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EAST TIMOR

Dezenvolve Setor Privadu

**Quarterly Report
October 1, 2007 – December 31, 2007**

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TABLE OF CONTENTS

Acronyms and Abbreviations.....	3
Progress on Program Activities.....	6
<i>Agribusiness</i>	6
<i>Commercial Services</i>	10
<i>Enabling Environment</i>	17
Management and Administrative Actions.....	19
Financial Report Through 31 December 2007.....	21

ACRONYMS AND ABBREVIATIONS

AATL	Accounting Association of Timor-Leste
APEC	Asia Pacific Economic Council
ATCTL	Associaçao de Transportes dos Camioes de Timor-Leste
ATTL	Association of Tourism, Timor-Leste
CTID	Training Center for Integral Development
DAI	Development Alternatives, Inc
DSP	USAID Dezenvolve Setor Privadu Project
FETL	Forum dos Empresarios de Timor-Leste
ha	Hectares
IDP	Internally Displaced Person
IFC	International Finance Corporation
Kg	Kilograms
MAFF	Ministry of Agriculture, Fisheries and Forestry
ml	Milliliters
MT	Metric ton
MSME	Micro, small to medium enterprises
NGO	Non-Governmental Organization
SGP	USAID Small Grants Program
STTA	Short-termed Technical Assistance
TCN	Third Country National
UNIFEM	United Nations Development Fund of Women
USAID	United States Agency for International Development

DEZENVOLVE SETOR PRIVADU

QUARTERLY REPORT OCTOBER TO DECEMBER 2007

SUMMARY

In October to December 2007 DSP continued its expansion in several areas of work that will define DSP's program of work through 2010, including a substantial increase in rural activities. This report covers activities undertaken during the first full quarter under the DSP Year Three Work Plan approved by USAID.

Table I: Impact and Results

Intended Impact	Results
Increased production and sales of horticulture produce to high-end buyers through farmer and private sector linkages	Quantity of horticulture produce supplied to Dili supermarkets was 5.8 MT of graded product worth over \$4,600.
Increased production and sales of commodities through farmer and private sector linkages	<p>Services and technical support provided to 570 farmers from 45 groups, with 331 ha planted to date. Total of 5 sub-districts and 17 villages.</p> <p>Harvest of 84 MT from dry season mungbean crop by supported farmers, of district total of 170 MT sold by the three district traders who are all partnering with DSP.</p> <p>Planting of 54 ha of wet season mungbean crop by 94 new farmers comprising 10 groups.</p> <p>Planting of 62 ha of wet season peanut crop by 211 farmers from 13 groups (139 new farmers).</p>
Increased production and sales of coconut oil	240 bottles of virgin coconut oil sold during the period.
Increased the number of enterprises accessing commercial services	<p>Linked Zero Star to the accountancy of Haksolok Consulting Lda.</p> <p>DSP supported 3 local traders (Caracol, Comico Suai and Fini Esperanca) in mungbean trade activities, including linkages to international trader (Timor Global).</p> <p>Linked the Transportation Truckers Association to Tchai, Tjia and Associates to conduct a financial audit.</p>
Continued strengthening to the Transportation Truckers Association	Additional contract revenues during the quarter of \$113,442 for the 35 members and 27 subcontractors. \$506,482 earned to date.
Linking MSMEs to commercial opportunities	<p>Linked 101 MSMEs to more that \$124,000 in new sales.</p> <p>A Viqueque trader with 40 MT of mungbeans for sale was introduced to Timor Global, which resulted in a sale at 55 cents/kg.</p>

Challenges

Program challenges include:

