

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SUMMARY

This report covers activities undertaken during the period April - June 2009, the fourth quarter under the DSP Year Four Work Plan submitted to and approved by USAID in August 2008.

SUCCESSSES AND HIGHLIGHTS

The Lequitura Farmers Group had gross earnings of \$16,794 during the three-month period ending 11 May 2009. Distributed income was \$8,397 – about \$840 per household -- and \$8,397 is on deposit at ANZ Bank for use in covering future costs.

KMANEK Supermarket purchased \$ 3,584 worth of horticultural products from two sites in Aileu.

DSP field staff organized six marketing points in the Balibo Sub-District from May 26th-29th, 2009 where over 19 metric tons of mungbeans were purchased by the trading company LEO ATSABE.

Total recorded quarterly sales of *Timor Products Network* itmes have increased over 50 percent since last quarter, to more than \$17,250.

DSP planned a Beach Craft Fair in Maubara, Liquisa District on June 20, 2009 that attracted an estimated 1,000 people. Participating handicraft vendors earned a total of over \$7,700 at the one day event. The event drew senior government officials, including President Jose Ramos Horta, Minister of Tourism, Commerce, and Industry, Gil Alves, and Minister of Justice, Lucia Labato, among others. In addition, the diplomatic community came in full force.

AGRIBUSINESS

[1] HORTICULTURAL PRODUCTION

At the Lequitura SHA, yields of capsicum (bell pepper), beef tomatoes and cherry tomatoes declined to total 71 kg/week for all indoor crops harvested from the greenhouse. Sales of outdoor crops are continuing through the wholesalers, Zero Star and KMANEK supermarket, and by direct farm-gate sales.

INCOME SHARING

The Lequitura Farmers Group was hosted by DSP in Dili hotel for a two day quarterly committee meeting May 12-13. The committee, which governs the sharing of income earned from the greenhouse, met to agree on the allocation of group funds to the payment of Costs, Household Income and Community Projects. The farmers agreed that:

- The money left in the Groups' account from the previous Quarter (set aside during the meeting in 10 February 2009 as money for paying Costs) would be treated as Income in this Quarter alone.
- No money would be allocated to community projects in the Quarter with all income split equally into Household Payments and Costs

- A new ANZ bank account was established for keeping group cash for Costs separate from Income.

TABLE 1. LEQUITURA FARMERS GROUP MONTHLY INCOME

Item	Value
Gross earnings (11 Feb – 11 May 2009)	\$16,794
Income to Group (10 Households)	\$8,397
Quarterly Income per Household	\$839
Deposit to group's Costs Account	\$8,397

BUSINESS STRUCTURE

During the month of June a Timorese-Australian lawyer, Mr. Sahe da Silva, was engaged to provide a legal opinion regarding the most appropriate legal structure that could be used by the farmers of Lequitura to become a formal entity recognized by Timorese law. Following consultations with the farmers of Lequitura regarding his recommendation, Mr da Silva will register the recommended structure. Once the group is registered, Mr Francisco Benevides will mentor the group to hold formal business meetings. He is the ex-Government of Timor-Leste Minister of Agriculture

INDOOR PRODUCTION

At the end of June 2009 production of green and yellow capsicum (bell pepper) had almost finished. It is normal for the yield of hydroponic crops to decline during the life of the crop. When the yield is near zero, the plants will be uprooted and the greenhouse sterilized for replanting. During the month of June 2009 technical assistance was provided by consultant Edy Widiyanto who will return in August 2009 to troubleshoot the sterilization and replanting of the large greenhouse.

During the Quarter, DSP partner KMANEK Supermarket made a request to DSP for technical assistance regarding the growing of strawberries. Strawberries are a crop already grown in Aileu District and the DSP Agribusiness team is exploring the cost of production, expected yields and the prices for which strawberries could be sold both domestically and potentially in export markets in the future.

The DSP Agribusiness team will also investigate the production and sourcing of European potatoes for sale domestically. Production of potatoes is severely constrained in Timor-Leste by the presence of potato blight virus. Without a source of virus free seed stock and a massive agronomic technique training program it is likely that large quantities of potatoes will continue to be imported from China and Europe for the foreseeable future.

