Executive Summary

As one of the newest nations in the world, Timor-Leste has made significant achievements in the road to democratization and economic growth. Despite these efforts, Timor-Leste remains one of the poorest nations in the world, with a long way to go on the path to attainment of the Millennium Development Goals (MDGs). To accelerate the achievement of the MDGs, the Government of Timor-Leste and UNDP Timor-Leste are collaborating to explore innovative ways to mobilize the private sector to contribute proactively to development – this will be done by setting up social businesses and through partnership agreements, providing them with much needed business development services. Social business networks of relevant stakeholders will also be set up for horizontal/vertical linkages and mutual support.

The objective of this project is to promote high impact social enterprises that will contribute to private sector development as well as attainment of MDGs. As a result of this project, social enterprises will contribute to the reduction of poverty in rural Timor Leste and generate rural employment and income.
<table>
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</tr>
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<td>USD 2,126,090 (7 percent GMS)</td>
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**Basis of Agreement:** UNDP operates within the Standard Basic Assistance Agreement signed by the Government of Timor-Leste and the United Nations Development Programme on 20 May 2002. The executing agency agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via [http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm](http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm). This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.

**Agreed by Government:**

H.E Mr João Goulart, Minister of Economy and Development Democratic Republic of Timor Leste

**Agreed by UNDP:**

Ms Mikiko Tanaka, Country Director
United Nations Development Programme, Timor Leste
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GLOSSARY

AMFITIL  Association for Microfinance in Timor-Leste
AusAID  Australian Agency for International Development
BFZ  Centers of Capacity Building of the Bavarian Entrepreneurs
BiD  Business in Development
BOP  Bottom of Pyramid
BNCTL  National Commercial Bank of Timor Leste
CCI  Chamber of Commerce and Industry
CPAP  Country Programme Action Plan
DHS  Demographic and Health Survey
DNC  National Directorate for Cooperatives
DNE  National Directorate of Statistics
F-FDTL  Defence Forces of Timor Leste
GIZ  Gesellschaft Für Internationale Zusammenarbeit
HIV/AIDS  Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IADE  Institute for Business Development Support
IFC  International Finance Corporation
ILO  International Labour Organization
IMF  International Monetary Fund
IMFTL  Institute for Microfinance in Timor-Leste
INFUSE  Inclusive Finance for the Underserved Economy
LFS  Labour Force Survey
MTCI  Ministry of Tourism, Commerce and Industry
MDG  Millennium Development Goals
MFI  Microfinance Institution
MoED  Ministry of Economy and Development
MoF  Ministry of Finance
MSME  Micro, Small and Medium Enterprises
NGO  Non-Governmental Organization
PSD  Private Sector Development
SDP  Strategic Development Plan
SEFOPE  Secretary of State for Vocational Training and Employment
SEPI  Secretary of State for the Promotion of Equality
SLS  Survey of Living Standards
SME  Small and Medium Enterprise
UNCDF  United Nations Capital Development Fund
UNDAF  United Nations Development Assistance Framework
UNDP  United Nations Development Programme
UNESCO  United Nations Educational, Scientific and Cultural Organization
USAID  United States Agency for International Development
WB  World Bank
WFP  World Food Programme
PART 1: PROJECT DEFINITION

1.2 INTRODUCTION

1.2.1 THE DEMOCRATIC REPUBLIC OF TIMOR LESTE

The Democratic Republic of Timor-Leste is situated on the eastern part of the island of Timor. It is bordered on the west by the Indonesian province of Nusa Tenggara Timur. 500km south across the Timor Sea is Australia. Timor-Leste is jurisdictionally divided into 13 districts and 65 sub-districts.

Timor-Leste was declared independent from Portugal on 28 November 1975 and was invaded and occupied by Indonesian forces nine days later. It was incorporated into Indonesia in July 1976 as the province of Timor Timur (East Timor). An unsuccessful campaign of pacification followed over the next two decades, during which an estimated 100,000 to 250,000 individuals lost their lives. On 30 August 1999, in an UN-supervised popular referendum, an overwhelming majority of the people of Timor-Leste voted for independence from Indonesia.

Between the referendum and the arrival of a multinational peacekeeping force in late September 1999, anti-independence Timorese militias commenced a large-scale, scorched-earth campaign of retribution. The majority of the country's infrastructure, including houses, irrigation systems, water supply systems, and schools, and nearly 100% of the country's electrical grid was destroyed. On 20 September 1999, the Australian-led peacekeeping troops of the International Force for East Timor (INTERFET) were deployed to the country and brought the violence to an end. On 20 May 2002, Timor-Leste was internationally recognized as an independent state, and became a Member of the United Nations on 27 September 2002.

In April and May 2006, long simmering grievances on the part of a group within the Defense Forces of Timor-Leste (F-FDTL) gave rise to public demonstrations and eventually resulted in open conflict between factions of the FFDTL, the Policia Nacional de Timor-Leste (PNTL) and armed civilians. By the time order was restored, the national leadership of the PNTL had collapsed, and other State institutions were in disarray. Fighting between the army and the police resulted in large-scale damage and destruction of houses, commercial properties and infrastructure. In addition, about 150,000 Timorese people were as internally displaced persons (IDPs) in refugee camps. The government gave urgent attention to the security sector, and facilitated the return of IDPs to their homes and communities, a task completed in 2009 which involved intensive community dialogues and conflict mediation.

In the immediate aftermath of the crisis, it was largely acknowledged that the limited access of young Timorese to productive job and targeted training opportunities has been one of the major causes of the deep frustration that led to the violence. This is a reflection of the accumulation of political and socio-economic factors still drawing civil society into a vicious cycle of poverty and social exclusion that has the potential to prolong social tensions.

2012 will see the next round of Presidential and Parliamentary elections, coinciding with the ten year anniversary of the restoration of independence in May 2012. After overcoming the numerous challenges of a new state emerging out of conflict, the Democratic Republic of Timor-Leste has achieved considerable progress in strengthening state institutions as a means to deepening democracy and pursuing economic and social development. These positive results can be appreciated in the results achieved against the Millennium Development Goal (MDGs) targets set in 2004.

The MDG 2015 goals have already been achieved for infant and under-5 mortality rates, for antenatal care coverage, and for the proportion of TB detected cases (under Directly Observed Therapy Short Course - DOTS). Timor Leste is on track to achieve its MDG targets in areas such as net enrolments in primary education, proportion of births attended by skilled health personnel, contraceptive prevalence rate, TB incidence rates, and proportion of the population with access to an improved drinking water source.
However, Timor-Leste remains off-track for achieving the remaining MDGs, such as prevalence of underweight children under five years of age, proportion of children reaching fifth grade, proportion of children immunized against measles, maternal mortality ratio, proportion of population with comprehensive correct knowledge of HIV/AIDS, incidence associated with malaria, and proportion of population using an improved sanitation facility. Of particular note is the MDG 1 target of 14 percent poverty incidence by 2015. The incidence of poverty has reduced by 9 percentage points from 49.9 percent in 2007 to 40.9 percent in 2009 (per World Bank); however the current poverty incidence is still higher than in 2001, which was estimated at 36 percent. With the MDG deadline of 2015 fast approaching, acceleration efforts have commenced led by the Government of Timor Leste with support from development partners. One main focus area is that of the development of the non-oil economy and more specifically the rural economy which is home to around 70 percent of the country’s population.

1.2.2 THE TIMOR LESTE ECONOMY

Economically, the 2006 crisis had a profound impact on the Timorese economy, dramatically setting back the progress made from 2002. In the aftermath of the 2006 crisis the non-oil economy contracted by 5.8 percent per the International Monetary Fund (IMF) estimate. Delivery of social and welfare services were severely restricted and unemployment worsened. 2007 data indicates that per capita income in the non-oil economy was approximately 20 percent lower in 2006 than in independence year 2002.

Since 2007, Timor-Leste has seen strong economic recovery. Government data estimates economic growth at 12.2 percent in 2009, with average per capita incomes in the non-oil economy increasing from US$398 per year in 2007, to US$499 in 2008 and US$599 in 2009. The World Bank and Asian Development Bank estimates give 2009 growth rates of 5.0 and 7.4 percent respectively; though whichever estimate is taken, the relatively high rate of economic growth is likely to have a positive impact on poverty. An estimated 10.0 percent growth is projected by the Government in 2011 according to the Ministry of Finance.

One of the main factors that have contributed to this strong growth is high public expenditure. This has been possible due to increased petroleum revenue benefiting from high world fuel prices. As a result of increased government spending, private consumption was boosted by a continued rise in public sector salaries along with cash transfers as part of the Government’s Social Protection programme. At the same time, however, inflation is on the rise, reaching over 9.0 percent year-on-year in December 2011 due to rising food prices. As public expenditure remains the main driver of economic growth, combined with Timor-Leste’s full dependence on imports in the face of steady depreciation of the US Dollar, inflation may continue to show an upward trend - this could serve as a constraining factor on the poor because inflation can be regarded as “taxing the poor”.

