



QUARTERLY REPORT: JULY-SEPTEMBER 2009

TIMOR LESTE—DEZENVOLVE SETOR PRIVADU (DSP) PROJECT

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SUMMARY

This report covers activities undertaken during the period July to September 2009, the first quarter under the DSP Year Five Work Plan submitted to and approved by USAID in August 2009. In DSP's fifth year, work is organized into four components:

Component 1: Agribusiness Services

Component 2: Business Development Services

Component 3: Enabling Environment

Component 4: Project Closeout

The first three components are DSP's main technical areas, with the agribusiness and tourism/hospitality sectors continuing to be key focal points. Component 4, project closeout activities, will begin in January 2010 and is not covered in this quarterly report.

SUCCESSSES AND HIGHLIGHTS

On August 12, 2009, DAI received contract modification 12 to the DSP/BASAR task order to formalize DAI's role as implementer of the USAID/Conoco Phillips Public-Private Alliance. The modification tasks DAI with replicating the existing Special Horticultural Area at Lequitura, Aileu in two additional locations. Modification 12 also increased the contract ceiling value by \$847,675.21 and the obligated amount by \$400,000.

On August 18, DSP sent six Timorese women for horticultural production training in Indonesia using funding provided by the USAID/Conoco Phillips Public-Private Alliance. The three-month training will be conducted in Kintamani, Bali, Indonesia, under field conditions that are similar to those found in Timor-Leste, and supported by classroom instruction at the Horticultural Production and Practical Training facilities of Bali Fresh.

In conjunction with Timor-Leste's celebration of 10 Years of Independence, DSP launched the Posters of Timor Tradition series on 11 September 2009. This tourism promotion initiative is designed to expand awareness of tourism opportunities in Timor-Leste, highlighting the nation's unique crafts, culture and scenic beauty. The posters will be available for sale at shops where foreign visitors buy souvenirs.

On July 28, U.S Ambassador Hans Klemm visited Balibo Sub-district at Leohitu village to distribute identification cards to farmers selling mungbeans with USAID Dezenvelope Setor Privadu (DSP) support. The ID Cards were distributed to lead farmers – who produced over 100kg during the season-- to recognize those who are active in producing mungbeans for sale to local traders.

COMPONENT 1: AGRIBUSINESS SERVICES

A. COMMODITY CROPS

A1. Increase the Number of Traders

Two peanut shelling machines were loaned to traders, *Joao Carobau* and *Matteus*. 14 peanut shelling machines remain for distribution to partners as new MOUs are signed.

DSP and Leo Atsabe, a trader based in Balibo Sub – District signed an agreement (July 2009) to cooperate on the marketing of commodity crops, particularly mungbeans.

A2. Strengthen Trader Presence in Remote Areas

The Comico Diak Suai warehouse in Suai Kota Sub - District of Cova Lima District was officially opened (26 August 2009) by the Minister of Tourism Commerce and Industry (MTCI), Gil Alves, as well as the Vice-Minister of Economy and Development, representatives of USAID, the Ministry of Agriculture and the District Administration of Cova Lima District. The warehouse will be used by Comico Suai to store and market mungbeans and peanuts bought locally, particularly in the areas of Camnassa and Suai Loro where DSP has worked to build business relationships between producers and the company.

A3. Build a Farmer and Agent Database

DSP distributed ID cards to 175 peanut and mungbean growers. These growers are those who sold more than 100 kg at DSP facilitated commodity marketing points. The ID Cards bear the farmer's photo and name, as well as the Local Products logo. U.S. Ambassador Hans Klemm, attended a handover ceremony for the Farmer ID cards in Suco Leo Hitu – Balibo Sub District.

A4. Conduct Local Trader Network Meetings

In September sales of peanuts at pick-up points in five Sucos of Sub-District of Bobonaro District were ongoing. 12 metric tons of peanuts were purchased by *Matteus*, a small trader based in Bobonaro town. The peanuts will be sold to MTCI.