OUTDOOR PRODUCTION

DSP's Agribusiness team continues to engage and train a team of field staff who can promote and co-ordinate outdoor production by providing technical assistance to farm households. Over time these staff will migrate to become KMANEK funded staff at each of the out-grower sites. During the month of June 2009, four graduates of the National University of Timor-Leste were offered places with DSP at a farmer field school in operation at the Suco Sarin – Aileu District site. These are the first four of what is hoped will be a rotating three month paid training position within the program. Following three months working at the Suco Sarin – Aileu District site the trainees will be available for employment with DSP partners or in DSP expanded activities in other areas.

DSP's Agribusiness team provided technical assistance at the vegetable seeding nurseries at each site in Aileu. The nurseries are the hub of an outgrowing system supplying vegetable seedlings to surrounding farms. Inputs and seeds are provided free by Kmanek to ensure that the product is sold back to them. These nurseries were officially launched in April 2009.

Next Steps

DSP will:

- Assist Zero Star to import seeds for their own outdoor production needs.
- Assist Kmanek Supermarket to import seeds directly from farm households in Aileu.
- Facilitate quarterly income sharing meeting for the Leqitura farmers group. The next meeting is scheduled for August 12, 2009.

[2] HORTICULTURAL PRODUCT MARKETING

DSP technical staff continued to assist Kmanek Supermarket to purchase top quality horticultural products from farmers in Aileu District. During the quarter KMANEK Supermarket began substantial purchase from two sites; Suco Sarin – Aileu District and Suco Liurai - Aileu District. See below for a summary of the value of KMANEK Supermarket purchases.

FARM GATE VEGETABLE MARKETING

During the quarter, purchases of vegetables in Aileu District were facilitated by DSP through the provision of technical assistance.

TABLE 2. COMBINED MONTHLY FARM-GATE PURCHASES BY KMANEK SUPERMARKET FROM TWO SITES IN AILEU.

Month	Total Value (\$USD)
April	\$254
May	\$680
June	\$2,650
Total	\$3,584

ZERO STAR OPERATIONS

Despite a year of technical consultancies, including embedding DSP staff in the company as well as the provision of an Operations Manual, Zero Star's owner and manager made few efforts to implement recommendations made by DSP consultants. It has become apparent that a lack of willingness to improve, rather than a lack of capacity, is the root cause of this problem. In particular, Zero Star management continues to hire family and friends, refuses to provide incentives or disincentives for employees (for example, for adding new customers or regaining "drop outs" from the home delivery service), and fails to adequately supervise day-to-day operations. Intensive support to the company is on hold until the company's management significantly improves its performance in these areas.

Despite these shortcomings, DSP introduced the company to LITA supermarket and arranged a meeting with LITA's manager, Jason Lee. This meeting was significant as Mr. Lee agreed in this meeting to pay cash on delivery for Zero Star products rather than accept product on consignment, as had been the case until that point. DSP will continue to monitor the sales to these supermarkets, although specific dollar values and number of sales to these and other institutional buyers are difficult to ascertain for the reasons aforementioned.

ZERO STAR FRESH PRODUCE BOX

Deliveries of the Zero Star Fresh Produce Box declined to approximately 52 subscription boxes per week. The weekly deliveries account for over \$3,000 in gross income each month for Zero Star. Expansion of this revenue stream for the company is constrained by their inability, independent of DSP assistance, to source fresh horticultural products and plastic crates for the servicing of an increased numbers of clients.

PROMOTION OF TIMOR-LESTE HORTICULTURAL PRODUCTS

The third of three films showcasing Timor-Leste horticultural products was completed during the quarter. *Husi Povu* ('From the People') is a twenty minute short film promoting locally produced food products to consumers in Dili. The objective of producing and broadcasting 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 the national broadcaster, TVTL, and be printed for souvenir packs.

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;
- Televisé the Horticultural Product Showcase films on national television.