Economic growth has also been accompanied, by rising income inequality. Analysis of the Demographic and Health Survey (DHS) 2009-2010 data shows that in the urban areas the lowest quintile benefits from 4.5 percent of the wealth, whereas the highest quintile benefits from 57.8 per cent of the wealth. While most of the poor in Timor-Leste live in rural areas, the highest quintile in Dili enjoys wealth almost 180 times the wealth of the poorest quintile. The rural-urban divide (between Dili and the rest of the country) is fuelled by the concentration of economic activities in the capital; and without any radical shift in policies and resource allocation, Timor-Leste will not be able to achieve its target of reducing poverty incidence to 14 percent in 2015.

1.2.3 GENDER EQUALITY IN THE TIMOR LESTE ECONOMY

In 2010, the population of Timor-Leste was estimated at 1.066 million inhabitants, evenly distributed by sex, and comprising a largely young population (53 percent below the age of 20). Approximately 71 percent of the population live in rural areas and around 23 percent in Dili district. The productive age group (15-64 years) represents 53.3 percent of the total population. In terms of economic activity, 84.3 percent of the Timorese productive age group is engaged in agricultural production; only 0.9 percent is engaged in industry and the rest in other sectors (see details in Table 1).
Figure 1: Main Activity by Rural and Urban Areas, by Sex (15-64 years old)

INDUSTRY OF MAIN JOB IN THE LAST 7 DAYS BY RURAL AND URBAN AREAS AND REGIONS, ACCORDING TO GENDER

(\% among all employed 15 to 64 years old)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th></th>
<th></th>
<th>Male</th>
<th></th>
<th></th>
<th>Female</th>
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<tr>
<td></td>
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<td>Urban</td>
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<tr>
<td>Agriculture</td>
<td>100.0</td>
<td>84.3</td>
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<td>50.5</td>
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<td>0.4</td>
<td>3.1</td>
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<td>Education</td>
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<td>2.2</td>
<td>5.1</td>
<td>3.4</td>
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<td>5.2</td>
<td>1.7</td>
<td>1.0</td>
<td>5.0</td>
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<tr>
<td>Other community, social and personal services</td>
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<td>0.3</td>
<td>8.0</td>
<td>2.2</td>
<td>0.3</td>
<td>9.5</td>
<td>1.1</td>
<td>0.2</td>
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<tr>
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<td>16.6</td>
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<td>2.3</td>
<td>17.9</td>
<td>4.1</td>
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It is estimated that 8 out of every 10 workers in the agriculture sector are engaged in subsistence farming, and there are more women than men active in agriculture, particularly in producing and processing food crops for their own consumption. According to the Timor-Leste Survey of Living Standards (TLSLS 2007), approximately 88 percent of Timorese women worked in agriculture, compared with 82 percent of men, and the proportion is higher in rural areas, where the percentage of women in agriculture was 94 percent and for men, 91 percent (Figure 1). For many rural households, women’s engagement in agriculture is critical for survival. The other major economic activity of women is trading (3.6 percent nationally and 10.5 percent in urban areas), especially in selling agricultural produce and managing kiosks as a means to cope with hardships they face in their daily lives.

Women have limited access to employment opportunities as exemplified by less than one-third of wage workers being women (Figure 2). Women’s participation in industry, public sector and military, education and health is very low. Few industrial workers are women (7 percent) and only 15 percent of public sector employees are women. It is only in wholesale trade, retail, restaurants and hotels that women outnumber men (61 percent).

Figure 2: Percentage Distribution of Wage Employees by Industry of Main Job and Gender, Timor-Leste 2007

Note: 1 Industry; 2 Wholesale trade, retail, restaurants and hotels; 3 Public administration/military; 4 Health; 5 Education; 6 Other community, social and personal services; 7 Other.

Low levels of female education; the burdens of household tasks that fall disproportionately on women; and male-dominated institutions are among the causes for women’s low participation in waged work. Additionally, if women do engage in formal work, they face discrimination. In 2008, Rede Feto, the largest women’s non-governmental organization in Timor-Leste, organized a series of District Conferences addressing the main obstacles facing women in their access to employment opportunities. The findings were, among others, that women are more likely to be dismissed due to pregnancy and are offered lower pay for equal work, caused by low levels of education, skills, and
experience. This is further exacerbated by the fact that, culturally, a woman’s place is at home which, in turn, limits their mobility and hence their likelihood to be engaged in wage-earning employment.

In line with the context above, women resort to the informal economy as micro-entrepreneurs, in which some 43 percent of such enterprises are female-owned. Anecdotal evidence suggests that women micro-entrepreneurs are primarily engaged in *tais* weaving, tailoring, salt-making, baking and handicrafts, and are almost totally absent in the other industries. The non-farm private sector is mostly made up of informal household activities, and micro and small enterprises. Informal enterprises are almost exclusively household ventures, in which most workers are family members who are unpaid or paid in non-monetary forms. Almost all informal urban enterprises have 10 or fewer workers, and more than half have only a single worker.

The impact of 24 years of Indonesian occupation on men and women is felt at many levels, including on women’s education which continues to have significant repercussions on women’s participation in the economy. Overall, illiteracy is high for both men and women – the percentage of persons 15 years and over who are illiterate in Tetum is 49.1 percent among women and 38.7 percent among men. On the other hand, patriarchy is entrenched in the culture: traditional dowries, or "bride prices," remain common and are a cause of increasing violence and entrapment of women; and while divorce is legal, women seldom seek it even when victim to domestic violence. Gender-based discrimination is seen in other areas such as land ownership and inheritance practices and limited access to capital and credit - all of which affects their potential for viable economic activities.

### 1.2.4 ADDITIONAL MARGINALISED GROUPS IN THE TIMOR LESTE ECONOMY

Whilst clear barriers to economic and social development are apparent for all members of the Timorese population, specific groups are excessively marginalized. As described above, women and rural populations face particular hurdles in reaping the rewards of economic development, and similarly the youth and persons living with disabilities are also marginalized.

Challenges facing the youth are particularly severe, with the pressure to find a job much higher in urban areas and among the youth aged 15-24 years. Within the urban areas, jobseekers account for 15 percent of all women and 12 percent of all men, and yet jobseekers make up 34 percent and 36 percent of the female and male youth respectively. According to the Timor-Leste Labour Force Survey (LFS) 2010, 78 percent of youth aged 15-29 are defined by an “economically inactive” status in Timor-Leste. In urban areas, a mere 18.8 percent of the total youth aged 15-29 are employed, with 19.7 percent of the youth employed in rural areas. The number of employed males among the total population is higher than that of women. In urban areas, 13 percent of the female population are employed while 27 percent of the male population are employed. In 2007, youth unemployment rates were three times higher than adult unemployment rates and accounted for 35 percent of the youth in Dili compared to 23.7 percent in 2001. Higher unemployment rates among the youth reflect the inability of the economy to absorb more educated young men and women. The low absorption of high skilled labour in Timor-Leste is a clear indication of an economy that is mainly dominated by the informal sector, and where there are low levels of private investment in the country.

Urbanization can be partly attributed to the high urban youth unemployment, where young people have migrated in search of jobs and other opportunities that do not exist in rural areas. However, most of these young men and women face disillusionment because of very low levels of labour absorption in urban areas as a consequence of a lack of an enabling environment for investment. Very high levels of youth unemployment in Dili could trigger social and political conflicts, which, in turn, would adversely affect investment. To counter high urbanization rates, it is necessary for the Government to support greater diversification of economic activities and focus more on rural areas in both the agricultural and the non-farm sector. The LFS 2010 shows that 80 percent of the rural labour force is defined as “vulnerable employed”, compared to 42 percent of the urban population, hence the need for a coherent

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3. Informal enterprises are defined as “enterprises engaged in for-profit activities that are not legally registered at the Business Registration Unit in the Ministry of Commerce, Tourism and Industry (MTCI)”. Formal enterprises are defined as enterprises that are registered. Large enterprises are defined as firms with one hundred or more employees; medium have 20-99; small 6-19; and micro 1-5 employees.
set of interventions so that the non-farm rural private sector— including the informal household activities, micro, small and medium enterprises, as well as cooperatives—can become more viable.

Persons with disabilities in Timor-Leste are also marginalised from social and economy development. According to the Census 2010, there are at least 48,243 persons living with disabilities. Among them, approximately 13,308 persons are living with mental disabilities while 29,488 persons live with visual impairment and 17,672 persons live with hearing problems. In light of the potential underrepresentation of the population with disabilities, these figures indicate a quite significant population of persons living with disabilities in Timor-Leste.

Though no data is available regarding the percentage of persons with disabilities living in poverty, it is known that poverty is both a cause and an effect of disability. Comparative research suggests that the prevalence of poverty is higher among persons with disability due to various factors, including lack of access to adequate social services and opportunities. While education and employment are considered as a means of escaping poverty, access to education and employment for the physically and mentally disabled is considerably limited. There is only one specialized public school for children with disabilities and less than 10 teachers with specialized training on teaching persons with disabilities.