A5. Improve Market Information Systems

During August 3-4, the DSP Commodities team surveyed potential peanut production areas and estimated volumes available in the Ainaro Sub - District. Information available indicates that very little product is available for purchase due to road conditions -- despite abundant suitable land and willing farmers with small amounts of their own seed. Candenuts were also in abundance there.

Next Steps. DSP will continue to:

- Distribute and train in the operation of post harvest shelling machines.
- Develop MOUs for shared marketing activities with local traders.
- Facilitate visits by buyers to inspect production sites.
- Monitor prices and Government procurement processes.
- Assist household heads to coordinate commodity sales in their areas.

B. HORTICULTURAL PRODUCTION

B1. Improve Nursery Management

In September 2009, four individuals graduated from the DSP farmer training center at Suco Sarin – Aileu District. One of these trainees, Domingos Soares, was assigned to assist KMANEK Supermarket to expand broccoli and cauliflower production. The other three graduates commenced irrigation system construction training with DSP consultant (Irrigation Specialist) Rus Alit. Four more trainees, graduates of the USAID funded program Building Agricultural Capacity in East Timor, will start at the farmer field school in October 2009.

DSP staff member (Horticultural Marketing specialist) Mr. Tito Lelo da Silva, was hired by DSP partner KMANEK Supermarket. He is now managing seed distribution to farmers, as well as purchase and marketing of the farmers' product. Mr. Lelo was funded by KMANEK to attend the strawberry production study tour to Indonesia (see below).

B2. Assess Potential New Crops

DSP's Agribusiness team continued to investigate the feasibility of Timor-Leste strawberry farming at the request of DSP partner KMANEK Supermarket. A study team toured strawberry production facilities in Indonesia and met with the following growers/companies:

- Ronald Serhalawan of Joro PT - strawberries under cultivation in Plagen, Bali.
- Sumartono of PT Strawberry Lestari – greenhouse strawberries of Bogor, Java.
- Suparta of PT Cisasrua - strawberry outgrowing system in Lembang, Bandung.

The study team included DSP staff members David Dyer and William Ati, two Kmanek Supermarket managers, and USAID staff member/DSP's COTR, Cândido da Conceição,

B3. Continue to Develop Year Round Production

Greenhouse technology is used to manage year round production. While the large Lequitura greenhouse was sterilized and new blocks laid for replanting, production continued in the smaller nursery structure adjacent to the greenhouse

Production from the 216 cherry tomato, 216 beef tomato and 432 capsicum plants in the nursery is listed below:

Table 1

Month	Volume (kg)	Value (USD)
August	670.0	\$993.00
September	329.0	\$977.25

Zero Star Company opened its own production facility in Gleno, Ermera, which DSP staff visited twice during the Quarter. In the wood and plastic greenhouse, 776 Capsicum plants and 418 beef tomato plants are manually irrigated by eight local workers. The greenhouse supervisor is Ms. Maria Mendonca, a 2007 graduate of Joro PT production training at Kintamani, Bali, funded by DSP.

KMANEK purchases of crops produced outdoors at Suco Sarin – Aileu District and Suco Liurai - Aileu District are listed below. Strategies to improve consistency of supply included mentoring of Tito Lelo, now a KMANEK employee, by DSP consultant (Horticulture Specialist) Bruno Benavente. Seeds were purchased from Lefroy Valley in Australia by the KMANEK team with assistance from DSP’s Business Development Services and Agribusiness teams.

Table 2

Month	Volume (kg)	Value (USD)
July	3171.50	\$2464.50
August	2073.90	\$1682.26
September	5246.20	\$4117.15

Zero Star continued to buy small amounts (\$2,478) of Outdoor Production crops from DSP-funded facilities at Leqitura.¹

DSP Consultant Bruno Benavente, expanded the outdoor production of cauliflower and broccoli in Aileu District, by establishing a new nursery devoted to these crops.

B4. Improve Pest and Disease Control

During the quarter DSP consultant and now employee (Pest and Disease specialist) Nilton Aniceto, visited the outdoor production nurseries in Aileu every Thursday to assist with the identification of pests and their management.