[3] EXPAND PRODUCTION OF CASH CROPS FOR DOMESTIC AND EXPORT MARKETS

DSP also works with low per-unit value bulk crops such as peanuts and mungbeans. In Timor-Leste, these commodities are grown by more farm households than those which grow vegetables. In this quarter, DSP continued to install peanut de-shelling machines for the processing of raw peanuts. DSP also encouraged new traders to survey the markets in the DSP target Districts of Cova Lima and Bobonaro. Pick-up points were organized for both mungbeans and peanuts during the Quarter.

MECHANIZATION

The sale of large volumes of peanuts in single purchasing events is constrained by the time it takes to de-shell peanuts by hand.¹ DSP contracted the local production of 30 peanut de-shelling machine units. Adding to the eight existing units, another seven of these units were installed in Bobonaro District. These units assisted small traders in those communities to de-shell the entire harvest of peanuts shortly after drying, thus making large volumes available for farm-gate sales and pickup facilitated by DSP's commodities marketing activities. Installations of the machines are ongoing. Key DSP partners, Comico Timor Diak and Duas Irmãs are preparing to install mobile de-shelling units for transport to new areas requiring the de-shelling of large harvests.

CROSS VISIT FOR BAUCAU-BASED TRADERS

During April 27th-29th DSP's Commodities Team arranged for traders from the peanut growing areas of Baucau District to visit the peanut growing areas of Bobonaro and Cova Lima Districts. The traders from Baucau, ACELDA, and Comico Baucau Diak, agreed that

¹ Hand de-shelling is usually carried out by women in Timorese farm households with one household de-shelling roughly 50kg per week.

while product available for purchase is abundant, the road conditions would prohibit them from bringing that product to Dili, Timor-Leste.

FARMER LISTING

Farmer listing is a process where areas of potential for cash commodities sales are identified by DSP field staff and within that area, growers are identified in order to estimate the volume of product that could be made available. Listing also enables larger numbers of farm households to access DSP marketing services and DSP populates a large farmer database utilizing this information.

During the Quarter, farmer listing was carried out in Bobonaro and Cova Lima Districts. DSP Commodities staff listed 143 new mungbean farmers, largely in the Balibo Sub-District of Bobonaro District. During the Quarter, DSP Commodities staff listed 162 new peanut-growing farm households, largely in the Lolotoe Sub-District of Bobonaro District. These new households, for both peanuts and mungbeans, are included in marketing efforts along with households identified in previous years.

MUNGBEAN SALES

During the Quarter, DSP staff facilitated mungbean sales in two Sub-Districts: Balibo Sub-District of Bobonaro District and Tilomar Sub-District of Cova Lima District.

Average yields in Balibo Sub-District were lower this year than in previous years (over 39 metric tons of mungbean were purchased from the same area in 2008). However, the per household average volume of mungbeans sold by farmers attending DSP sales for the second time, 105 kg, was higher than those farmers who were selling for the first time in 2009, who sold an average of only 88 kg per household. In May, over 19 metric tons of mungbeans were purchased by the trading company LEO ATSABE. DSP field staff organized six marketing points in the Balibo Sub-District from May 26-29, 2009.

In April over 1.6 metric tons of mungbean were purchased in Tilomar, Cova Lima District by the trading company Comico Suai Diak with DSP facilitating sales. DSP staff surveyed the area to assess volumes available and estimated that over 5 metric tons would be available for purchase. However, late rains in the 2009 wet season made road access from Suai town difficult. Because of road conditions, trading companies were late visiting the area, and consequently the majority of mungbeans were sold without DSP assistance at remote border markets for transport to West Timor-based traders.

PEANUT SALES

In June 2009, DSP staff organized the purchase of 1.9 metric tons of peanuts from farm households in the Lolotoe Sub-District of Bobonaro District. The peanuts were purchased by DIARES, a trader based in Lolotoe village, from six marketing points centered around the DSP installed peanut de-shelling machines on the roads from Lolotoe village to Gildapil village and Suai town in Cova Lima District. The volume of peanuts purchased was not as large as expected as the domestic price in Timor-Leste was about equal to the West Timor price. Since that time, the Ministry of Tourism, Commerce and Industry has increased the purchase price for peanuts from USD\$0.50/kg to USD\$0.75/kg, which is about 50 percent higher than the West Timor price.