As indicated by the context outlined above, the most significant challenge facing Timor-Leste is the promotion of inclusive and sustainable economic growth for reducing poverty and improving livelihoods. A key focus must be on enhancing the viability of micro, small and medium-enterprises and cooperatives in the non-farm rural sector, which already provide livelihoods for many rural women and youth. Important areas of focus are the enhancement of existing productive capacities by way of providing support to social businesses in a multi-sectoral approach. This would include supporting already existing viable social businesses with access to loans, and building of entrepreneurship capacities through linkages to business and legal service providers. Equally important is addressing the supply-side constraints of policy and legal frameworks and access to finance which will be addressed through the establishment of a Social Business Fund. If all of these aspects are systematically addressed, a viable and productive social business sector will be established to contribute significantly to the acceleration of the attainment of MDGs.

1.3 SITUATION ANALYSIS

1.3.1 PRIVATE SECTOR DEVELOPMENT

Business opportunities in Timor-Leste are plentiful. Most consumer goods are imported but many imported products have the potential to be produced in-country. The private sector however is at best in a nascent stage, and focused on a narrow range of industries. The overall ease of doing business in Timor-Leste has improved according to the World Bank in 2012, though the country remains a risky place to invest. Timor Leste’s ranking of 168 out of a possible 183 countries is attributed to “gaps in: land law, land and property registration, leasing and collateral, bankruptcy, licensing, accounting and auditing, competition policy, intellectual property rights, social security, and key sectoral legislation in areas of tourism, manufacturing and trade”\(^5\). While there are organizations working to improve the business environment, the 17-step registration process remains in effect. The legal frameworks, including pricing and trade policies, still need to be improved in order to ensure ample competition and reasonable risks.

1.3.2 ENTERPRISE AND COOPERATIVE DEVELOPMENT

Worldwide, micro, small and medium enterprises (MSMEs) have been accepted as an important engine of economic growth and of promoting inclusive growth. They are a “nursery” of entrepreneurship, often driven by individual creativity and innovation. Opportunities for local production abound and can be achieved through innovation, perseverance and appropriate assistance. Support for social businesses and inclusive growth provides a value to society that goes beyond market-based exchange.

A mapping exercise conducted by the Ministry of Economy and Development shows that throughout the country there are pockets of entrepreneurs engaged in a wide-range of entrepreneurial enterprises including construction, trading, value-added agricultural production, handicraft and service-oriented businesses. With regards to the livelihoods and entrepreneurship of rural women, UNDP’s Mapping of Women’s Economic Empowerment initiatives found that there are numerous women’s groups engaged in economic activities but the majority of them operate in a vacuum and are marginal at best. Most are linked to either small local NGOs who are also marginally operating, and are not able to provide sufficient finances or skills sets to support their clients, not are the able to identify and link the initiatives to viable markets. In cases where the women’s groups are linked to an International NGO, problems of product development, linking to markets, poor packaging and limited funding are hindering the groups from moving forward. Women’s groups who had received small grants from the Secretariat of State for the Promotion of Equality’s (SEPI) Cash Transfer Program were also under performing, as there appeared to be no other assistance to the groups throughout the business cycle, from business planning, setting up of the production facility and further follow up support.

Similarly, cooperatives can be an important mechanism to facilitate and support the rise of the non-farm sector in the rural areas through the financial services they could provide to MSMEs and through cooperative owned enterprises. This is a key strategy under the Government’s Strategic Development Plan (SDP) 2011-2030 for economic and rural development. As of September 2011, the number of cooperatives in Timor-Leste had reached 92, with more than 10,000 members affiliated in 13 districts. Out of these, 51 percent are financial cooperatives, and the rest are engaged in production and services-related activities. The financial cooperatives have played an important role in providing access to credit to communities. The savings-driven and member-based cooperatives in Timor-Leste have increased their cumulative assets to more than $1.3 million. The growth in cooperatives is largely a result of a government program that provides equipment and production means to cooperatives. This support is continuing in 2012 with a focus on building human resources and institutional capacity, as well as providing in-kind subsidies to eligible cooperatives. Grants are available for in-kind equipment or tools that can be used to improve product quality, expand markets and promote products, and improve infrastructure such as rehabilitating buildings for the headquarters of cooperatives.

According to the Constitution of Timor-Leste, the economy is organised under the Public Sector, the Private Sector and the Cooperative Sector. The Cooperative Law regulates the governance, efficiency and operation of cooperatives. Under the law, the guiding principles of cooperatives are to improve members’ welfare and to participate in developing the national economy. A cooperative must be established with a minimum of 15 members, minimum capital of $1,000 and have “Cooperativa” in the title.

Investing in products and services, through both MSMEs and cooperatives that meet the needs of local communities will build local market demand, which will, in turn, drive local production, and with the multiplier effect will impact not only income levels but also the overall wellbeing of communities.

**1.3.3 SUPPORT TO PRIVATE SECTOR DEVELOPMENT**

Several institutions and organisations are engaged in private sector development in Timor Leste, though again, economic development remains in its earliest stages.

The Institute for Business Development Support (IADE) under the Ministry of Economy and Development offers business training. Through the Business Opportunities and Support Services (BOSS) project supported by Ireland and ILO, IADE and its network of Business Development Centres provide training to local civil works contractors.

The Chamber of Commerce and Industry (CCI) whose membership is currently highly concentrated in the construction industry has initiated business promotion and training activities, and provides some legal aid to businesses. The CCI is currently assisted by BFZ (Centers of Capacity Building of the Bavarian Entrepreneurs) and IFC in Timor Leste. District CCI's with the support of BFZ hold local economic forums.

The National Directorate for Cooperatives (DNC) under the Ministry of Economy and Development is mandated to operationalise the cooperative law. It still has relatively limited resources and capacity to effectively support the
formation and sustainable development of cooperatives. It receives assistance from GIZ and others. The Secretary of State for Rural Economic Development also in the Ministry of Economy and Development with the assistance of ILO has conducted local value chain development and rural economic forums in selected districts.

The Secretariat of State for Vocational Training and Employment (SEFOPE) is housed under the Prime Minister’s Office and provides vocational skills training and employment services to the population with support from many development partners including Brazil, Portugal and ILO. SEFOPE has subcontracted the Business Development Support Institute (IADE) to provide business support services to enterprises nationwide.

Timor Leste’s Secretary of State for the Promotion of Equality (SEPI) also provides some private sector development support through their Cash Transfer scheme. A Women’s Business Association has been created and provides business services to women’s enterprises in Timor Leste. UN Women and several other development partners support SEPI on an ongoing basis.

Several Civil Society Organisations including NGOs and religious institutions and donor assisted projects are also active in providing services to businesses, rural groups and cooperatives, including social businesses in Timor Leste. The Alola Foundation, the Canossian Sisters, Empreza Diak, JICA-assisted PARSIC, the IPAD supported Mos Bele project, the USAID/DAI supported community agriculture development project are such examples.

1.3.4 BARRIERS TO PRIVATE SECTOR DEVELOPMENT

In order to showcase the potential for rural private sector development, and to bring all of the existing domestic expertise together, the Ministry of Economy and Development and UNDP co-hosted an ‘Inclusive Growth Forum’ in February 2012. The Forum brought together 100 members of Timorese MSMEs and cooperatives, along with business service providers, Government, commercial associations, experts and practitioners and development organisations with a view to establish a dialogue between Government, the private sector and development partners. This forum included the presentation of several best practice businesses in Timor Leste to highlight the existing potential in rural areas for business development and to link these enterprises and cooperatives with the actors who are already engaged in this area. 30 enterprises were pinpointed as viable and showing good potential if given the necessary support and guidance (some of these enterprises will be targeted by this project). The second objective of the Forum was to identify the constraints faced by potential businesses and to voice these constraints to an audience which included the responsible parties – with an end-goal of identifying possible solutions. The Inclusive Growth Forum provided an avenue for rural cooperatives and MSMEs to raise the barriers they face in establishing viable businesses, and resulted in a series of recommendations which once addressed would pave the way for businesses to develop.

In general, Timorese-based MSMEs and cooperatives face challenges such as lack of access to market and capital and meaningful participation in value chains, restricted access to productive assets, a need for practical business skills, market-based business planning, government or donor dependency and lack of affordable transportation and distribution methods. Poor quality standards still exist, along with a lack of knowledge about targeted markets and product development, limited production levels, inadequate access to distribution centres and markets and an unskilled labour force – all affecting the mobilization of the local economy. Overarching these specific concerns is the glaring lack of a coherent and comprehensive programme that links business support services and entrepreneurs together, scales-up production, builds business professionalism and links businesses to consistent local markets.

In the own words of Timorese MSMEs and cooperatives and summarized in the Inclusive Growth Forum Strategy booklet, are the following contributing factors to the slow development of an inclusive economy:

ACCESS TO FINANCIAL SERVICES

Capital and Financing
One of the greatest obstacles to developing and expanding a business in Timor-Leste is access to credit that is greater than the micro-level and affordable for smaller enterprises. In response, the government has recently transformed the Instituicao de Microfinancas de Timor-Leste (IMFTL - Institute for Microfinance in Timor-Leste) into the National Commercial Bank of Timor-Leste. What is now needed is the dissemination of information on existing
financing options (MFIs, credit cooperatives, etc.) as well as the establishment and dissemination of standard underwriting criterion and processes.