Consultant (Horticulture Production Trainer) Eddy Widiyanto, was deployed to Timor-Leste between 15-29 August. He assisted with thrip control through greenhouse sterilization using a diluted chlorine solution. He also identified potential trainees for the Conoco-Phillips funded Horticulture Production Training in Kintamani, Bali.

B5. Identify Water Resources for Expanded Horticultural Production

DSP identified and monitored water resources at various sites as a part of the selection process to determine suitable sites for the two new greenhouses.

¹ Purchases were \$1176.12 in July, \$951.30 in August and \$351.37 in September.

Water Flow at Selected Aileu and Ainaro District Springs, September 2009

Table 3

Aldeia	Suco, Sub-District	Flow rate (L/min)	GPS Coordinates
Lau Heli	Horai Ki'ik, Maubisse	12	S@:02852118, E@:12535093' elev. 1535 m
Couladu	Liurai, Aileu Kota	6	S 08"45.652' E 125"32.987' elev. 939m
Couladu	Liurai, Aileu Kota	120	S 08"46.234' E1225"32.584' elev. 1139m
Colau	Fahiria, Aileu Kota	3	S 08"45.931' E125"33.686' elev. 1025m
Colau	Fahiria, Aileu Kota	3	S 08"45.943' E125"33.655' elev. 1022m
Sarin	Fahiria, Aileu Kota	120	Stream next to KMANEK nursery

B6. Formalize Producer Group Structures and Improve Their Business Skills

On 11 August 2009 DSP hosted the farmers from the Lequitura Farmers Group to carry out their two-day quarterly committee meeting in Dili hotel facilities. During the quarterly update, Mr. Francisco Benevides presented the findings of consulting lawyer Sahe da Silva regarding recommendations for the group becoming a registered business. (Both Mr. Benevides and Mr. da Silva are retained by DSP). Zero Star Director, Joanitu Brandao, discussed the work required to organize the replanting of the Lequitura greenhouse: purchasing rice husks, sleeves, blocks, replacement seeds and nutrient mixes.

During the quarterly meeting, the farmer committee which governs the sharing of income from the greenhouse met to agree on the allocation of group funds to the payment of Costs, Household Income and Community Projects. The committee recommended that:

- no money be allocated to community projects in the quarter, with all income split equally into Household Payments and the Cost Account.
- group member Pasquela Saldanha was only present at work for one of the three months and so her earnings were docked by 2/3 with the docked amount deposited into the Cost Account.

Table 4

Item	Value
Gross earnings (11 May 2009 – 11 August 2009)	\$ 3,788.42
Income to Group (10 Households)	\$1,894.24
Quarterly Income per Household	\$ 210.47
Deposited to Costs Account	\$1,824.07

B7. Continue to Develop Capacity Among DSP’s Horticultural Partners

Zero Star: Intensive support to the company is on hold until the company management significantly improves in the areas discussed in the previous Quarterly report. Reliable data on the specific dollar values and number of sales to subscription box and institutional buyers is not being collected by the company and is therefore difficult to ascertain.

Deliveries of the Zero Star Fresh Produce Box continued to drop to approximately 22 subscription boxes per week in late September. This amounts to \$1500 gross income each month for Zero Star. Expansion of this revenue stream continues to be constrained by their ability, independent of DSP assistance, to source fresh horticultural products and plastic crates for the servicing of increased numbers of clients. This fall- off in sales has occurred despite Zero Star’s promotion in DVD copies of the Timor-Leste Horticultural Product Showcase film,

KMANEK Supermarket was promoted by signs advertising the volume of vegetables sold at the farm gate installed at all sites.

Next Steps. DSP will:

- Facilitate quarterly income sharing meeting for the Lequitura farmers group, next scheduled at 12 October 2009.
- Assist KMANEK to expand broccoli and cauliflower production capacity.