Next Steps

DSP will:

- Continue to distribute post harvest de-shelling machines, as well as train in their operation. There are few sales opportunities in the July – September Quarter, but DSP commodities staff will seek out those which are available.
- 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 through exploration of peanut marketing in the new area of Ainaro District in response to requests from Ainaro local government.

[4] COMMUNICATIONS OF FARM GATE COMMODITIES MARKETING PROCESSES

DSP is attempting to communicate the successful commodities marketing process to a wide number of farm households and 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.

Next Steps

DSP will:

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

BUSINESS DEVELOPMENT

DSP supports private sector growth by increasing access to technical and business services essential for efficient enterprise operation. During this quarter, DSP business development activities focused on the organization of a Beach Craft Fair in Maubara which was held on June 20, 2009. DSP efforts continued to strengthen business linkages through the development of market outlets for a variety of high-quality Timorese products. 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 supported the tourism and hospitality industry through the Beach Craft Fair, as well as with ongoing grants to educational institutions that support the Hospitality Industry Internship Program.

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

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

[5] LINKING BUSINESSES TO MARKET OPPORTUNITIES

DSP efforts to link businesses to markets focused on two areas during the quarter: support of the quality certified Timor Products Network of producers and activities to expand sales of handicrafts.

TIMOR PRODUCTS NETWORK

DSP continued to support the *Timor Products Network* of certified quality producers through the active promotion of the products. DSP has continued coordination with Dili-based supermarkets to highlight certified, quality products. By promoting these direct linkages between network producers and Dili-based supermarkets, DSP has continued to facilitate long-term relationships between individual producers and the supermarkets by encouraging producers to have regular and direct contact with the supermarkets while both selling and monitoring their products.

DSP monitors the “Buy Timor Product” displays and network products available in stores. Each week, DSP staff visit ten supermarkets in Dili (six of which currently have the Buy Timor Product display) to monitor the availability of products. When limited quantities are available in-store, DSP contacts the producers to deliver additional stock. In addition to this service, DSP encourages the producers to monitor their own product stocks as well.

As the DSP project enters its final year, an effort is being made to determine how to continue support to the *Timor Products Network* in the future. This issue was discussed at the DSP hosted Timor Products Network workshop held in May. Despite the initial enthusiasm shown by members to be more active in the Network, follow through has been mixed. DSP will focus increasingly on finding sustainability options in the coming year.

Significant outcomes:

- Total recorded quarterly sales of *Timor Products Network* items have increased over 50 percent since last quarter, to more than \$17,250, despite a general decrease in June. Following is a table of quarterly sales for items regularly available:

TABLE 2. TIMOR PRODUCTS NETWORK: MONTHLY SALES FOR REGULARLY AVAILABLE ITEMS.

Item	April	May	June	Total
Cassava Chips	\$151.25	\$263.60	\$202.60	\$617.45
Coffee CCT / NCBA	\$3,640.70	\$4,117.00	\$3,448.05	\$11,205.75
Coffee Kapa'as Lakoma	\$1,291.80	\$1,583.15	\$1,003.55	\$3,878.50
CTID Coconut Soap	\$33.75	\$628.75	\$438.25	\$1,100.75
Minutil Virgin Coconut Oil (VCO)			\$58.50	\$58.50
Tofu Furak	\$119.00	\$140.00	\$140.00	\$399.00
Total:	\$5,236.50	\$6,732.50	\$5,290.95	\$17,259.95

- *Buy Timor Product* display cases are now located in seven supermarkets: Eastern Dragon (Dili and Suai), Kmanek, Leader, Senior Shop, Tiger Fuel and W-Four.
- *Timor Products Network* producers have been introduced to supermarkets in Dili and Suai. During this quarter, additional products were introduced (or reintroduced) to supermarkets that have the Buy Timor Product displays. Minutil Virgin Coconut Oil, which had not been available in Dili supermarkets for over nine months, was reintroduced to four supermarkets with plans to enter additional markets.
- DSP facilitated the presence of the Timor Products Network at Expo 2009, held in May, to commemorate the Restoration of Timor-Leste Independence and Popular Consultation Day. Seven of the nine members participated, selling a total of \$1,030 worth of products during this week-long event.