High interest rates continue to be a barrier to accessing financing for small business loans. A loan system needs to be created which can handle the collateral and risk aspects of loans to small businesses in the Timorese environment. A Government backed or development partner‐guaranteed financing mechanism is one potential risk reduction technique in the initial stages to assess the efficacy of the financing system available. Also proposed is the establishment of a credit line for expanding business activities and/or existing enterprises.

**Micro-finance**

The microfinance sector in Timor‐Leste is evolving. The sector consists of two specialized NGOs, several credit unions and a number of microfinance programs; most of these organizations are members of the Association for Microfinance in Timor‐Leste (AMFITIL). Moris Rasik was established in 2000 and is the largest rural microcredit NGO in the country. The other is Tuba Rai Metin which runs microcredit programs for women in Dili and in the eastern districts. Both organizations are preparing to become Other Deposit Taking Institutions, following the relevant law that was established in December 2010. There are estimated 275,300 people (between the ages of 15‐64) who are in need of microfinance services. Through the Inclusive Finance for the Underserved Economy (INFUSE) project, UNDP, UNCDF and AusAID are partners of the Ministry of Economy and Development in strengthening the capacity of microfinance institutions (MFIs).

**LAWS AND POLICIES**

**Governance**

A considerably centralized government with limited capacity is a factor contributing to the concentration of economic activities in the capital Dili. Lack of delegated authority and/or de‐concentration, capacity and resources at the district levels limit the ability of local authorities to play a meaningful role in local development; although capacity building efforts are ongoing under the Ministry of State Administration and Territorial Management to strengthen district capacity in local development planning and management as a preparatory step to decentralisation. Decentralization is foreseen in the Constitution but its full implementation has been postponed until after the 2012 national elections. In addition to this, inter‐ministerial coordination at the central level requires enforcement to ensure structural problems are addressed appropriately and responsibilities are coherent for both the Government and non‐Government actors.

**Laws**

The issue of land rights and land claims is extremely complex and contentious due to the historical legacy of different legal regimes, people’s displacements and traditional community lands are in a state of disarray. With support from international partners, the Government has drafted the land law and it is hoped that with its passing a system for land registration will be created, which is essential to increasing private investment. An additional hindrance is the pending Moveable Assets Guarantee Law.

The process for establishment of formal businesses and formalization of the informal sector is a requirement raised by MSMEs in particular. The suggested solutions include the immediate implementation of a one‐stop‐shop to simplify and speed up the process of business registration; in this regard a decree law for the establishment of a one‐stop shop was approved recently by the Council of Ministers. Sectoral regulations for both MSMEs and Cooperatives were also raised.

**SKILLS AND CAPACITY**

**Business Development Services**

Business owners and cooperative managers need business skills training activities, including in the areas of business planning, human resources management, product management, marketing and sales, and financial management. This should be done in a decentralized manner and based on the local context so as to also reach rural areas. On‐line training opportunities could also be considered as appropriate with network constraints. Training should be accompanied by on‐going business coaching and mentoring for all MSMEs and Cooperatives. Institutions such as
IADE and SEFOPE are already providing important vocational and business training for workers that MSMEs and Cooperatives may access.

Market Orientation
MSMEs and cooperatives are in need of vital market research to orient products and services to the market. The crucial question in the design of any business or cooperative is what to produce or provide, which requires some level of expertise in marketing – this includes market prices, regulations, processes, linkages to value chains and technology.

Cultural barriers
Women entrepreneurs are constrained by family and traditional obligations and, in addition, are constrained by their lack of access to credit, technology and business skills. Other forms of discrimination, such inheritance practices and domestic violence, are prevalent. Development efforts are often piece-meal and thus do not sufficiently addressed the multi-dimensional constraints to women’s active participation in the economy. There is no cohesive approach to gender mainstreaming in the economy within the government, NGO, or donor sectors. The Secretary of State for the Promotion of Equality and the Ministry of Economy and Development are now reviewing potential interventions for women in agriculture and entrepreneurship.

NETWORKS/INDUSTRY GROUPS

Capabilities for networking between business owners/leaders, MSMEs and Cooperatives in the areas of consistent quality product, innovation, and competitiveness is also an essential area in need of attention. The promotion of networking between businesses and businesses and cooperatives to encourage identification of business connections and creation of business opportunities remains weak. Also pertinent is the requirement of active matchmaking to help existing enterprises connect with existing solutions to immediately overcome barriers to growth. This would include legal support regarding registration processes and business operations. Ideas for future activities include forming and encouraging industry groups to design industry-related standards, such as quality standards and certifications, as well as engaging in industry marketing campaigns and other endeavors to solve industry-wide problems.

INFRASTRUCTURE

Poor infrastructure is a major barrier to accessing markets and rural economic development. MSMEs and cooperatives have indicated a desire to work together with government to improve infrastructure that is necessary for economic activities in rural areas (clean water, energy, communications, roads, and design of policy for transport system). There is insufficient infrastructure and support in transportation, storage, quality, increasing yields, and appropriate technology - all of which greatly hinder the country’s ability to scale-up and use potential resources within Timor-Leste. The poor transportation system and lack of electrification make production and distribution very costly in Timor-Leste. The inadequate communication system affects information flows including market related information.

Potential future steps include identifying business activities linked to infrastructure (provision of energy services, transportation, logistics, etc); developing contracting methods to ensure that the government procurement for infrastructure projects is consistent with the inclusive growth concept, such as by setting aside women-owned businesses, youth and local hiring protocols; and activating industry groups to advocate for inclusive growth principles in procurement.

1.3.5 THE SOCIAL BUSINESS CONCEPT

On the occasion of the opening of the Conference, “10 Years on: The Contribution of Social Programmes to the Construction of the Social State in Timor-Leste”, on 16 February 2012, His Excellency Prime Minister Kay Rala Xanana Gusmão highlighted the need to build a true social State in Timor Leste:
“Essential to building a Social State in Timor-Leste is democratic participation, so that we may find ways to build social inclusion and protect our most vulnerable citizens....In this still early stage of nation building, our social programmes have mitigated extreme poverty for a fragile sector of our population and protected those most vulnerable. In a rather modest way, they have also contributed to nurturing the economy, as supporting households creates possibilities of entrepreneurship which has led to many small businesses being formed throughout the Country....The Social State is not a charity State but rather a State that takes action in society...At the same time, it creates the necessary conditions for the poorest citizens to free themselves from poverty with dignity. This requires a thorough joint assessment of the possible solutions for social inequality, as well as direct involvement by people in need, to try and find a way out of poverty. These people must be involved in choosing the paths they will take towards prosperity, with a participative and responsible attitude toward living in society.”

In light of the above situation analysis, and the views of His Excellency, the Prime Minister, the social business model is a way to support the social mission of the State whilst addressing the need to alleviate poverty amidst a weak market and a lagging non-oil economy.

WHAT IS SOCIAL BUSINESS?

Social business was first defined by Nobel Peace Prize laureate Prof. Muhammad Yunus and is described in his two books Creating a world without poverty—Social Business and the future of capitalism and Building Social Business—The new kind of capitalism that serves humanity’s most pressing needs. In Yunus’ definition, a social business is a non-loss, non-dividend company designed to address a social objective within the highly regulated marketplace of today. It is distinct from a non-profit because the business should seek to generate a modest profit but this will be used to expand the company’s reach, improve the product or service or subsidize the social mission.

There are two main prototypes of social business. The first type of a social business focuses on providing a product and/or service with a specific social, ethical or environmental goal. The second type of a social business is a profit-oriented business that is owned by the poor or other underprivileged parts of the society, who can gain through receiving direct dividends or by indirect benefits.

Grameen Danone, which is Yunus' prototype social business, was launched in 2005. Its social mission is to address malnutrition in Bangladesh by providing products, such as nutritious yoghurt, at a price affordable to everyone. Grameen Danone received seed capital and in-kind support from the dairy company Danone and the brand credibility leant by Yunus’ well-known micro-finance company, the Grameen Bank. Through the Grameen Bank, social businesses can harness the entrepreneurial spirit to empower poor women and alleviate their poverty.

Key ingredients to the success of the approach are education, institutions to make social businesses visible in the market place (a social stock market), rating agencies, appropriate impact assessment tools, indices to understand which social business is doing more and/or better than other social businesses so that social investors are correctly guided. In a social business, the investors or owners can gradually recoup the money invested, but cannot take any dividend beyond that point. The purpose of the investment is purely to achieve one or more social objectives through the operation of the company, since no personal monetary gain is desired by the investors. The impact of the business on people or the environment, rather than the amount of profit made in a given period measures the success of social business.

SOCIAL BUSINESS IN TIMOR LESTE

In Timor Leste, there are initiatives that do not necessarily call themselves social businesses but do have the characteristics or potential to be one. Timor Vita, for example, is a nutritious food supplement consisting among others of maize and soybeans which is distributed to households with children who are malnourished. Timor Vita is produced by Timor Global, a local company operating in the coffee producing district of Ermera, whose core business is the processing and exporting of coffee. Through a 3-way partnership agreement, World Food Program (WFP) subsidized the setting up of the production facilities and the Ministry of Health purchases the product, which WFP transports to the districts where government health workers distribute to beneficiaries. Timor Global subsidizes production costs from its coffee business income.
Empreza Diak is an NGO that has started a programme to support micro or small enterprises as social businesses. Many donor or civil society supported enterprises and cooperatives fall under the second prototype of social business being a business owned by the poor or other underprivileged parts of society. Cooperatives by definition of the Cooperative Law have a social objective and thus a viable business operated by a cooperative can be considered a social business, all the more if the business activity itself also solves social problems.