C. USAID/CONOCO-PHILLIPS PUBLIC-PRIVATE ALLIANCE

On June 11 2009 USAID and Conoco-Phillips signed an agreement to replicate the Lequitura Special Horticultural Area in two more sites in Timor-Leste. DAI was contracted to carry out this proposed program of work on 12 August 2009.

In July the DSP Agribusiness team developed a technical proposal for the work. This included site selection and partner selection meetings amongst key project personnel, as well as preliminary meetings between Aileu District Administrator, USAID, farmers, and DSP project staff.

C1 and C2. Indoor and Outdoor Production

Thirteen site assessments were carried out this quarter based on recommendations from the District Administrator of Aileu, DSP private sector partners and DSP staff. Of these thirteen sites, four were assessed as having the necessary critical factors --water access, road access, suitable land area, and altitude, to accommodate the production facilities. The DSP Agribusiness team proceeded to undertake preparation work for possible installation of a greenhouse at these four sites at once. Work included; agreements for land use, water use plans, agreements between the farmers group members, and letters from relevant authorities regarding land use.

C3. Farmer Training

The first group of six female trainees departed August 18 for Horticultural Production Training at Kintamani, Bali. During their three months in Bali they will learn background about the Indonesian horticulture industry, production technology and horticultural production business management theory and practice. One monitoring visit to the site was carried out by DSP staff member Fidelio Hornai with a second one scheduled for early November 2009. Further potential trainees were identified from partner sites in Aileu District.

C4. Access to Finance

KMANEK Supermarket continued to provide in-kind lending to farmer groups in the form of vegetable seedlings. The cost of these seedlings and their production is recouped from the farmers via the pricing of the fresh product purchased.

Next Steps:

- Rehabilitate water intake/pipe systems on two sites.
- Prepare trainees for second Horticultural Production Training Kintamani, Bali.
- Prepare trainees for Executive Marketing Training Internship.
- Study access to finance in the Aileu District.

COMPONENT 2: BUSINESS DEVELOPMENT

DSP supports private sector growth by increasing access to technical and business services essential for efficient enterprise operation. During this quarter, DSP efforts continued to support increased access to markets for local producers. The Business Development team has also been working in concert with the Agribusiness team to support local partners, with special focus on facilitating access to needed agricultural inputs. In the first quarter of its final project year, DSP has placed increased effort on supporting individual enterprises, and is also placing continued emphasis on supporting the tourism and hospitality sector.

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

- [D] Increase sales and income earning opportunities by responding to end market demand,
- [E] Develop the capacity of project partners,
- [F] Identify and support new partners,
- [G] Entrepreneurship skills development.

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

As a step towards supporting increased sales and commercial success, DSP is supporting project partners to respond to market opportunities.

D.1 Identify New Market Opportunities

DSP has been working directly with producers to develop and carry out consumer surveys and has coordinated with *Democracy International* to support Kmanek Supermarket to develop and analyze surveys on how to expand their commercial delivery of fresh horticulture products.

During the Dili Trade Expo in August, DSP encouraged members of the Buy Timor Products Alliance to talk to their customers. DSP developed very simple surveys to be used as talking points for each of the producer companies. Producers, following basic training, used these surveys to approach purchasing and non-purchasing visitors to gain customer feedback on their products.

D.2. New Product Development and Testing

Buy Timor Products Alliance member, Minutil, tested the sale of a smaller sized bottled of virgin coconut oil at the Dili Trade Expo. This 500ml size bottle was a very popular seller, especially with Timorese buyers. Based on feedback from customers, Minutil is planning to add this item to its regular sales offering.

Next steps:

DSP will continue to support Minutil and other project partners to respond to market demand by developing and testing new or improved products.

D.3 Institutionalize Promotional Events

As the DSP project enters its final year, the Business Development team is working with partners to institutionalize previous events. By further developing local capacity, it is expected that these events can continue with limited, or no, donor support.

Beach Craft Fair. Based on the success of the first Beach Craft Fair in Maubara, it is expected that this will be a yearly event with continued sponsorship by the government. DSP has begun discussions with the Ministry of Tourism, Commerce and Industry and Mos Bele and will continue to work with these partners for this and other potential events.