- Facilitated the participation of eight of the nine members at the Beach Craft Fair in Maubara in June. Participating members had total sales of \$884 during this one day event.

Next steps

DSP will:

- Continue to work with the Timor Products Network to support the promotion of locally produced Timorese products. DSP will also expand services to work more closely with selected producers to provide them with technical assistance to improve individual business practices.
- Conduct a workshop with the Timor Product Network to develop a detailed action plan for the Network in the coming year. Topics will include: moving towards sustainability, leveraging resources, developing possible income generation activities, and marketing plans.
- Conduct individual meetings with each member of the Timor Products Network to develop an action plan for enterprise level support for selected businesses. Possible types of support may include: General Business Planning, Operational Planning, Personnel/Staffing Planning, Customer Relationship Building & Maintenance, Product/Service Development, Identifying New Revenue Options, Product Improvement and Packaging Improvements.

EXPANDING SALES OF HANDICRAFTS

DSP's work to support handicraft sales this quarter focused on the planning and execution of the First Beach Craft Fair in Maubara, Liquisa, which highlighted a tourist destination while encouraging increased sales of handicraft products.

BEACH CRAFT FAIR

DSP planned a Beach Craft Fair in Maubara, Liquisa District on June 20, 2009. This event integrated two DSP activities – increasing craft sales and supporting community-based tourism activities. In this effort, DSP collaborated with Mós Belle, a project funded by Cooperação Portuguesa, and the Ministry of Tourism, Commerce, and Industry.

This event attracted an estimated 1,000 buyers of handicraft products and tourism services. This one-day Beach Craft Fair, first-of-its-kind event, showcased the local handicraft industry of Timor-Leste and demonstrated how to further boost local incomes from tourism. Participating vendors earned a total of over \$7,700 in one day. Additionally, several vendors noted that they had made contacts for additional orders.

The event drew an impressive turnout of senior government officials, including: President Jose Ramos Horta; Minister of Tourism, Commerce, and Industry, Gil Alves; Minister of Justice, Lucia Labato, among others. In addition, the diplomatic community came in full force, with representatives from the U.S. Embassy/USAID, the Ambassadors from Australia, Brazil, Korea, Japan, and New Zealand all in attendance, as well as Portugal's Charge d'Affaires, the UN Representative, and the European Union Representative.

Next steps

DSP will:

- Meet with Ministry of Commerce, Industry and Tourism and Mós Belle to discuss lessons learned from this event.

- Assess the potential for supporting a local partner to sponsor additional craft fairs, both close to Dili and at tourist attractions outside of the city.
- Assist the Dili Tais Market.

TAIS MARKET

DSP has conducted monthly follow-up on the progress of the vendors since the renovation of the market facility was completed in May 2008. DSP collects monthly sales data for the 44 Tais Market vendors, through the market coordinator. Given the limited literacy of the vast majority of the vendors, monthly vendor sales are generally provided in very general 'round numbers'. Two of the vendors have changed their stalls into small general supply kiosks. The data indicate that sales have increased significantly from the previous quarter's average of \$2,900/month:

TABLE 3. TAIS MARKET MONTHLY SALES

Month	Total Value (\$USD)
April	\$4,625
May	\$4,560
June	\$6,002
Total	\$15,187

DSP facilitated the participation of six vendors from the Dili Tais Market at the Maubara Beach Craft Fair. The vendors made a total of \$875 in sales.

