

Peace Dividend Marketplace Timor-Leste

Micro Matchmaking Impact Assessment

Nine District Report



A Report By:
Peace Dividend Trust
Scott McCord
Dili, Timor-Leste
timor-lest@pdtglobal.org

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Contents

1. Introduction	3
1.1 Marketplace Context.....	3
1.2 Micro Matchmaking Overview	3
2. Methodology.....	4
2.1 Approach.....	4
2.2 Limitations	5
3. The Results	5
3.1 Jobs created by district	6
3.2 Jobs created by sector	6
3.3 Jobs created filled by women.....	8
3.4 Jobs matched.....	8
3.5 Tracking Income Derived from Matchmaking.....	9
Education.....	10
Equipment	10
New Business Ventures	10
Disposable income	10
4. Conclusion.....	11
Appendix	12
1. Micro Matchmaking General Overview.....	12
2. Suppliers interviewed.....	13
2.1 Response rate of suppliers	13
2.2 Characteristics of suppliers	13
2.3 Suppliers and matches by sector	14
3. How profits from matchmaking were spent across districts	15

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Executive Summary

Peace Dividend Trust (PDT) is a non-profit social enterprise that tests and scales new ideas that improve the impact and efficiency of aid and peacekeeping. Since 2007, PDT's Peace Dividend Marketplace project (PDM-TL) has been linking buyers and suppliers of goods and services across Timor-Leste. This project is taking place in the context of an economy still recovering from nearly 25 years under Indonesian rule, as well as internal conflict and unrest post-independence. While oil and gas are producing strong revenues, there is a continued need to diversify the economy, increase trade with its neighbor, Indonesia, and support domestic demand. Agriculture has been identified by the World Bank as one of the most promising industries for development.¹

This report presents the results of a survey of suppliers across nine districts of Timor-Leste who benefited from PDM-TL's micro matchmaking service. It focuses on the jobs that were created by these PDT-facilitated transactions.

The results show that the PDM-TL micro matchmaking service has created 652 jobs in key growth sectors across Timor-Leste. The results are dominated by the large number of jobs created in the cattle and coffee industries, areas of great strategic importance to Timor-Leste's economy. These industries are yet to develop the infrastructure that comes with more mature markets. PDT is helping to grow these markets by providing the information that is desperately needed to match buyers and suppliers. Across all districts, where networks of contacts were lost after the 2006 crisis, the PDT matchmakers are also helping bridge the information gap between domestic and international buyers and local suppliers.

The transactions surveyed for this assessment generated over \$2.5 million in income. Responses show that a portion of this income is being reinvested in education, new businesses ventures and equipment, as well as being used as disposable income.

As Timor-Leste diversifies its economy away from reliance on oil and gas, PDT's work is essential. This impact assessment shows that, if invested in properly, local industries can create jobs quickly and effectively. PDT's matchmakers are helping each district to develop and market their innately competitive industries from cattle in Lautem to coffee-growing in Ainaro. Entrepreneurs and small businesses need support to grow, expand, and create jobs. Peace Dividend Trust has been instrumental in delivering this support, but greater support, especially on policymaking levels, is needed.

¹The World Bank, Expanding Timor-Leste's Near-Term Non Oil Exports, August 2010, page ii

1. Introduction

1.1 Marketplace Context

Timor-Leste gained independence in 2002. Its economy was devastated. For over a decade, it has hosted a significant international presence represented by the UN and other multilateral, bilateral and non-governmental agencies. The UN began scaling down operations in 2005, but when a national crisis broke out in 2006, the international presence returned in full-force. During the 2006 crisis over 1,000 buildings were raised and the capital Dili was largely abandoned to riots and looting. The country still feels the effects of this catastrophe as an estimated 150,000 people (over 10 percent of the country's total population) were displaced from their homes and many left to start their lives over again.² According to the CIA World Fact Book, "the country continues to face great challenges in rebuilding its infrastructure, strengthening the civil administration, and generating jobs for young people entering the work force."

The country has generated badly needed revenue from the oil and gas industry. In June 2005, the Timorese parliament created a Petroleum Fund "to serve as a repository for all petroleum revenues and to preserve the value of Timor-Leste's petroleum wealth for future generations." However, more needs to be done to diversify the economy into labor-intensive industries with the potential to reduce the country's poverty and unemployment levels. Current rates of unemployment, 20 percent in the rural districts and 43 percent in urban areas,³ pose a risk to the country's stability and future development.