Social businesses have to be viable businesses in a market-oriented environment so many of the basic principles and skills are common with standard business training and services provided through training institutes and projects. This project aims to promote social businesses as a means to contribute to the attainment of MDGs in Timor-Leste. The project will adapt the social business models popularized by Nobel Laureate Muhammad Yunus to the context of Timor-Leste.

1.4 PROJECT STRATEGY

1.4.1 IMPLEMENTATION METHODOLOGY

Within the auspices of the aforementioned context, the Government of Timor-Leste and UNDP Timor-Leste are collaborating to explore innovative ways to mobilize the private sector, including those engaged in household based production, MSMEs and cooperatives to contribute proactively in accelerating the achievement of the MDGs. The project will utilise a multifaceted approach to achieve the stated outcome through the mobilisation of social businesses, building upon the viable and “good practice” enterprises already identified by UNDP, and linking them to the service providers and expertise in-country. Strong networks of private sector actors, Government and development agencies will be forged to maximise the support provided to the enterprises for a sustainable growth of the rural non-oil economy.

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<tr>
<th>Outcome: Social enterprises will contribute to the reduction of poverty in rural Timor Leste and generate rural employment and income.</th>
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<tbody>
<tr>
<td>Outputs:</td>
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<tr>
<td>1) Enabling environment for Social Business investment developed in Timor-Leste;</td>
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<tr>
<td>2) A Social Business Fund is established to finance viable Social Businesses;</td>
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<tr>
<td>3) Improved capacity of service providers to provide accessible needs-based technical support to Social Businesses;</td>
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<tr>
<td>4) Improved coordination and networking of investors, service providers, regulatory bodies and Social Businesses.</td>
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To be given priority are social businesses that meet critical gaps in the products and services for the poor related to MDGs. The strategy also involves engaging service providers to facilitate horizontal-vertical linkages as well as access to other services meeting deficits in information, skills and technology. Enhancing the capacity of government agencies responsible for regulating and supporting the target sectors, and strengthening the collaboration among stakeholders in government, private sector and civil society organizations, as well as their international partners, are important in order to sustain the development of inclusive markets in Timor-Leste.

At the end of the project, there will be a strong collaborative network of public and private sector actors engaged in the provision of all manner of services to social businesses in Timor Leste. In addition there will be a functional financing mechanism for social businesses in place, along with several social businesses that have been pilot-tested throughout the life of the project. A final evaluation of the project will provide a clearly defined way forward to further enhance social businesses for non-oil rural economic development in Timor Leste.
The project will be broken down into the following 4 outputs which will be elaborated further during the project’s inception period.


Building on the outcomes of the Inclusive Growth Forum in February 2012, this project will provide assistance to the Ministry of Economy and Development and relevant government institutions to identify and address policy, regulatory and programmatic or market bottlenecks and measures to create an enabling environment for inclusive growth in general and social business development in particular. This may take the form of policy analysis and advice, support to policy dialogue and formulation, market research for social businesses for MDG opportunities in Timor-Leste, monitoring and documentation of social businesses within the broader economic and private sector or cooperative context. This also addresses issues such as gender equality, youth participation, expanding opportunities for disabled persons and other vulnerable populations.

At the end of the project, necessary legal or policy framework for social businesses including the below Timor-Leste Social Business Fund, along with needed institutional capacity, would have been refined. This step will ensure that the lessons from the experimentation will be used to create a positive environment for encouraging social businesses in Timor-Leste.

2) A Social Business Fund is established for financing to viable Social Businesses.

One critical element in this initiative is a Social Business Fund that will provide financing to prospective social businesses. To ensure sustainability, the project will work with established financial institutions with outreach to districts to design financing mechanisms that are commercial viable and accessible to MSMEs and cooperatives investing in social businesses. BNCTL and BNU are possible partners but the selection of the partner(s) will be done through a competitive bidding process. One option that will be explored is to work with IFC’s proposed SME Risk Share Facility with commercial banks and create a special credit line for Social Business. Once the details of the credit line provided under this project are finalised, this project will provide funds to partially guarantee the loans granted to social businesses through the fund. The project funds will be used as a guarantee in the first phase of loan grants to address the collateral and risk aspects of loans to small businesses in the Timorese environment. Eligibility criteria, the terms and selection procedures for the loan will be established and business proposals will be properly assessed during the first year. Necessary governance structures for oversight and management will also be developed during the inception phase.
A second line of capital will be further investigated throughout the first year of implementation; private sector capital investments into social businesses. This follows one of the Yunus models of social business financing in Bangladesh. Social business proposals will be shared with interested private investors operating in Timor-Leste or outside to solicit capital investment on a non-dividend basis. The Social Business Fund could also match a percentage of the capital investment as an assurance measure to the private investor.

In both cases, social businesses will be appraised by business experts in IADE, TradelInvest or Empreza Diak with technical assistance if required. These social businesses will also have access to business services and networks under Outputs 3 and 4. The design and governance structure of the Social Business Fund is important for its viability and sustainability. The project will work with Ministry of Economy and Development, Ministry of Finance, financial institutions and partners such as IFC, ADB and UNCDF for the design and piloting of the Social Business Fund. In the third year of the project, it is expected that the Government will support budget infusions into the Social Business Fund from the State Budget to enable expansion and sustainability. The aspiration of this output is to identify innovative financing mechanisms and necessary resources from non-conventional financing partners to support the development of high-impact, social change initiatives and sector focused job-creating productive enterprises that are essential in improving the lives of millions of individuals and to accelerate the achievement of the MDGs.

3) Improved capacity of service providers to provide accessible needs-based technical support to Social Businesses.

Government agencies, financial institutions, business associations, international and national NGOs, and development partners are working at local levels in agricultural extension, technology sharing/transfer, financial literacy training and business service provision, and access to micro-finance and larger loans. Cooperatives with members engaged in home industries and services, with capital borrowed from the cooperative have also received some State and development partner assistance. There is a need to link MSMEs and cooperatives with markets, and to providers of business services, training and technology.

Ministries and non-governmental organizations with programmes that impact the sector will be engaged in the project. Entrepreneurs and cooperatives in Timor-Leste need training in a variety of areas, such as basic costing and pricing, product development, marketing, packaging and presentation, and business planning and management. In acknowledging the partners already providing business development services in Timor Leste, this project will partner with strong service providers and support their service provision to the identified individuals, groups and cooperatives that are already producing products or services that could potentially meet identified local market needs. Product development will be one area of intervention in order to ensure entrepreneurship and competitiveness amongst producers. Production planning and skills enhancement/training could follow, along with sourcing of additional capital and technology if required. Ongoing business management advisory services and legal aid will be provided on a regular basis. The project will facilitate coordination among these entities so that they can deliver timely and appropriate services to the participants in the target districts. Assurance mechanisms of quality and hygiene standards will also be explored in the project. Inclusive client outreach to disadvantaged populations such as persons in poor and remote areas, women, disabled and youth will be explored.

The project will work through and strengthen capacity in competent institutions in Timor-Leste depending upon their area of expertise and geographical coverage. This may include IADE, SEFOPE, The Secretary of State for Rural Economic Development, CCI, Women’s Business Association, DNC, Empreza Diak. The overarching goal is to tap into the opportunities provided by the existing development actors to specifically address the financial and capacity development needs of the micro-enterprises, cooperatives, high potential start-ups, social entrepreneurs and promising pro poor value chains.

4) Improved coordination and networking of investors, service providers, regulatory bodies and Social Businesses.

The Forum for Inclusive Growth held on 6-7 February brought together MSMEs, cooperatives, government, private sector, business and training services, experts and practitioners of business development and development partners. The experience showed the utility of information sharing, discussion around common issues and coordination of
activities. The project will continue to facilitate coordination and networking among stakeholders also as a measure to support the three preceding outputs.

Local communities learn best from those with expertise and others doing similar ventures. Cross linkages for learning and information sharing are an important mechanism for entrepreneurs to learn. MSMEs and cooperatives can be linked among themselves and with medium and large scale enterprises to foster learning from one another. Though currently made-up of marginalized and fragmented entities, the MSME sector needs a strong entity to support and direct the collective movement towards building a positive business environment and entrepreneurial culture. Targeted interventions can also be envisaged to promote knowledge exchange among women or disabled persons.

Among the tasks include advocacy to make the process for business licensing easier and to link entrepreneurs to Business Development Services. Linkages to other institutions and organizations that have projects and programs in the same area will encourage learning, information sharing and networking opportunities. This is an important part of growing businesses and the entrepreneurial culture in Timor-Leste. The Chambers of Commerce and Industry and the Women’s Business Association can serve the role.