Alola Christmas Fair. DSP will provide pre-fair training for participating vendors. This basic customer service training, including the use of calculators, record keeping and selling techniques has proved extremely helpful to vendors. Alola has reported that it has the capability to manage 2009's event. DSP will continue to be available to support Alola as necessary.

E. DEVELOP THE CAPACITY OF PARTNERS

DSP has helped to build the productive capacity of the private sector by restoring and creating new linkages to markets. In this quarter, DSP has continued work in the areas of local promotion and strengthening linkages between Timorese enterprises and local buyers.

In addition, DSP has begun assessing the need for individualized technical assistance and support to partners.

E.1. Buy Timor Products Alliance

As part of the process to address concerns of sustainability, the original producer group has been expanded to include distributors and retailers. By expanding the group membership, the producers will have a more direct link with important members in the value chain. This direct relationship with supermarkets is an important step to assuring open and effective communication.

With this change, the group has been renamed the *Buy Timor Products Alliance* to indicate that this group is composed of more than just producers. During this quarter, DSP organized several workshops with the Buy Timor Products Alliance to discuss sustainability issues. These events have had mixed success, with several meetings delayed or cancelled due to the late arrival or non-attendance of members.

DSP continued efforts to support the Timor Products Network of certified quality producers, through the active promotion of their products. DSP is continuing to monitor 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 is encouraging the producers to monitor their own product stocks as well.

Significant outcomes:

DSP facilitated workshops with Buy Timor Products Alliance members, including producers, distributors and supermarkets to discuss the future of the group. Following is a table of quarterly sales for items regularly available:

Table 5

	July	August*	September*	Total
Cassava and Carrot Chips	\$169.75	\$107.75	\$286.50	\$564.00
Coffee CCT / NCBA	\$2,536.40	\$2,451.65	\$2,885.90	\$7,873.95
Coffee Kapa'as Lakoma	\$1,564.60	\$1,032.65	\$973.75	\$3,571.00
CTID Coconut Soap	\$670.25	\$775.50	\$519.35	\$1,965.10
Minutil Virgin Coconut Oil	\$269.10	\$153.60	\$135.00	\$557.70
Tofu Furak	\$97.50	\$39.00		\$136.50
Total:	\$5,307.60	\$4,560.15	\$4,800.50	\$14,668.25

* Sales data for August and September do not include sales at Lita Supermarket. DSP is working with new staff to assure that data will be available retroactively and in the future.

Minutil Virgin Coconut Oil was reintroduced to additional supermarkets this quarter. DSP facilitated the presence of the Buy Timor Products Alliance at the Dili Trade Expo 2009 held in August. Eight members participated, selling more than \$2,500 worth of products during this event. DSP conducted individual discussions with producers to assess the types of technical assistance which could be beneficial to improve their internal business management and market penetration and conducted weekly monitoring of Buy Timor Product Alliance product availability in supermarkets.

Next steps:

DSP will support the continuation of the Alliance to highlight locally produced Timorese products. DSP will continue to expand services to producers to provide them with technical assistance to improve individual business practices. Based on initial findings, DSP will develop specialized technical assistance plans for these partners.

E.2.Tais Market

DSP has met with vendors at the Tais market to discuss opportunities to improve customer satisfaction, as well as possibilities for better record keeping. DSP is developing simple record keeping sheets that will be provided to all market vendors. Basic training on using these sheets will be provided to the vendors and, if needed, they will be adjusted to be more useable by vendors (many with limited literacy). Additionally, DSP will work with vendors to develop simple tags that can be attached to products in the market which provide basic background information about the product and state where the product was produced. This simple labeling will increase the transparency of product offering in the market, as currently many of the Tais are brought in from West Timor. While this will be a self regulated activity, DSP hopes the vendors will take pride in offering customers the products that they desire.

Available data indicates sales have increased significantly from the previous monthly average of \$5,000:

Table 6

	July	August	September	Total
Total Tais Market Sales	\$6.000	\$6.985	\$8,805	\$21,790

Next steps:

Continue to work with vendors to develop improved options for keeping track of sales, using newly developed record keeping tools to increase reliability of monthly sales data from the market.