- Difficulty in accessing packaging and marketing materials to promote Timor-Leste products.
- Limited expertise of service providers, including survey institutes, in undertaking complex tasks without extraordinary involvement of project staff and consultants. We look forward to working with the new 3-year Timor-Leste Research Development Project.
- Lack of agriculture inputs and services continues to be a major constraint to expansion. Quality seed supplied commercially or stored by farmers remains a major hurdle to expansion of agriculture and agribusiness. Without such materials, opportunities to respond to market demand cannot take place. Efforts to improve storage of seed at farmer and trader levels will help overcome this problem. Identification of improved seed and multiplication for distribution will have an even greater impact assuming the market exists.
- Availability of tractors for land preparation also constrains production. The tractor service offered by the Ministry of Agriculture has recently operated on an equitability principle rather than demand and payment for services. Subsequently, the tractor service is not run on business principles, and not readily available to those who are motivated for change. Private sector tractor services, particularly for larger tractors, are limited, and the existence and approach of government tractor services can often damage these private sector operators.
- Continued distortion of business conditions and disruption of supply chains due to the ongoing crisis in Timor-Leste, with several IDP camps still in place, more than 18 months after the May 2006 violence.

Administrative issues include:

- Continued difficulties in identifying business persons with the capacity and focus to lead the development of business activities such as high-end horticulture supply and marketing.
- The declining value of the US dollar has increased various costs significantly in the past year as most commercial/business inputs are imported (for example, from Australia where the US dollar, at 1.1395 AUD at the end of December 2007, is worth about 15 percent less than in June 2006.)

PROGRESS ON PROGRAM ACTIVITIES

This section describes project activities by program area as described in the DSP Project Year Three Work Plan submitted to USAID/Timor-Leste on 31 August 2007. Where appropriate, references are made to “carry-over” activities under the Year 2 work plan.

Agribusiness

DSP supports income generation through improved business linkages within supply chains. Agribusiness initiatives focus on identifying markets and buyers for local agricultural goods; assisting producers to increase output, production efficiency, and quality based on buyer specifications; and strengthening business and supply chain management.

Significant actions for the October – December 2007 period include:

- DSP supported farmers accounted for half of the total marketed mungbean crop for the 2007 dry season. A total of 84 MT was harvested by supported farmers. The total sold by the three district traders who are all partnering with DSP was 170 MT.
- DSP supported 94 new farmers comprising of 10 groups to plant 54 ha of wet season mungbean crop in Fohorem, Tilomar and Suai Kota.
- DSP supported 211 farmers from 13 groups (139 new farmers) to plant 62 ha of wet season peanut crop.
- Tunnel and netting house production was established in Leqitura as the first demonstration site for new technologies.
- Cold truck delivered and main structure of Zero Star cold storage facility completed.
- STTA, Alex Dalley, joined DSP to review the 2007 dry season planting season and make recommendations on commodity value chains.
- STTA, Merle Menegay, completed his mission in Timor-Leste in October 2007.

Progress by planned activity:

[1] Strengthen small-scale coconut oil enterprises in villages by introducing better technology, production techniques, and appropriate packaging.

Objective: Improve the economic viability of the coconut industry.

Progress: During the quarter DSP's energies focused on identifying a business interested in marketing the oil (finalized in January 2008), continuing to improve packaging and labeling, as well as refine local fabrication of the hydraulic press technology. Significant actions include:

- DSP continued to support the existing groups in Beobe (Viqueque), Buruma, Bahamori (Baucau), and Mota-Ulun (Liquica).
- 240 bottles (600ml) of virgin coconut oil were sold during the period, through retailers.
- The product featured at the World Food Day exhibition and Alola Foundation Christmas Fair, and 40 bottles sold through the parliament to ministers and state secretaries of Timor Leste.
- Training session in profit and losses analysis was conducted by the commercial services and agribusiness teams for the producer group of eight persons in Buruma, Baucau.
- Presentation conducted for 12 students at the National University of Timor-Leste on virgin coconut oil production technique using the fermentation method, and product marketing strategies.
- Discussions were held with the Ministry of Education and the World Food Programme on potential to supply coconut oil under the school feeding program.

Next Steps - Coconut Industry: A key next step will be to fully integrate Acelda (identified wholesaler/trader) into the value chain, including the following:

- Trial new packaging and labeling
- Strengthen linkages with existing producers
- Identify new producers as required and ensure production technology is available
- Assist with market relations and help with new market development with supermarkets and other retailers
- Assist to investigate market opportunities with government procurement

[2] Expand sales of fresh horticultural products, increase variety, and improve quality, targeting high-end institutional buyers.