The National Directorate for Cooperatives (DNC) is responsible for the policies and promotion of cooperatives in the country. 2012 being the International Year of Cooperatives, the DNC looks to strengthen its capacity and activities in cooperative support. Some of the production cooperatives have potential for viable social business and DNC can play a role in enabling the development and networking of social businesses among cooperatives. Projects and partners such as IPAD-supported Mos Bele, Empeza Diak, BFZ, GIZ, JICA, USAID are also critical links to networking and cooperation between enterprises and cooperatives.

The Economic Development pillar of the Strategic Development Plan includes multiple sectors and effective inter-ministerial coordination is critical for the development and implementation of cohesive policies and actions. Inter-Ministerial coordination will be supported so that limitations can be addressed and the relevant Government entities can work together to influence policies, programmes and services of Government.

External platforms and networks will also be tapped as suitable to bring in ideas and know-how from other countries as well as interested private sector, social entrepreneurs to invest and support social business development in Timor-Leste.

1.4.2 PARTNERSHIP STRATEGY

NATIONAL PARTNERS

The primary Government counterpart of the project is the Ministry of Economy and Development. Other partners in Government will include the Ministry of Tourism, Commerce and Industry, Ministry of Agriculture and Fisheries, Ministry of Finance, Secretariat of State for Vocational Training & Employment, Secretariat of State for Rural Economic Development and Secretariat of State for the Promotion of Equality. Within the Ministry of Economy and Development is the DNC responsible for entrepreneurship development and cooperative development, and whose capacities will be tapped as well as developed in social business promotion by the project. The Business Development Support Institute (IADE) under MoED and SEFOPE’s vocational training centres are the two main government-sponsored training institutions.

Chamber of Commerce of Timor-Leste (and district CCIs), Women’s Business Association are among private sector partners that are engaged in business development services. Financial institutions that service MSMEs and cooperatives include commercial banks and the two microfinance NGOs Moris Rasik and Tuba Rai Metin that are aspiring to become Other Deposit Taking Institutions. The National Commercial Bank of Timor-Leste (BNCTL) is the first national bank in Timor-Leste that transformed from the former Timor-Leste Institute for Microfinance. The National Insurance Company of Timor-Leste (NITL) is currently developing microcredit insurance with support from UNCDF, UNDP and ILO.
NGOs and projects working in the country, especially those identified as emerging good practices during the UNDP mapping of women’s livelihood development activities, will be candidates as project partners, including the Community Development Centre in Baucau, Organizasun Haburas Moris in Bobonaro and Mos Bele in Maubara, Liquica, which are profiled in the annexure. Empreza Diak, Moris Rasik, Tuba Rai Metin are NGOs that can provide business or financial training and services.

INTERNATIONAL PARTNERS

There are many international development agencies and financial institutions already active in business and enterprise development and are supporting national institutions and projects mentioned above. This includes ADB, Brazil, BFZ, EU, GIZ, IFC, ILO, JICA, Portugal, UNCDF, UNIDO and USAID.

Within UNDP, the UNDP Seoul Policy Centre on Global Development Partnership is a facilitator of knowledge development and transfer/sharing among countries in the global South, building on experiences and success stories of Asian economies. In the area of social enterprise development, the Centre engages in action research for new partnerships and business linkages such as with entrepreneurs, business corporations, think tanks and academic institutions, and is developing its capacity to be the hub and a meeting point across UNDP Country Offices as a headquarters in this area.

The Private Sector Division (PSD) in the UNDP Partnership Bureau in New York is engaging with the new development players that are working for greater global and regional reintegration of the economies via entrepreneurship development; among them is the Netherland’s Business in Development (BiD) Network Foundation. When operational, the new UNDP-BiD web-based platform will enable local institutions to create their own online community for entrepreneurs, mentors and investors. The project will also tap into this headquarter facility and the project participants are expected to be part of this network and to benefit from its business mentoring and linking services.

1.4.3 BENEFICIARIES

The project sites will be identified according to the enterprises selected as viable social businesses. These enterprises will be selected at the project inception phase in consultation with the national and local government authorities and with other stakeholders including national NGOs and international development partners. The criteria for selection will include, among others, viability of the enterprise, good practices in business development and relevance of its social objective vis a vis attainment of MDG targets. The presence of identified partnering business development service providers will also be a factor.

The direct beneficiaries are approximately 300 women/men/youth employed as a result of this project, in particular through social businesses that are created or strengthened. An additional 200 women/men/youth members of rural cooperatives and MSMEs will also benefit from service provision in areas such as joint marketing, value chain management, business skills development, and building standards of product quality. Other direct beneficiaries are the government and private institutions who will be partners in service provision, and beneficiaries of the networking activities.

The indirect beneficiaries are the most vulnerable rural populations in Timor-Leste (women, youth, the disabled) as beneficiaries of the social services and products that the social businesses will provide. Entrepreneurs and cooperatives with an interest in social business will benefit from this project as well through their participation in the various project activities.

1.4.4 NATIONAL DEVELOPMENT GOALS

The project contributes to the National Strategic Development Plan 2011-2030 (SDP) that was launched by H.E. Prime Minister, Kay Rala Xanana Gusmão in 2011 and outlines the vision of Timor-Leste in 2030. The primary objective is to achieve an upper middle income country based on a diversified economy without extreme poverty. Being currently a low income country concentrating highly on subsistence agriculture, and with revenues accrued in
the Petroleum Fund, Timor-Leste has ample opportunities to diversify its economic structure, which can be achieved by the three critical industries of agriculture, tourism and petroleum.

The economic growth and poverty reduction envisaged in the SDP cover three main areas, namely social capital, infrastructure development and economic development. The economic development pillar includes key sectors such as rural development, agriculture, petroleum, tourism and private sector development and calls for the modernization and diversification of the largely agricultural economy that would bring opportunities to all the Timorese people. The SDP recognizes that there are more people in rural areas with fewer jobs than in the urban area, particularly Dili. The SDP prioritizes rural development, focusing on job creation for newly entering labour force through encouraging private sector development, and by developing the sector of small and medium enterprises. Cooperatives as a means to stimulate private sector rural development are aligned with the SDP as well. Other than economic growth, social capital development such as health and social inclusion of youth and women is also a SDP priority. The project is also aligned with national priorities in regard to increasing economic activities in the rural areas by supporting the development of cooperatives, household-based producers and micro, small and medium enterprises particularly in non-farm production.

1.4.5 UNITED NATIONS DEVELOPMENT OUTCOMES

By mobilizing the private sector in Timor-Leste, including micro, small and medium entrepreneurs as well as the cooperative sector engaged in production activities in the rural non-farm sector, the project’s objective is to **promote the contribution of social enterprises to the reduction of income and non-income forms of poverty in rural Timor Leste.**

The impact of the above outcome will lead to progress towards the 2015 MDG targets in Timor-Leste, in particular (subject to the kind of social businesses that emerge through the project support):

- **MDG 1:** Eradicate extreme poverty and hunger
  - Proportion of population below the national poverty line: 14 percent
  - Prevalence of underweight children under five year of age: 31 percent
- **MDG 3:** Promote gender equality and empowerment
- **MDG 5:** Improve maternal health
- **MDG 6:** Combat HIV/AIDS, malaria and other diseases
- **MDG 7:** Ensure environmental sustainability
  - Proportion of land covered by forest: 55 percent
  - Proportion of population using an improved sanitation facility: 80 percent of the urban population and 55 percent of the rural population

The project is also in line with the UN Development Assistance Framework (UNDAF) and UNDP Country Program Action Plan (CPAP) for 2009-2013. The project will also be taken into consideration in the formulation of the subsequent UNDAF/CPAP from 2014.

1.4.6 MONITORING AND EVALUATION

The project will generate quarterly progress reports underlining progress. An annual report will capture the emerging results of the social business formation, the Social Business Fund and subsequent employment generation. In addition a mid-term review of the program will be undertaken in the second year of implementation, enabling all partners to be able to review results and propose a way forward.

A baseline level of economic activity of the participating districts will be measured, i.e., employment/unemployment rate, labour force population, and employed person in various industries and employment vulnerability, etc. to inform the monitoring and evaluation of the project.
1.4.7 RISK ANALYSIS

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<th>#</th>
<th>Risk</th>
<th>Mitigation measures</th>
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<tbody>
<tr>
<td>1</td>
<td>Resumption of violent incidents</td>
<td>Regular close monitoring of the security situations will be necessary.</td>
</tr>
<tr>
<td>2</td>
<td>Stigmatization of vulnerable groups, such as women and people with disability</td>
<td>Awareness-raising campaign support may promote positive perceptions of vulnerable people and addressing negative impacts of social exclusion will be provided.</td>
</tr>
<tr>
<td>3</td>
<td>Weak involvement and poor management of the partners</td>
<td>The project will promote active involvement of the respective partners in order to facilitate an appropriate transfer of competence and know-how in favour of partners. The project will also adopt a performance-based approach particularly for the Social Business Fund where business proposals will be carefully appraised by business experts.</td>
</tr>
<tr>
<td>4</td>
<td>Government’s policy change and weak commitment as a result of Presidential and Parliamentary elections</td>
<td>Monitor and ensure government officials in charge are well aware of significance of consistent policy priorities in context of promoting development.</td>
</tr>
<tr>
<td>5</td>
<td>Inadequate resources and infrastructure provided for the implementation of project</td>
<td>Advocating for targeted people’s access to necessary services, resources and infrastructure will be addressed.</td>
</tr>
<tr>
<td>6</td>
<td>Limited capacity of people for improvement</td>
<td>Provision of further training and technical support to targeted people and communities to implement the project in timely manner.</td>
</tr>
<tr>
<td>7</td>
<td>Re-configuration of government</td>
<td>Ensure that the project is well anchored in a relevant Ministry.</td>
</tr>
<tr>
<td>8</td>
<td>Creation of Municipalities that may temporarily disrupt (due to a decision-making vacuum) the progress of the project activities</td>
<td>Working with a range of well established service providers, private sector and NGOs would enable continuity, but in the longer run, decentralisation will open opportunities for localised state interventions.</td>
</tr>
</tbody>
</table>