Next steps

DSP will:

- Continue to collect data on monthly sales generated at the market.
- Work with vendors to develop improved options for tracking sales.
- Analyze the constraints faced by Tais Market vendors and build a plan to increase sales.
- Work with Tais market vendors to more appropriately respond to market demand, such as improving product labeling and organization and increasing product offerings.
- Develop and distribute Tais posters at locations such as hotels, restaurants, and the airport departure lounge where there is high traffic of business visitors and resident expatriates. The posters will explain and graphically display various types of tais.

[6] IMPROVING ACCESS TO QUALITY BUSINESS SERVICES

DSP attempts to increase the quality and quantity of business services available to SMEs both through direct support 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 continued to work with several agribusiness partners to link them to providers of various business services.

Significant actions:

- Provided basic computer and email training to agribusiness partners ZeroStar and Kmanek.
- Assisted both Kmanek and ZeroStar to develop relationships with seed exporters in Australia in order to import seeds to provide to partner farmers.
- Provided ongoing support to both Kmanek and Zero Star with the official seed importation process; from initializing communication with suppliers to coordinating the request for and receipt of letters of recommendation and import authorization from the Ministry of Agriculture and the quarantine department.
- Developed a simple contact directory of Business Development Service Providers in Timor-Leste who provide business related services relevant to partner needs. This list includes providers of services such as: printing, design, training, and consulting.

Next Steps

DSP will:

- Assess the current availability of seeds and other agricultural inputs available in Timor-Leste and provide support to a business interested in more effectively supplying the market.
- 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 second quarter of 2009, DSP worked with the management board of the Truck Transportation Association (ATCTL) to develop a plan to improve basic financial and administrative procedures. ATCTL requested support to improve its financial, accounting and administration policies in order to ensure transparent and efficient day-to-day management. DSP developed a terms of reference and distributed it to several providers of accounting training and consulting. Three proposals were received and evaluated and DSP is in the final process of finalizing the agreement for the provision of these services. This support will include the development of an appropriate accounting system, along with training and on-going on-the-job training/mentoring. Additionally, ATCTL will receive assistance to develop their Financial Management Manual. In preparation for this intensive training and mentoring, DSP is providing hands-on computer training so that the participants are comfortable with the basic skills necessary to benefit from the accounting training.

Following is a table which highlights the total income for services by ATCTL's 37 members, as well as several sub-contractors hired on an as-needed basis:

TABLE 4. ATCTL MONTHLY SALES

	April	May	June	Total
Dili Port	\$98,328	\$52,682	\$83,076	\$234,086
WFP	\$0	\$5,576	\$0	\$ 5,576
Others	\$0	\$0	\$350	\$350
TOTAL	\$98,328	\$58,258	\$83,426.	\$240,012

Next Steps

DSP will:

- Execute a contract with the selected provider of basic accounting and financial support to ATCTL.

- Provide basic computer training for ATCTL board and staff members who will participate in the accounting and finance training/mentoring.
- Oversee training and mentoring to ATCTL.

[7] IMPROVING THE QUALITY OF SERVICES THAT SUPPORT HOSPITALITY AND FUTURE TOURISM

Tourism is 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, which forms a captive market in which tourism businesses do not need to compete aggressively for customers. As a result, there has been limited investment, innovation, or competitive standards for products and services.

During this quarter DSP supported the hospitality and tourism industry with the Beach Craft Fair in Maubara (highlighted above), assessed the impact of reported restaurant closures in Metiaut, and continued support to the Hospitality Internship Industry Program. In the upcoming quarter, DSP will organize an Advisory Committee of tourism and hospitality professionals to provide their input and feedback on critical issues facing the industry in Timor-Leste.

ASSESSING THE IMPACT OF REPORTED RESTAURANT CLOSURES IN METIAUT

Over the past several months, there has been some talk that the government will close the Metiaut beachfront restaurants in the upcoming months.²

DSP surveyed 11 restaurants that may be affected by these closures. Initial findings show that the closure of these businesses would be hard-felt in the local community and throughout Dili. Over 200 people are employed at these restaurants with about 100 people coming from the local communities. The wider economic impact of these closures would also be severe, with restaurants currently self-reporting approximately \$29,000 in weekly revenues and purchases of local Timorese products (primarily vegetables, fish, and poultry).