Developing the agricultural industry is vital for the country's long-term economic sustainability. The World Bank reports that 80 percent of the active population works in agriculture and that it is an industry with strong export potential and a positive impact on poverty reduction.⁴

1.2 Micro Matchmaking Overview

Peace Dividend Marketplace Timor-Leste (PDM-TL) began its micro matchmaking program in 2008. Micro matchmaking focuses on economic activity in the rural areas of the country. Due to uncertainty in the local market, including a lack of information on market prices and value, it was rare for the international community to source locally. PDT's matchmakers address this problem by responding to on-demand requests from buyers seeking to procure goods and services. They link local entrepreneurs to the international community and, more recently, national businesses. As a non-profit with deep local knowledge, relationships and expertise, PDT is a trusted and neutral facilitator of business transactions in Timor-Leste.

² USAID, *The Crisis in Timor-Leste: Causes, Consequences and Options for Conflict Management and Mitigation*, November 2006

³ Secretaria de Estado da Formação Profissional e Emprego (SEFOPE), *Timor-Leste National Youth Employment Action Plan (NYEAP) 2009*, 2009, page 4.

⁴ The World Bank, *Expanding Timor-Leste's Near-Term Non Oil Exports*, August 2010, page ii

The service has evolved since its inception as the needs and types of business transactions have changed. One noticeable difference is that the micro matchmaking program now includes national buyers, rather than just international institutions or personnel, in its list of clients. The 2006 crisis⁵ in particular destroyed longstanding networks across Timor-Leste. By connecting, or at times reconnecting, national buyers and national suppliers, the program is strengthening sustainable business relationships within Timor-Leste. Many high value transactions in the agricultural sector occurred with national buyers. Recently, in the border districts a special focus has been placed on cross-border trade with the country's largest trading partner, Indonesia.

2. Methodology

2.1 Approach

For the purposes of this report, micro matchmaking refers to activity linking a buyer to a supplier to facilitate a transaction where money is exchanged for goods or services in rural areas. A job created refers to an instance in which a transaction has required, or allowed, a business owner to hire additional labor, hence creating a job that did not exist before in that business. A job matched refers to an instance where a project or an employer was seeking labor and the matchmaker found a suitable candidate(s) to fill the position(s), hence matching a job opportunity to a qualified laborer.

This report looks beyond the total dollar value of micro matchmaking transactions to the number of jobs created as a result of these matches. The information was gathered through a survey of suppliers who successfully won contracts through PDM-TL's micro matchmaking service. Only suppliers who were part of a match worth over \$1,000⁶ were included. Five hundred and seventy three interviews took place across 352 unique suppliers (71 suppliers benefitted from more than one match).

The report differentiates laborers in two ways. The first differentiation is by gender. The second differentiation breaks down the duration of each labor contract to permanent and temporary. Permanent workers are expected to stay at the job for over six months, while temporary workers are expected to complete their contract prior or at the six-month mark.

This report combines results from all nine rural districts where PDM-TL's micro matchmaking service was operational.⁷ Each district operated under different conditions in terms of length of operation, level of staffing, and level of resources. Nevertheless, a comparison of results across districts provides a valuable analysis of each district's marketplace and the role played by PDT's matchmaking service. More detail on when PDM-TL was operating in each district can be found in the Appendix.

⁵ UNMIT United Nations Integrated Mission in Timor-Leste, UNMIT Background, April/June 2006 crisis, <http://www.un.org/en/peacekeeping/missions/unmit/background.shtml>, accessed 15 February 2011

⁶ All monetary values are reported in USD.

⁷ Results from two districts, Baucau and Lautem, were featured in individual reports, see http://www.peacedividendtrust.org/en/impactAssessment_Timor_Leste.html

2.2 Limitations

A survey of this kind faces several challenges. First, due to the amount of time that has passed between the completion of a match and the survey interview dates, the information gathered reflects what the interviewee could remember at present, which may have changed slightly from the past results. Second, the country's lack of infrastructure (namely poor road conditions and limited telecommunication reach) has made it difficult for surveyors to relocate and make contact with suppliers living outside the district hubs.

Third, many of the suppliers involved in these matches are individual entrepreneurs, not necessarily registered businesses, who have since changed their residence or phone number (a number of individuals, particularly in rural regions, had no phone to begin with). As such, the PDT surveyors were unable to track down a portion of the intended interviewees. The success rates of interviews vary from district to district. More detail on the response rate can be found in the Appendix.