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

Progress: DSP continued to expand activities in the horticulture area during this quarter. Deliveries of graded produce were facilitated to buyers in Dili through DSP's partnered horticulture wholesaler, and training in vegetable production techniques continued. In addition, progress was made in terms of establishing cold chain facilities.

Main points of interest include:

- DSP continued to facilitate agreements and deliveries of graded local product by Zero Star, DSP's horticulture wholesaler partner, to Dili supermarkets. A total

of 19 deliveries were made during this quarter. The quantity delivered was over 5.7886 ton of graded product worth over \$4,580.

- Zero Star continues to expand the number of products for the business. There were 27 different varieties of vegetables supplied during this quarter, up from 23 in the last quarter.
- Three formal training sessions were held in Leqitura focused on production training for crops unfamiliar to these farmers.
- Two new production technologies were introduced in Leqitura: 1) tunnels using UV plastic over bamboo structure is a simple technique to protect against rain damage; 2) netting over bamboo structure to reduce attacks from insects.
- Materials for Zero Star ordered under the USAID Small Grants Program (SGP) were dispatched from Indonesia during the quarter, and will arrive in Dili in January 2008. Furthermore, a cold truck was delivered to Zero Star by SGP in November 2007 as part of efforts to build cold chain capacity.
- Zero Star completed construction of the main structure for the cold chain facility. This construction was initiated and funded by the business itself. Electrical work on the building will be completed in January 2008.
- Training was conducted by the commercial services team in accounting (see commercial services section).
- DSP presented horticulture value chain overview and training for the Concern International agriculture team.

Next Steps - Horticultural Supply Chain: Zero Star remains the key player in the supply chain. DSP will work closely with Zero Star to promote production of new varieties of products in at least four locations in the central region of Aileu and Ainaro. Emphasis will be placed on:

- increasing production again, following weeks of heavy rains in December/January that destroyed some crops and delayed new planting
- initiating production using new technologies/equipment supplied under the SGP grant, including the greenhouse
- strengthening the business management of Zero Star
- new marketing initiatives to build the clientele and demand for fresh products

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

Significant progress was made during this quarter in developing and consolidating the commodities expansion initiative. The dry season mungbean crop was harvested and marketed during this period, and wet season production of mungbeans and peanuts also

initiated. This work expanded the real number of participating farmers in the program from 337 to 570 farmers, and land area in production from 215 to 300 ha.

Table 2: Expansion of Mungbean and Peanuts

Production Cycle	District	Participating Farmers		Groups		Area		Sub-Districts	Villages	Farmer ¹	Traders ²
		Total	New	Total	New	Total	New			Produced	Marketed
Mungbean 2007 dry season	Suai	337	337	24	24	215	215	4	5	84	170
Mungbean 2007 wet season	Suai	94	94	10	10	54	54	3	10		
Peanut 2007 wet season	Suai	211	139	13	11	62	31	5	13		
Total		642	570	47	45	331	300			84	170

1. Quantities in MT produced by farmers who received seed and technical support.

2. Quantities in MT sold by district-level traders.

Significant actions for the October to December 2007 period include:

- DSP assisted 215 farmers to market 84 MT of mungbeans harvested from the initial dry season production. DSP worked with the three district traders and one international trading company, and successfully assisted farmers in selling all their product. This accounted for approximately half the total sales of mungbean for the season in Suai.
- DSP conducted yield analysis of the mungbean production in eight locations revealing an average yield of 577kg/ha.
- Farmers reserved seed for next season using the GrainPro bags provided by the Ministry of Agriculture Fisheries and Forestry (MAFF) and buckets to protect from rodents supplied by DSP. This storage method will be monitored periodically by DSP and Seeds of Life to check for seed damage from bruchids or weevils.
- Planting took place for wet season upland production of mungbeans. DSP supported 94 new farmers comprising 10 groups to plant 54 ha of wet season mungbean crop in Fohorem, Tilomar and Suai Kota. A total of 1.290 MT of seed was distributed as an in-kind loan in association with Fini Esperanca.
- DSP supported 211 farmers from 13 groups (139 new farmers) to plant 62 ha of wet season peanut crop. DSP provided training to these groups on seed selection, land preparation, crop management and integrated pest management, harvesting, and post-harvest handling and storage. DSP distributed 5.475 kg of peanuts seed as an in-kind loan