Work with Tais market vendors to more appropriately respond to market demand, such as improving product labeling, stall organization and increasing product offerings.

E.3. Kmanek Supermarket

DSP worked closely with Kmanek Supermarket to assist Kmanek to acquire needed seeds directly from a seed supplier in Australia. The seeds are provided to farmers at the Sarin Nursery and Kmanek will purchase back the products from farmers to sell in Dili.

DSP has also assisted Kmanek to import a cold storage truck (purchased by Kmanek) to transport fresh product from Aileu to Dili. The truck has been painted with the Kmanek logo as well as the Buy Timor Product Alliance's *Producto Timor Leste* quality symbol and the USAID logo.

E.4. Zero Star

DSP continued to assist Zero Star with the seed importation process. After delays in procuring the appropriate letters of recommendations and certifications, the seeds arrived in Dili in early August. Zero Star imported an initial 18 varieties of seeds which will be provided to local farmers to produce quality vegetables that Zero Star will then purchase and distribute to clients in Dili.

E.5. Horticultural Producers

DSP provided support to the Lequitura farmers to investigate alternative options for the procurement of inputs from Indonesia. DSP will continue to support the farmers and the selected supplier to assure that there is clear communication throughout the process and inputs are received in a timely manner.

E.6. ATCTL

During this quarter, DSP worked with the management board of the Truck Transportation Association (ATCTL) to begin implementing the plan to improve basic financial and administrative procedures. Based on ATCTL's request for support to improve its financial, accounting and administration policies in order to ensure transparent and efficient day-to-day management, DSP contracted a local accountant to provide hands-on technical training and support, including the development of an appropriate accounting system and Financial Management Manual. In preparation for this intensive training and mentoring, DSP provided hands-on computer training so that the participants felt 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 38 members, as well as several sub-contractors hired on an as-needed basis. Income decreased significantly (66%) this quarter, as much less cargo was passing through the port, most notably from a decrease in government financed rice imports.

Table 7

	July	August	September	TOTAL
Dili Port	\$23,839.80	\$32,395.00	\$23,990.00	\$80,224.80
WFP	\$3,025.39			\$3,025.39
TOTAL	\$26,865.19	\$32,395.00	\$23,990.00	\$83,250.10

Next Steps:

DSP will continue to monitor the training being provided to the ATCTL and will follow up to assure that the training meets ATCTL's needs.

E.7. Hospitality & Tourism Industry

Tourism continues to be 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, generating visits of consultants who constitute a large and relatively affluent market. This market is also one 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.

Posters of Timor Tradition. In conjunction with Timor-Leste's celebration of 10 Years of Independence, DSP launched this tourism promotion initiative on 11 September 2009. The Posters of Timor Tradition series initiative is designed to expand awareness of Timorese tourism, highlighting the unique crafts, culture and scenic beauty. The posters will be available for sale at shops where foreign visitors buy souvenirs. These posters will then serve as an opportunity to increase awareness of tourism in Timor-Leste. DSP is coordinating this effort with the Ministry of Tourism, Commerce, and Industry.

As part of this initiative, DSP is conducting a photo contest to attract high quality pictures highlighting Timor. The National Tourism Directorate (within MTCI) has agreed to cover the promotional expenses associated with the photo contest and poster production. MTCI has agreed to pay for daily advertisement in the Timor Post and TVTL, during the month of October. The contest concludes at the end of October and winners will be announced in December.

F. IDENTIFY AND SUPPORT NEW PARTNERS

F.1. Agricultural Inputs Importer/Distributor

DSP conducted a survey of local distributors/importers of seeds and agricultural inputs to assess the current availability of seeds and other agricultural inputs available in Timor-Leste and understand the challenges currently facing these businesses. According to these findings, the biggest challenge faced with the import/access to seeds and agriculture inputs is getting the appropriate government approval letters from the Ministry of Agriculture and Quarantine. Another finding of this survey is that most of the businesses that sell seeds in Timor do not consider agriculture their main business activity and therefore do not focus on the specific needs of farmers, such as using the most appropriate seeds and providing embedded technical assistance on seed and other inputs use.