TABLE 5. POTENTIAL IMPACT OF REPORTED RESTAURANT CLOSURES

Potential Impact of Reported Restaurant Closures in Metiaut	
Total Employees	220
Avg. purchases of fresh local products	\$7,500
Avg. purchases of all other products	\$15,000
Avg. revenue* (8 respondents)	\$29,000

²There is very little clarity on the issue, although the following was reported:
 President calls for restaurants to be moved.*Televizaun Timor-Leste, June 8, 2009
 *(Translated from Tetun)

President Jose Ramos Horta has called for the restaurants at the seashore of Metiaut to be moved to another place, because the place is belonging to the Government. President Horta said the referred area would be used to build up a kindergarten and sport court. President Horta added in order to prevent the bad image that could affect to the attraction of tourists, he called for the owner of the restaurants to find another place and move from that place immediately.

HOSPITALITY INDUSTRY INTERNSHIP PROGRAM

During this quarter, DSP continued support to the Hospitality Industry Internship Program (HIIP). Under a grant from DSP, the East Timor Development Agency (ETDA) is coordinating and managing the internship program, including coordinating on-the-job (OTJ) training, placement and participation in the HIIP for all interns. ETDA is also tasked with monitoring the interns at their OTJ training sites and providing monthly progress reports. The HIIP has shown some significant implementation challenges, specifically in terms of placing and retaining interns in positions. DSP is concerned that ETDA has not been aggressive with placements and diligent in implementing the program. DSP is continuing to work with ETDA to develop a plan to address these issues and improve the process for future placements.

Of further concern is that the HIIP may be competing for existing jobs. The demand for labor is limited in the Timor Leste tourism/hospitality sector, because of lack of expansion in facilities/companies. As a result, the number of new jobs created is correspondingly low. Business owners do not need to hire new staff, because interns are available at a lower-than-market cost – and even at zero cost from (for example) World Vision – and therefore rationally postpone adding any new permanent staff. The consequences for HIIP interns will be a lack of employment opportunities because they must compete for the limited number of jobs with future, incoming interns as well as current job seekers.

The internship programs may be reducing the number of new jobs created in the tourism/hospitality sector as employers choose to use interns as well as new hires. The programs could also be holding down wages for existing employees, who must compete against the half-wages interns, e.g., the employees are made aware that they can be replaced by a \$47/month intern.

The availability of zero cost interns undercuts the HIIP. The original hypothesis was that ETDA placements could command the employer cost-share for the monthly stipend. This hypothesis has proved false. Employers do not place any added value to ETDA interns and with zero-cost interns being placed, finding slots for HIIP interns proves more difficult.

Significant outcomes:

- As of June 30, 2009, 58 of the initially enrolled 62 interns have been placed in OJT training posts. However, only 45 interns are currently working as several resigned for various reasons, including: continuing school, parents not permitting interns to work the night shift, and other personal reasons. Additionally, ETDA has noted a challenge placing some interns because of their limited language skills.

Next Steps

DSP will:

- Work in coordination with ETDA to make adjustments to the HIIP, building on the challenges and lessons learned from the first intake of interns.
- Continue monitoring Hospitality Industry Internship Program

GRANTS

In addition to the grant in support of Hospitality Industry Internship Program, grants have been made to tourism training institutions CTID, DIT and ETP, which are all receiving support for training materials and equipment to help upgrade their facilities to teach using improved practices in hospitality and tourism management. DSP has also awarded a grant to

Comico Diak for improved commodity crop collection and storage. In-kind equipment procurement for all five active grantees has been completed. Currently, all five grants amount to a total of \$251,508 in obligated funds.

Next Steps

DSP will:

- Complete construction of Comico Diak's facilities in early August.
- Continue monitoring grantee progress
- Work with current and potential grantees to reprogram grant cost savings and unobligated funds.