1.4.8 ADMINISTRATION AND FINANCIAL MANAGEMENT

The Project will be implemented through the Direct Implementation Modality by the UNDP Country Office in Timor-Leste. As this project intersects between the Government and the private sector, a project management unit will be established with a core staff of approximately 4 members including: Chief Technical Advisor (international), National Project Advisor, Monitoring and Evaluation Officer, Finance/Administrative assistant and a Driver. The key role of the project management unit will be to support project implementation, capacity building of national actors, forging linkages with international partners as well as facilitate knowledge documentation and exchange. The UNDP Country Office will be responsible for human resource management, financial management, reporting and monitoring of project activities.

The management structure described in the chart below is a structure specifically designed to manage the project to its conclusion, and it consists of roles and responsibilities that bring together the various interests and skills involved in, and required by, the project.
Project Steering Committee

Co-Chairs: Ministry of Economy and Development, UNDP

Members: Embassy of the Republic of Korea, National Directorate for Cooperatives, IADE, Chamber of Commerce and Industry, Women’s Business Association, National Commercial Bank of Timor Leste, SEFOPE, SEPI relevant NGOs and participating private sector entities or representatives, ILO and other contributing development partners.

Project Steering Committee
The PSC is the group responsible for project oversight, making executive management decisions and project-related approvals, including approval of project revisions, Annual Work Plans and Annual Reports. The PSC is responsible for the overall direction and management of the project. A Terms of Reference for the PSC will be drafted and endorsed at the first PSC meeting.

Chief Technical Advisor
The International CTA has the authority to run the project on a day-to-day basis within the guidance provided by the PSC. The CTA is responsible for day-to-day management and decision-making for the project. The CTA’s prime responsibility is to ensure that the project produces the results specified in the project document, to the required standard of quality and within the specified constraints of time and cost. Terms of Reference for each of the members of the Project Team will be prepared and a competitive recruitment process undertaken.

1.4.8 SUSTAINABILITY STRATEGY

As this project introduces relatively new approaches and initiatives, an iterative process of planning and implementation based on phases and modules will be undertaken. A careful examination of existing institutions will be needed to determine where the different components would be best anchored. During a six-month inception phase at the start of the project, preparatory activities including a capacity assessment of potential partners will be carried out to elaborate the work plan and results framework. Sustainability concerns will be incorporated in the assessment. Other than the Social Business Fund that is expected to be institutionalized, the enabling environment for social businesses to thrive in Timor-Leste will be outputs of this component as well, and will be well integrated into existing private sector support institutions to enhance sustainability. The networking and coordination mechanisms set up under Output 4 will fall within an existing national institution such as the CCI, as a mechanism for sustainability. Ongoing monitoring and evaluation of the social businesses themselves will be utilised for redesign of components deemed unsuccessful, with a view to having found a potential model for scale up by the end of the project.

1.4.9 TIMELINE

The project is an innovative initiative that will be implemented over a period of 3 years. The first six months will constitute a project initiation and inception phase where the core project management staff will be recruited, the project strategy and work plan will be refined and partners in the various components will be identified. Baseline and indicators for project’s results based management will be reviewed and refined during the inception period.
### OBJECTIVE: Mobilise Social Businesses to Accelerate Achievement of Timor Leste’s Millennium Development Goals

<table>
<thead>
<tr>
<th>MDG 1: Eradicate extreme poverty and hunger</th>
<th>Proportion of population below the national poverty line: 14 percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>MDG 3: Promote gender equality and empowerment</td>
<td>Proportion of land covered by forest: 55 percent</td>
</tr>
<tr>
<td>MDG 7: Ensure environmental sustainability</td>
<td>Proportion of population using an improved sanitation facility: 80 percent of the urban population and 55 percent of the rural population</td>
</tr>
</tbody>
</table>

#### UNDAF Outcome 2: Vulnerable groups experience a significant improvement in sustainable livelihoods, poverty reduction and disaster risk management within an overarching crisis prevention and recovery context

#### CP Outcome 2.1

#### UNDP CPAP Outcome 3: Vulnerable groups have improved access to livelihoods

#### CPAP Output 3.3: By 2013, there is greater number of small private sector and poor producers who have access to capital, technical and business skills, knowledge, services, innovations, and new value chains for poverty reduction.

### Performance Indicators

| Outcome: Social enterprises will contribute to the reduction of poverty in rural Timor Leste and generate rural employment and income. |

#### Output 1: Enabling environment for social business development in Timor-Leste.

<table>
<thead>
<tr>
<th>Indicator:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Policy actions to facilitate social business development and participation of women, youth, vulnerable groups.</td>
</tr>
</tbody>
</table>

#### Performance Benchmarks

| 2012 – Policy and regulatory bottlenecks and needs identified. |

<table>
<thead>
<tr>
<th>1.1 Policy analysis and formulation on enabling environment for social business development and inclusive growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.2 Experience from pilot social businesses documented and lessons learned distilled to develop models and policy framework.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Responsible Parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNDP, MoED</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Inputs (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experts, research costs $50,000</td>
</tr>
</tbody>
</table>

### Output 2: A Social Business Fund is established for financing loans to viable Social Businesses.

<table>
<thead>
<tr>
<th>Indicator:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Social Business Fund set-up as a sustaining financing scheme housed in a private financial institution.</td>
</tr>
<tr>
<td>• Social businesses successfully accessing and managing financing.</td>
</tr>
</tbody>
</table>

#### Performance Benchmarks

<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2013 – Social Businesses financed from Social Business Fund Pilots are monitored for risks and opportunities.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2.1 Design pilot institutional structure and operational procedure for Timor-Leste Social Business Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.2 Pilot social business fund with loans (through banking system) or capital seed fund (with private sector investment) to selected viable social businesses</td>
</tr>
<tr>
<td>2.3 Technical assistance for social business fund management</td>
</tr>
<tr>
<td>2.4 Solicitation of private investors to Timor-Leste Social Business Fund</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Responsible Parties</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNDP, MoED, Financial institutions</td>
</tr>
<tr>
<td>UNDP, MoED</td>
</tr>
<tr>
<td>Selected financial institutions</td>
</tr>
<tr>
<td>UNDP, MoED,</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Inputs (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial consultant $65,000</td>
</tr>
<tr>
<td>CTA (20%) $100,000</td>
</tr>
<tr>
<td>Seed fund for Social Business Fund $555,000</td>
</tr>
<tr>
<td>Expert $100,000</td>
</tr>
<tr>
<td>Marketing or promotion $10,000</td>
</tr>
</tbody>
</table>

### Sub Total Output 1: $170,000
<table>
<thead>
<tr>
<th>Output 3: Improved capacity of service providers to provide accessible needs-based technical support to Social Businesses.</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicator:</td>
<td>2012 – Partnerships with business development service providers established and terms of agreement negotiated. 2013 – Partnership agreements for service provision in place and under implementation. Capacity development plan of DNC completed and approved. 2014 – Ongoing monitoring and strengthening of support to social businesses through partnership agreements with business development service providers.</td>
<td>3.1 Provision of business development services to identified social businesses through partnership agreements with service providers.</td>
<td></td>
</tr>
<tr>
<td>• Social business support services developed.</td>
<td>IADE, DNC, CCI, Business Associations, Service Providers and NGOs</td>
<td></td>
<td>Agreements/sub-contracts with service providers $400,000 CTA (20%) $100,000</td>
</tr>
<tr>
<td>• Number of clients (gender/population group disaggregation) accessing services.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Number of social businesses successfully operating as a result of business services (gender/population group disaggregation).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Client satisfaction.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sub Total Output 2:</th>
<th>USD$855,000</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Output 4: Improved coordination and networking of investors, service providers, regulatory bodies and Social Businesses.</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicator:</td>
<td>4.1 Organize social business network of relevant stakeholders for horizontal/vertical linkages and mutual support</td>
<td>4.2 Communication of social business experience</td>
<td>4.3 Inclusive Growth Forum “Two years on” – January 2014 to bring stakeholders together for assessment of inclusive economic development.</td>
</tr>
<tr>
<td>• Value chains developed.</td>
<td>UNDP, CCI, other institutions to be identified</td>
<td>UNDP</td>
<td>UNDP, MoED</td>
</tr>
<tr>
<td>• Number of networked social businesses (gender/population group).</td>
<td>Travel and meetings/workshops $34,514 CTA (20%) $100,000</td>
<td>Marketing or promotion $15,000</td>
<td>Experts, Travel and Workshop $55,000</td>
</tr>
<tr>
<td>• Knowledge sharing products produced.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sub Total Output 3:</th>
<th>USD$500,000</th>
</tr>
</thead>
</table>