Next Steps:

In the upcoming quarter, DSP will work with a local distributor/importer to respond to the immediate needs of the Lequitura farmers to import seeds and nutrients for planting in the greenhouse. It is envisioned that this distributor will be well positioned to respond to the seed and agricultural input needs of partner farmers and distributors.

DSP is also working with PT East West Seed Indonesia to organize a visit by their Coordinator for Eastern Indonesia to visit Timor-Leste to meet with importers, distributors, and other stakeholders working in the area of agricultural development to assess the prospect for collaboration. PT East West Seed is an integrated seed breeding company in Indonesia that produces, develops and sells tropical hybrid vegetable seeds under the brand name "Cap Panah Merah". During the visit by East West Seeds in the next quarter, DSP will organize a workshop with key stakeholders interested in meeting with East West Seeds to discuss the need for seeds and related support in Timor-Leste. Invitees will include Government Officials from the Ministry of Agriculture, NGOs, Foreign Advisors and other interested parties.

G. ENTREPRENEURSHIP SKILLS DEVELOPMENT

G.1 Business Idea Competition

DSP completed the plans for the Timor-Leste Business Ideas for Growth competition (TL BIG). The aim of the TL BIG competition is to promote entrepreneurship and to create an environment that spawns creative business ideas that can be effectively implemented within Timor-Leste.

The competition will be announced and applications will be accepted in the next quarter. The final selection, announcement and support will occur in the first quarter of 2010. Through this initiative, DSP will support Timorese entrepreneurs who have an innovative and viable business idea and are interested in starting or growing a business in Timor-Leste. Up to three winners will be selected and will receive support in the form of an in-kind grant and individualized mentoring by DSP staff during business planning and start-up during a period of up to four months. Recipients will not receive a cash prize, but an in-kind grant for eligible equipment, materials or services.

COMPONENT 3: ENABLING ENVIRONMENT

To help Timor-Leste to create a better business environment, DSP collaborates whenever possible with business associations to improve the quality and dissemination of information available to the local business community and investors.

H. PROMOTE DIALOGUE BETWEEN BUSINESSES AND THE GOVERNMENT

During the quarter, DSP continued to provide weekly consultations to the Business Women's Association of Timor-Leste (*Associação Empresarial Das Mulheres De Timor-Leste (AEMTL)*).

On 27 August 2009, DSP hosted H.E. The Minister of Tourism, Commerce and Industry, Mr. Gil Alves, and the Vice-Minister of Economy and Development, Dr. Cristiano da Costa, at a public meeting in Suai, in conjunction with the opening of a new warehouse that will improve trade between Timor-Leste and West Timor.

Also during this quarter, DSP met with the Minister of Tourism, Commerce and Industry Mr. Gil Alves to discuss concerns over the reported closure of the Meitaut beach front restaurants, rumors of the closure of Tais Market, MTCL support for a Timor Tourism Association, and future collaboration between DSP and MTCL.

I. TELECOMMUNICATIONS REFORM

Under a tasking from USAID in August 2008, DSP was to provide consultants to assist the Government of Timor-Leste to negotiate the telecommunications market structure in Timor-Leste. The current structure is very restrictive as it vests the existing telecommunications operator, Timor Telecom, which holds a 15-year monopoly in the form of a build operate transfer (BOT) concession contract.

During the quarter, DSP engaged World Bank staff in both Timor-Leste and in Jakarta, Indonesia, about the likelihood that negotiations leading to the removal of monopoly rights in the telecommunications sector would take place within the next year. The probability of negotiations beginning is low. Accordingly, DSP initiated discussions with USAID/Timor-Leste about how to proceed.