- DSP conducted peanuts seed trials for local seed varieties and a new variety (Utamua/PT5 provided by Seeds of Life) in five locations in Holbolu, Dais, Sanfok, Fatuisin and Holpilat.
- DSP has continued to communicate with potential buyers of mungbeans and peanuts, government agencies, and West Timor traders, to ensure a market exists for the farmer groups.
- DSP purchased larger GrainPro bags for storage of seed by groups or traders. Use of the bags will be trialed in a few locations following next harvest.

Next Steps:

- DSP will continue to support the farmer groups in Suai with harvest and post-harvest seed storage and marketing.
- Yield analysis and monitoring of seed storage systems will be conducted by DSP in association with Seeds of Life.
- DSP will continue to facilitate visits by buyers to inspect production sites, send samples of peanuts to buyers in Indonesia, facilitate purchase agreements, and assist farmers to coordinate sales.
- Seed provided as in-kind credit will be returned to DSP. The mungbean seed will be returned to Fini Esperanca. A revolving seed system may be established for the peanut seed.
- DSP will identify new farmers and new commodities (e.g. soybean) to expand production. DSP will also investigate potential to expand into new districts.
- Potential new seed varieties will be investigated together with buyers to prepare for further expansion and quality improvements for next growing season.

Progress on fisheries / seafood supply chain:

No activities are planned to work on fisheries/seafood supply chain improvement until later in 2008.

Commercial Services

DSP supports private sector growth by increasing access to technical and business services essential for efficient enterprise operation. In project year three DSP will focus on supporting the commercial success of project initiatives in agribusiness by placing a high priority on developing and strengthening business linkages, especially in the supply chain for agricultural products, and by creating market outlets for other Timorese products. Specifically DSP will:

1. Link businesses to commercial opportunities
2. Improve access to quality business services
3. Improve the quality of services that support the tourism (hospitality) sector
4. Improve accounting and bookkeeping skills and practices

5. Improve credit opportunities for MSMEs in productive sub-sectors

Significant actions made by the DSP commercial services team for the October – December 2007 period include:

- Working with the Alola Foundation, hosted a holiday crafts fair that generated \$9,866 in sales for 48 participating microenterprise artisans and vendors.
- DSP linked 101 MSMEs to business and income opportunities worth over \$124,000.
- Expanded the technical capacity of the commercial services team by adding additional staff members, including a Business Development Specialist, Hernani Godhino on 15 October. With direct experience working for the Instituto do Desenvolvimento Emprezarial, Hernani will be leading DSP's basic business skills and concepts training development.
- Provided basic training on costing and pricing to 52 women and 12 men, from 21 microenterprises.
- Mobilized a TCN STTA to support DSP's efforts in linking local fabrication workshops to joint MAFF/GTZ rice expansion program

Progress by planned activity:

[1] Link businesses to commercial opportunities

Objective: Link businesses to information, technology, and/or marketing to connect them to new or expanded growth opportunities.

Progress: During the quarter DSP provided market access for 101 MSMEs by linking them to the following market opportunities:

- Linked the Centro Treino Integral e Desenvolvimento (CTID) coconut soap and natural products micro-enterprise, and four DSP-supported, village-level coconut oil production groups to the Agricultural Products Fair, hosted by MAFF on 21 October.
 - CTID earned \$130 in sales from coconut soaps, tais and natural medicinal products at the Products Fair. In addition DSP provided pre-fair training on sales techniques and basic marketing to three of the five women owners.
 - 45 liters (105 units of 650ml bottles) of virgin coconut oil, under the brand name Minutil were sold, providing income to village-level coconut oil producer groups in Liquica, Viqueque and Baucau.
- DSP's commercial services team linked a Baucau agricultural supplier, Loja Agricultura, to the efforts of DSP's agribusiness unit's peanut expansion program in Suai. For this program DSP sourced its peanuts seeds from Loja, resulting in \$560 in sales for the enterprise.