A. Total Project Activities: USD$1,729,514
<table>
<thead>
<tr>
<th>B. Project Management</th>
<th>Planned Budget</th>
<th>Schedule of Disbursement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Acc. Code</strong></td>
<td><strong>Budget description</strong></td>
<td><strong>Total Amount</strong></td>
</tr>
<tr>
<td>Recurrent Costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff</td>
<td>Chief Technical Advisor (Intl) (P4) (20%)</td>
<td>100000</td>
</tr>
<tr>
<td></td>
<td>National Project Advisor</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Finance/Administration Assistant (SB3)</td>
<td>42500</td>
</tr>
<tr>
<td></td>
<td>Driver (SB1)</td>
<td>10250</td>
</tr>
<tr>
<td>Running Costs</td>
<td>Office Supplies/Miscellaneous etc</td>
<td>40000</td>
</tr>
<tr>
<td></td>
<td>Communication Materials</td>
<td>15000</td>
</tr>
<tr>
<td></td>
<td><strong>Sub Total Recurrent Costs</strong></td>
<td>207,750</td>
</tr>
<tr>
<td>Monitoring and Evaluation</td>
<td>Final Evaluation</td>
<td>40000</td>
</tr>
<tr>
<td></td>
<td><strong>Sub Total Monitoring and Evaluation</strong></td>
<td>40000</td>
</tr>
<tr>
<td>Project Support Costs (GMS) (7%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>B. Total Cost of Other Project Costs</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>A. Total Cost of Project Activities</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>GRAND TOTAL (A+B)</strong></td>
<td></td>
</tr>
</tbody>
</table>
PART 3: ANNEXURES

CASE STUDY 1: CENTRO DESENVOLVIMENTO COMMUNITARIO, BAUCAU

Centro de Desenvolvimento Comunitario (Community Development Centre) (CDC)
District of Baucau

CDC, which began as an international NGO, is now a locally registered NGO focusing on agriculture projects in cooperation with the Food and Agriculture Organization. This NGO makes technical assistance available to local people with the aim of enabling them to stand on their own eventually. CDC runs 10 groups of people, of which 5 groups are all-women. Each group consists of approximately 20 members as direct beneficiaries, while up to 100 people per group indirectly benefit from the group’s activities. The age range of each group is generally 25 to 45-years-old.

The CDC women’s groups are trained to produce processed foods, such as banana chips, fruit jams and coconut oil. For the male groups, food production skills such as tomato and pineapple production, along with crafting skills are instructed. Local people voluntarily form their group and submit a proposal to CDC to start a project. For successful groups, the CDC provides 5 day fulltime technical training sessions to make sure the groups are comprehensively trained in how to produce processed food. After this initial technical assistance, follow-up trainings are provided in bookkeeping and basic management including marketing strategy development. The curriculum of each training session varies according to the educational and vocational background of the group members.

Even though women’s income generating activities are welcomed, there are obstacles which limit women’s potential; in particular a reliance on traditional and manual methods of production, impede the creation of economies of scale which would reduce the cost of production, leading to lower and competitive prices. In general, the women work only during periods when the stock of produced items is running low or raw material is ready to be processed. This needs-based approach has the advantage of time flexibility to attend to household duties, though it does not deliver a regular source of income to the household.

Barriers to stable supply and reasonable pricing of the products remain problematic. The availability of raw materials can result in non production, though CDC has created farmers’ groups, linking the producers to the processors and thus achieving some level of stability in the supply of raw materials. Another solution has been to alter production lines according to the availability of materials, though this has disadvantages in terms of streamlining the production process, product branding and market penetration. Packaging materials, such as glass jars, lids and seals are imported from Indonesia and must be purchased in bulk. To address this problem, CDC is trying to recycle used jars however there has been little progress in this regard. Access to markets is also problematic, hampered by poor infrastructure which makes it hard to meet regular delivery schedules. High transport costs also raise the price level further. The culmination of this means that despite customer satisfaction, unstable supply impedes sales.

CDC has been running these group-based projects for five years, and perceives its work as quite successful. CDC shows strong expansion potential; yet this expansion relies heavily on market accessibility.
CASE STUDY 2: MOS BELE MAUBARA, LIQUIÇA

Mós Bele
Maubara, Liquiça

Located on the northern coast of the country, about 32 km West of Dili is the district of Liquiça and the small village of Maubara. Maubara rests on rocky beach and houses an old Portuguese Fort. In addition to the official languages of the country (Tetum and Portuguese), the majority of the population speaks Tocodede. A program funded by Cooperação Portuguesa of the Portuguese Government, Mós Bele seeks to support socio-economic development from the ground up by working with the community in activities that would enhance their access to livelihood and social services.

Mós Bele creates business and employment opportunities for the men and women, including youth. Located inside the old fort is a restaurant that employs 10 people who were trained in all aspects of operating and managing it. Beside it is a craft store that sells baskets, bags, tais, costume jewellery and other handicraft produced by village women who receive design advice and whose products undergo quality control. A block away, an internet shop lets people access the internet, and not too far away a mini-commercial centre houses a beauty salon, dress shop and space for a bank. Further into the village centre is Frutaria Maubara or a place where local fruit produce are sold and a small food processing centre where women make jams out of the fruit produce of the season.

João Carvalho, General Executive Coordinator of Mós Bele explains, “Timorese have so far had no or little exposure to formal employment…. So Mós Bele creates structures within which the villagers can work for income and learn not only vocational and business skills but also the discipline of formal work.” The men, women and young people benefitting from the project are identified by the village leader, i.e., chefe de suco, and if any one of them is habitually late or absent from work, João simply reports to the chefe de suco and requests for replacement.

Mós Bele also addresses issues of nutrition and education. There is a library that houses about 3,000 volumes of books and a kindergarten that is getting families to read with their children and teaching kids to brush their teeth. The program also teaches the community members about cleanliness and sanitation and those who keep their plots fenced in and clean are given blue and white paint for their houses. Water systems are being set up. It is a model of community development that is focused on creating services within the community, by and for the community members. Because of its ideal location, Maubara is also a promising tourist destination. “We target Timorese tourists, not the expatriates, so our menu contains food items priced for the local market,” explains João. A lunch plate is priced at $3, but fish rolls are sold at 5 cents each and children in the community are among the target buyers. Within the fort is a play ground where local children are seen enjoying the swing, see-saw and monkey bars made from local materials. Mós Bele also host an annual market fare in the fort to bring Maubara producers including cooperatives from other districts and to further market Maubara as a tourist destination.

As the community people begin to produce more and better crops and crafts, Mós Bele facilitates producers’ access to bigger markets. Fruit and vegetable growers, as well as the crafts makers, now find their crops sold not only in the Fort in Maubara but also in supermarkets in Dili. The slogan of Mós Bele is “Access=Transformation=Empowerment,” and its activities make it possible for all communities members to gain equal access to the training, jobs and markets created by the program. It seeks to create pride in work and products, and in the community at large.
CASE STUDY 3: ORGANIZASAUN HABURAS MORIS, BOBONARO

Organizasaun Haburas Moris (OHM) –
District of Bobonaro

Rince Nipu, the director of the dynamic organization OHM is a self-trained entrepreneur and community leader of Timor-Leste. She has done amazing work in Bobonaro in over 50 villages where she has organized 28 community based groups of which 20 are all women’s groups. Each of these groups are engaged in a variety of livelihood projects such as improving home gardens, producing organic fertilizer, planting soybeans, making charcoal vinegar, banana chips and nutritional supplement for children (from vegetables and soymilk). The products are sold in the local market of Bobonaro including at the vicinity of the schools and to the government (e.g. organic fertilizer). Other activities include making fuel efficient cook stoves for the villages, working on irrigation issues within communities, and working on social issues – including good health and breastfeeding. They also work on gender issues including promoting women’s leadership. Using a Trainer of Trainers model, they are working with women within the identified communities to be leaders.

OHM works at a very grassroots level and spends three months with each community helping them decide what their priorities are and how they can make changes in their families and communities. OHM then facilitates access to seed capital and expertise and provides training to group members, and then helps them begin their projects. Many of the groups have perfected their products, e.g. the banana chips are the best tasting ones in Timor-Leste while the cook stoves are already sold even in markets of nearby districts like Covalima. At this stage, OHM is seeking help to expand production and develop markets, of which government, such as the Ministry of Agriculture and Ministry of Education, is a target. In 2009, OHM’s annual budget came to about $100,000 and the products sold from the variety of projects came to $7,000.

Local NGOs and international donors have noticed the good work of OHM in Bobonaro so much so that it has been asked to share its experience and expertise with other NGOs. At present, OHM is a resource to an NGO in Covalima where the community organizing approach and the Training of Trainers model are being replicated. Rince plans to replicate the Bobonaro approach of OHM in the enclave district of Oecusse. Rince Nipu is a Timorese leader who cares about the future of her country.