In discussions between USAID and DSP, both parties concluded that the prospects were remote for any negotiations to begin during the remaining year of DSP's project life. Accordingly, USAID asked DAI to reprogram the funds currently allocated to finance telecom reform. The realigned budget will cover financing consulting activities at the National University, as described in separate communication, and to fund consulting services for the Government of Timor-Leste.

The consultative services at the National University are underway and USAID has approved a SOW that includes specific deliverables for consulting services for the Government of Timor-Leste in the upcoming year.

J. GRANTS

During the quarter DSP continued to implement the Hospitality Industry Internship Program as well as four other ongoing grants that provide training to Timorese youth for work in the hospitality/tourism sector 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.

As of September 2009, ETDA has placed 68 interns from the first intake of students of the Hospitality Industry Internship Program in "on the job trainings (OTJ)" at various host institutions. Eleven interns have completed their six months of OTJ. Of these 11, so far two have been offered full-time employment by the host company. However, during ongoing implementation of HIIP, ETDA encountered difficulties in placing all 110 interns originally proposed in its grant agreement in the limited time period covered by the grant. Therefore in August 2009, ETDA proposed to reduce the number of interns placed from 110 to 90 and utilize the funds originally proposed for the salaries of 110 interns to further improve training and preparation of interns in the program. As many businesses accepting interns have stressed better English preparation, ETDA proposed to realign the funds to cover a course in English for Tourism as well as conduct a hospitality workshop. The total realignment requested and approved by USAID on September 4, 2009 was \$25,700.

On the same date, DAI also sought and received USAID approval for a budget realignment for its grant with Comico Diak Suai. The realignment utilized funds originally budgeted for transportation costs to allow for the purchase of signs, banners, and shelving. The total

realignment was equivalent to \$1,520. The total grant budget and agreement ceiling price did not change as a result of these realignments.

On 27 August, 2009 the Comiko Diak warehouse was completed and officially inaugurated by the Minister for Tourism, Commerce and Industry, Mr. Gil Alves and attended by the Vice-Minister for Economy and Development Mr. Cristiano da Costa.

For its other ongoing grants with hospitality training centers Dili Institute of Technology (DIT), Escola Tecnica Maria de Mazarello Venilale (ETP Venilale), and Centro Treino Integral Dezenvolvimentu Baucau (CTID), DSP concluded almost all remaining in-kind procurement for the improvement of the training facilities at these institutions. With USAID/DSP assistance, the computer labs at ETP Venilale and CTID have been functioning with new software systems that provide English language and computer practice to students. In addition, DIT now has a mock mini restaurant that functions as a lab for its students to engage in practical training. More than 70 students are the direct beneficiaries of this support.

In addition to overseeing its five current grants, DSP submitted a grant proposal from Kmanek Supermarket for USAID approval on September 14, 2009. The objective of the grant is to increase the volume of trade of high value horticulture products in Timor-Leste and improve Kmanek's vegetable marketing so that it can maintain its own production facilities. The grant covers the procurement of plastic grow tunnels and two nurseries, training on tunnel and nursery assembly and maintenance as well as horticultural marketing training for Kmanek staff. It is estimated that this grant will benefit approximately 100 farmers through increased sales in addition to improving Kmanek's own capacity and business income. At the time of reporting, DSP is awaiting USAID approval of this \$67,527 in-kind grant.

Significant outcomes:

- 68 interns have been placed in on-the-job training
- 57% (39/68) are still working or completed their internship (30 have resigned, mostly to return to their studies)
- By the end of September, 11 interns have completed the 6-month internship component of the program
- A second round of pre-work training was conducted on August 17 - 22 with 38 participants. 16 interns from the second round of training have been placed in internships.
- All in-kind equipment procurement for the three hospitality training institutions has been completed. However, two institutions have requested additional procurement under their grants. The requests are being evaluated.

K. ADMINISTRATIVE AND TECHNICAL MANAGEMENT

As DSP's scope of work dramatically expanded as a result of the formalization of the USAID-Conoco Phillips Public-Private alliance in August 2009, DSP administrative staff responded with increased financial, procurement, logistical, and administrative support during the quarter.