- DSP supported the training for 13 fabricators from five workshops from Dili, Baucau, Manatutu, Suai and Maliana, on the production of two types of rice weeding machines. The training was hosted by MAFF and GTZ at the MAFF workshop in Maliana from 18 – 24 November. In December, DSP’s STTA Quality Control (QC) Assessor conducted on-site inspections at each of the workshops and ordered, on DSP’s behalf, 5 units of each type of weeder. Upon completion these prototypes will be inspected by the QC Assessor, and qualified workshops will be able to bid on orders for up to 450 weeding machines needed for the joint MAFF/GTZ integrated rice management expansion program.
- DSP supported the Aloia Foundation, a women’s empowerment, local NGO, in hosting a holiday crafts fair featuring locally produced products, crafts and textiles. To kick off the event, on 7 December (the day before the fair) DSP conducted three training sessions providing basic training on costing, calculator use and how to communicate and sell to someone with whom you don’t share a common language. Sixty-four people attended this training, 52 of whom were women. On 8 December the holiday fair drew large crowds of internationals and Timorese looking for holiday gifts and/or items for their homes. The 48 vendors, coming from 10 of the 13 districts of Timor, sold \$9,866 worth of goods. Providing them much needed extra income during the holiday season.
- DSP continued providing technical and management support to the Associacao de Transportes dos Camioes de Timor-Leste – Transportation Truckers Association - (ATCTL) in their implementation of their World Food Programme contract to deliver food aid. For the quarter the contract has provided the following benefits for the 35 members and subcontracted independent truckers:

Table 3: ATCTL Revenues from World Food Programme Contract

Month	# of Truckers Benefiting	Revenues
October	34	\$ 37,369
November	46	\$ 51,213
December	49	\$24,840
Total		\$ 113,422

From May 2006 to date, DSP’s support of the ATCTL has provided \$506,482 in revenues.

- During the quarter the DSP commercial services team reviewed the profitability for the different enterprises within the coconut oil value chain. The work, conducted by DSP’s Microfinance Specialist Osorio Corriera, showed that based on current cost models, profits can be made by both the producers and a bottler/retailer. Working with this assumption and with an interest in developing sustainable businesses along this value chain, DSP entered discussions with a number of local businesses where the addition of coconut oil as a new

product line would make sense. One business, Acelda showed more interest than others. During December DSP assisted Acelda in reviewing potential costs and profits for bottling and retailing coconut oil. Based on the analysis conducted, Acelda sees a business opportunity in coconut oil and it is anticipated that a MOU will be signed between DSP and Acelda in early 2008 to begin transitioning the project out of encompassing the whole coconut oil value chain to supporting the commercialization of DSP's past activities by Acelda.

Table 4: Impact – Linking Business to Markets

Month	# MSMEs	Income/Revenue	# Direct Beneficiaries		
			Male	Female	Total
October	39	\$37,633	67	28	95
November	50	\$51,918	74	20	94
December	97	\$34,670	115	310	425
Net Impact*	101	\$124,221	147	327	474

* Please note that as some MSMEs receive DSP support from month to month (such as the village coconut oil producer groups) the totals above represent the net total of MSME's and individuals benefitting from DSP's efforts, rather than a summation of DSP's monthly successes.

Next Steps – Market Linkages: DSP looks forward to the start its approved Product Promotions Specialist in January 2008. It will be his mandate in the next quarter to catalogue local products in the stores, identify those that meet set quality marks to be promoted, and design an awareness and promotion campaign for these Timorese products. In addition, working directly with Zero Star and Acelda, the specialist will be tasked with building improved client relations with the retail stores and through those relationships, construct appropriate in-store marketing displays for Zero Star and Acelda. This can be expanded to other Timorese products as well, if improved packaging is made.