JUNIOR ACHIEVEMENT

In May 2009, DAI was tasked by USAID to manage a subcontract with Junior Achievement in Timor-Leste. As a condition of the new task, DSP was instructed to incorporate the Junior Achievement work into the DSP project Year Four Work Plan. This quarter is the first in which we are reporting on Junior Achievement's work.

Junior Achievement Timor-Leste moved premises at the beginning of June, and is now located in a more prominent position on Avenida de Portugal, Marconi, sharing office space with DAI and the Timorese Womens' Business Association.

A consultant from JA Headquarters in Colorado Springs, CO, Elizabeth Moore, visited JATL from May 30 – June 16 and completed an assessment of JATL's current and potential partners and programs. Together with the Executive Director of JATL, she visited several key partners, Moris Rasik, Mercys Corps, International Labour Organisation, EDC, and the Ministry of Education. The assessment found JA's Elementary Schools Program to be potentially viable for other non-traditional target groups with very little or no formal training, eg. rural women in micro-credit schemes and youth in life skills training. Implementation of the Elementary Schools Programs in their traditional context within the public education system is still being negotiated with the MoE, as no prior agreement had been reached.

A draft Memorandum of Cooperation (MoC) between the Ministry of Education and Junior Achievement Timor-Leste has been developed and presented to the Minister for Education. There are two possibilities for the implementation of JATL's Elementary programs: in the upcoming training for all teachers from September 21 – December 20, and/or a longer term solution that would lead to the inclusion of the JA program in the Primary School Curriculum, which is due to undergo revision in the upcoming months. Mark White, USAID East Timor Mission Director, is collaborating with JATL for a signed MoC with the MoE to allow for implementation of JATL's programs.

Registration of JATL as a training provider at the Secretary of State for Professional Development and Employment is currently in process. When registration is complete, local organizations will have access to government funding in order to receive training in JATL's programs.

ENABLING ENVIRONMENT

During the first few months of 2009, DSP continued its facilitation of business growth by helping to improve Timor-Leste's commercial and legal framework to be more conducive to business formation and efficient business operation.

[8] PROMOTING A CONSTRUCTIVE DIALOGUE BETWEEN THE PRIVATE AND PUBLIC SECTORS IN TIMOR-LESTE

No public-private dialogues were initiated during the quarter.

[9] TELECOMMUNICATIONS REFORM

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

[10] STRENGTHENING THE INSTITUTIONAL CAPACITY OF THE MINISTRY OF ECONOMY AND DEVELOPMENT

This activity is no longer active. Mr. Colin Heartwell worked in Timor-Leste until the first quarter of 2009, when funding for his position as Advisor to the Ministry of Economy and Development expired.

ADMINISTRATIVE AND TECHNICAL MANAGEMENT

During the period from April to June 2009, administrative staff has supported DSP program activity by providing assistance in terms of logistical arrangements, administrative, financial and procurement support.

PERSONNEL

Departures and New Assignments:

Mr. Guido Sequira, Agribusiness Cooperatives Specialist, resigned from DSP on May 12, 2009

Mr. Tiago da Costa, Technical Field Assistant, resigned from DSP on May 12, 2009 and has been replaced by Ms. Zulmira Alves dos Reis as of June 1, 2009.

Mr. Salustiano Nahak, Technical Field Assistant, resigned from DSP on May 12, 2009 and has been replaced by Ms. Alcina Mendonca Martins as of June 1, 2009.

Ms. Ondina Babo de Jesus joined DSP's staff on April 6, 2009 as a cashier.

Mr. Joaquim de Jesus Lay Araujo joined DSP's staff on June 1, 2009 as an IT Support Specialist.

Tito Lelo da Silva, who had worked to create Zero Star Company's Operations Manual as a DSP consultant, was hired in a permanent capacity for a Horticultural Marketing role within the Agribusiness team. Mr da Silva will continue to provide mentoring to DSP partners interested in vegetable distribution.

Promotions:

Mr. William Bere Ati has been promoted to Agribusiness Team Leader as of June 1, 2009.

Ms. Nina Sarmento is reassigned and promoted to be Public Information Officer for DSP.