In addition to the expansion of technical staff to support the outreach of businesses to markets, DSP will:

- DSP's QC Assessor consultant will evaluate the prototype rice weeding machines produced by the five workshops. DSP will provide support, in the form of targeted business training as needed, to assist the qualified workshops in the bidding of and management of contracts for the up to 450 weeding machines needed by the MAFF/GTZ rice expansion program.
- Work with the management of ATCTL in reviewing the findings by the external auditor. These finding will enable DSP and the association to jointly map out the next steps that need to take place to ensure successful management of the growth by the association.
- Enter a MOU with Acelda to assist them in becoming a bottler and distributor of village produced, virgin coconut oil. DSP will introduce Acelda to the producer groups and retailers, providing technical training to Acelda staff on the handling

and bottling of the oil and assist Acelda with marketing efforts of the coconut oil under the brand name of Minutil.

[2] Increase access to quality business services

Objective: Support the growth of the private sector by strengthening micro, small to medium enterprises through the access to quality technical and business training and other support services.

Progress: In October DSP conducted a survey of businesses providing printing, design and other services that support marketing and advertising efforts by business. It was found that most of the firms were owned and operated by Indonesians with Timorese employees providing unskilled, clerical labor. The findings of the survey were:

- There are 10 printing firms located in Dili.
- In addition to printing, most of the firms also office supplies and photocopying, with some also providing computer services and film processing.
- Only few of the firms provide design services – and those that do outsource such work to Indonesia.
- The majority of the revenues are generated through banner printing, ID cards, photocopying, book binding, and sticker printing from the large government and donor demand for such services.

This highlights the lack of a developed business service market in Timor. This, in part, is due to a lack of significant demand from business due to the limited advertising outlets. In conducting DSP's Year Three Work Plan objective of expanding the markets for Timorese enterprises, DSP will conduct an awareness and marketing campaign. In implementing this campaign, DSP will be looking to outsource to, and/or develop firms that in time can provide the needed marketing and advertising services commercially.

DSP continued to assist in the development of the management practices of Zero Star by linking an accounting consultancy, Haksolok Consulting to Zero Star. Through Haksolok, DSP has provided accounting training and financial management oversight to Zero Star's management.

During the quarter DSP commissioned the auditing services to Tjia Tchai and Associates to conduct a financial audit of the ATCTL. The audit serves two purposes. First, it will verify the association's accounts, and financial standing. Secondly, it will identify areas where financial controls and/or accounting skills need to be strengthened. DSP will use this as a guide to provide the technical training required. The results of this activity are due in January 2008.

Next Steps – Business Services: As highlighted in the previous section, DSP's hiring of technical staff dedicated to marketing will assist companies involved in the sale of

local products with a unified awareness “Buy Timor First” campaign. In addition DSP will:

- Continue to provide technical assistance and mentorship to Zero Star in the implementation of their accounting practices. Starting in January 2008, the relationship with Haksolok will take an advisory role. The manager of Zero Star has been fully trained on account recording and entry, and Haksolok’s role in the next quarter will be to double check the books and provide technical assistance and training where needed. In addition, DSP will provide training to Zero Star’s buyers on proper field accounting of purchases.
- DSP will work closely with the management board of the ATCTL to review and implement the suggestions raised in the audit report of the association’s finances. DSP will provide training as needed to strengthen their cash management policies and procedures.

[3] Increase quality services that support the tourism (hospitality) industry

Objective: Working with the Association of Tourism, Timor-Leste (ATTL) identify the key inputs that could better meet the needs of the industry through targeted assistance, including if applicable, facility upgrades, internships, and program design of new or improved training.

Progress: DSP presented its inventory of the hospitality and tourism sector skills training providers to ATTL and enlisted their input on key inputs that could better meet the needs of the industry through targeted assistance, including if applicable, facility upgrades, internships, and program design of new or improved training. The association has yet to organize its members to review these materials for recommendation, citing the demands of the holiday season.

During December DSP Conducted a survey of hotels to gauge the market for a specialized taxi service, providing quality taxis and drivers that have fair English and/or Portuguese language skills. DSP surveyed 23 of the 41 hotels in Dili and found that 91% would use such a service if offered.

Next Steps - Tourism: DSP will follow up with the association to make the next critical step. Their commentary will allow the ATTL to present to the Government of Timor-Leste, investors, and other donors a roadmap for improvements that can positively affect the sector and generate more jobs. If the association continues to stall, DSP will look at other approaches or venues by which to move this issues forward.

Based on the taxi service survey, DSP will be identifying one to two taxi owners who meet the standards of the hotels and assist them in designing marketing materials and pricing packages for the hotels.

As a follow up to the Holiday Crafts Fair, DSP will seek opportunities to promote locally produced crafts, and their production to tourists.

[4] Improve accounting and bookkeeping skills and practices

Objective: Increase the quality of accounting skills within Timor-Leste by raising the skills of Timorese accountants to an international standard.

Progress: During the quarter DSP assisted the newly formed Accounting Association of Timor-Leste (AATL) in establishing their training and administrative functions. A key to this start was sourcing funding. On 24 November the association received a USAID funded small grant to assist with the establishment of an office and to fund, for a short-termed period, administrative staff who will be critical in the launching of the association's training programs. Working with DSP, the association has highlighted four key training programs to be launched in the first six months of 2008: Basic English for Accounting, Basic Accounting Skills, the Timor-Leste Companies Law, and Timor's Tax Code.

On 1 December, DSP met with CPA Australia, the accounting association's management board, and the Auditor General of the Northern Territories of Australia to discuss the needs of the association and received the following commitments:

- CPA Australia committed to providing AATL with the Association of Chartered Certified Accountants syllabus. The syllabus was delivered to the association at the end of December, and will form the core of the accounting skills training provide to members.
- The Auditor General, Mr. Frank McGuiness, committed to obtaining second-hand accounting text books to assist in the formation of the association's proposed resource library.
- The Auditor General also promised to enter discussions with Charles Darwin University about standardizing curriculum with the association, or one of Timor's accredited universities, with the possibility of offering joint certificates and/or degrees.

Next Steps – Bookkeeping and Accounting Skills: DSP will work closely with the accounting association to support the development of their training curriculum and other membership services during the next quarter.

[5] Increase credit opportunities for MSMEs in productive sub-sectors

Objective: Increase credit opportunities for MSMEs working within the sub-sectors that DSP is involved in.

Progress: MSME's lack basic business skills and knowledge to properly manage the finances of their businesses. This is highlighted by the fact that most of vendors DSP met in the preparations for the Holiday Fair lacked a basic understanding of costing or

pricing. To bridge this gap in understanding DSP hosted four training sessions on costing and pricing. During this training DSP enforced the need for basic record keeping of costs and sales, and provide everyone basic training on how to use a calculator.

Table 5: Basic Business Training

Date	Training	# MSMEs	M	F	Total
30 November	Costing & Pricing	3	0	18	18
4 December	Costing & Pricing	1	6	3	9
7 December	Costing & Pricing	18	6	31	37
TOTAL		22	12	52	64

Next Steps – MSME Credit Opportunities: DSP is developing a basic budget management course to be integrated into DSPs agribusiness programs in horticulture, mungbeans and peanuts. DSP will either redesign the costing and pricing training developed of the Holiday Fair, or select a local training NGO specializing in rural training, to develop the course. Pilot testing for this training and approach will be conducted during the next quarter. This training has the potential to strengthen the MFIs current or potential client base amongst rural farmers.

Enabling Environment

DSP facilitates business growth by helping to improve Timor Leste’s commercial and legal framework, to be more conducive to business formation and efficient operation. During Project Year Three, DSP will collaborate with business associations to improve the quality and dissemination of information available to the local business community and investors.

[1] Understanding government: awareness and information for the business community in Timor Leste

Since Timor-Leste’s independence in May 2002 and before that, during the United Nations Transitional Administration of East-Timor, a number of regulations, laws, and decree-laws were introduced in the country. However, little if any efforts were made to ensure that the community at large was made aware of important regulations/legislation, especially in the rural areas. The business community of Timor-Leste also suffered from a lack of any way to obtain information about the laws of the country. The situation is made worse because the official language for government documents in Portuguese, and few people in Timor-Leste are able to read the laws and regulations.

Because of the widespread lack of such information about the laws of the country, the Forum dos Empresarios de Timor-Leste (FETL) – “Business Forum” - identified dissemination of such extremely important information as a high priority and plans to conduct awareness sessions among members of these communities. These workshops will serve two purposes. First, business operators will be directly introduced to the laws of the country, and increase their knowledge and understanding of the relevant legislation. Second, the workshops are a way by which businesses self-select for participation in on-going working groups.

Progress: A half-day workshop covering Timor-Leste’s Tax Law was conducted on 24 October. On 26 October a two-hour workshop covering recent changes to Timor’s Business Codes was conducted.

Next Steps – Awareness and Information for the Business Community:

The IFC will collaborate with DSP and FETL to create working groups to deal with relevant regulatory issues over time.

[2] Promoting a constructive dialogue between businesses and the government

In Project Year Three, DSP will continue to facilitate and support periodic seminars that involve key government officials and businesses leaders. However, during October-December 2007, no seminars or workshops were held.

[3] Creating a Network of, and for, Women Owned-Businesses

USAID sponsored two participants at the 12th Women Leaders Network Meeting in Australia, June 24 – 27, 2007. The participants were Cristina Costa employed by Trade & Invest Timor-Leste and Kathleen Gonclaves, owner of several local businesses. One purpose of the meeting was to introduce Timorese women leaders to the APEC Women Leader’s Network. An expected outcome from the meeting was that strong and active networks will be developed and opportunities created. Timor-Leste’s participants propose to lead a series of periodic seminars at which women from all 13 districts will share their insights into special problems encountered by women-operated business and develop recommendations for ways that women can be more proactive in the business community.

Progress: The Business Women’s Group of Timor-Leste held its organizational meeting 3 October 2007 in Dili. More than 70 women business owners/operators attended the workshop. Notable speakers were: Mrs. Kirsty Sword Gusmão, Director of the Alola Foundation; Mr. João Gonçalves, Minister for Economy and Development; Mrs. Idelta M. Rodrigues, Secretary of State for Promotion and Equality; Mr. Jorge Serrano, Vice President of the FETL; and Ms. Milena Pires, Director of UNIFEM.

By 18 December, the Business Women's Group had formed a six-person steering committee and undertaken drafting of a charter and organizational memorandum.

Next Steps – Business Women's Group: In January 2008, the Business Women's Group of Timor-Leste will be fully functional. It is seeking to co-locate offices with the Business Forum (FETL).

MANAGEMENT AND ADMINISTRATIVE ACTIONS

Administrative Actions:

During the quarter the administrative staff supported DSP program activities including providing the logistical and administrative support to four short-term consultants fielded:

- Merle Menegay, Market Specialist. Mr. Menegay's work with DSP was completed on 5 October.
- Silveiro Tilman, CCN/Agribusiness Field Technical Assistance. His consultancy term is from 15 November, 2007 to 5 February, 2008
- Alex Dalley, TCN/Horticultural Specialist. Starting on 3 December, Mr. Dalley's consultancy will be completed in March 2008.
- Salvador Delloro, TCN/Quality Control Specialist. His consultancy started on 13 December and will be completed in January 2008.

During the quarter DSP reorganized its administrative team along functional lines to better serve the logistical and administrative needs of the project.

Technical Management:

New staff:

On 15 October, DSP hired a Business Development Specialist, Hernani Godhino. With direct experience working for the Instituto do Desenvolvimento Emprezarial, Hernani will be leading DSP's basic business skills and concepts training development.

During December DSP made employment offers to two individuals, a Marketing Specialist and a Product Promotions Specialist. They are expected join the project in early 2008.

Staff departures:

Effective at the end of November 2007, Osorio Correia, DSP's Microfinance Specialist, resigned from the project to take a position with the Ministry of Industry and Commerce.

Vicente Paulo, Agribusiness Marketing Consultant left the project on 31 December to continue his studies aboard.

Procurement:

Based on the transportation needs to support agribusiness activities, during the reporting period DSP purchased motorbikes. In November DSP purchased one in support of the horticultural expansion and greenhouse activities in Leqitura, and a second in December to support the mungbean and peanut expansion work in Suai.