Despite the challenges, the information offers valuable insight into the impact of the business matchmaking program in Timor-Leste. However, the reader should note that results are likely to be skewed towards suppliers who have been more successful since their match was made. The overall level of job-creation presented in this report should be viewed as a minimum estimate of the impact created by PDM-TL and the buyers and suppliers it has helped.

3. The Results

This study shows that jobs were created in all districts where PDM-TL operated its matchmaking service. The \$2,549,776 generated through matchmaking activities valued over \$1,000 created 652 job opportunities that did not exist before PDM-TL's matchmaking intervention. Out of 488 individual transactions, 44 percent of matches created at least one job. On average, each job-producing match created three jobs, or one job per \$2,497 of contract value.

A distinction must be made between jobs created and people hired. In most districts, the jobs created were unique, one time jobs. In the cases of three districts (Ainaro, Bobonaro and Covalima), however, several of the job opportunities were created over and over again, as newly facilitated transactions allowed a supplier to rehire previous staff. Where this phenomenon was obvious⁸, particularly in Ainaro, the results have been altered appropriately so as not to overstate the level of job creation.

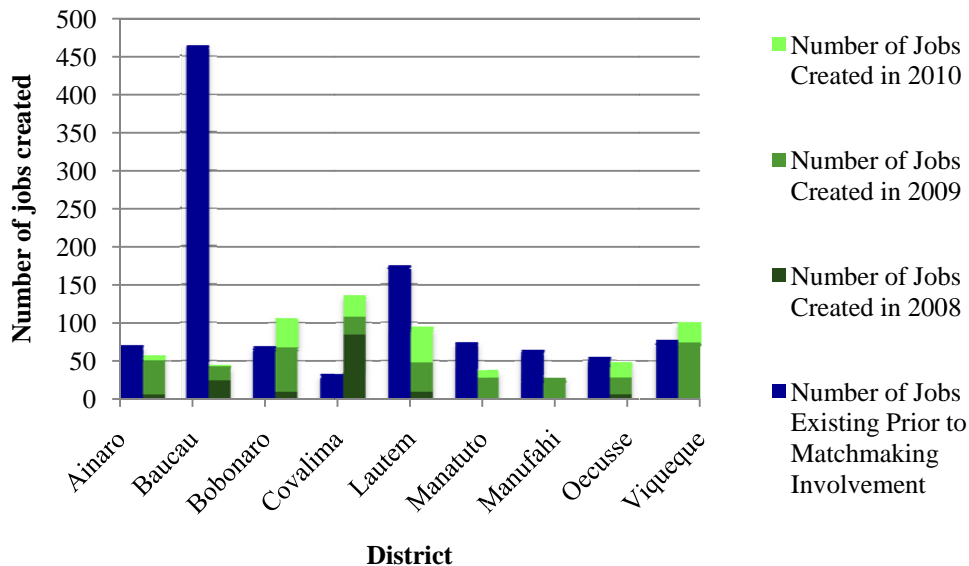
⁸ Matchmaking in Ainaro revolved heavily around the coffee industry and produced results quite different from the other eight matchmaking districts, originally reporting 967 jobs created. The matchmakers were frequently approached by a handful of organizations interested in purchasing harvested coffee, such as the National Cooperative Business Administration (NCBA) and the Japan International Cooperation Agency (JICA). In response, the matchmaker organized group and cooperative leaders to amass enough coffee to meet the requests. As a result, few jobs (28) were created repeatedly (over 40 times) by two unique suppliers. Because these matches occurred within a two-month time frame, the jobs have been reclassified as 28 temporary jobs.

3.1 Jobs created by district

The 652 jobs created were spread across all nine districts where the micro matchmaking teams operated. Figure 1 shows that the largest growth in the number of people employed by surveyed businesses was in Covalima.

In two districts, Baucau and Oecusse, more permanent jobs were created than temporary jobs. This resulted from the high number of matches in the real estate and insurance sector as well as the travel, accommodations and rentals sector. In these sectors, positions were created to clean or maintain the house of an international tenant, or in the case of Baucau, as employment at a guesthouse. In the other six districts, the number of temporary jobs greatly outnumbered the number of permanent jobs.

Figure 1: Number of jobs created across districts



3.2 Jobs created by sector

Results indicate that micro matchmaking created the most jobs in agriculture (see Figure 2). In Lautem, the matchmakers spent a significant portion of their time locating cattle sellers and matching them with middlemen. Ainaro matchmakers frequently worked with coffee buyers and the local coffee growing communities. PDT is helping each district develop and market their innately competitive industries.

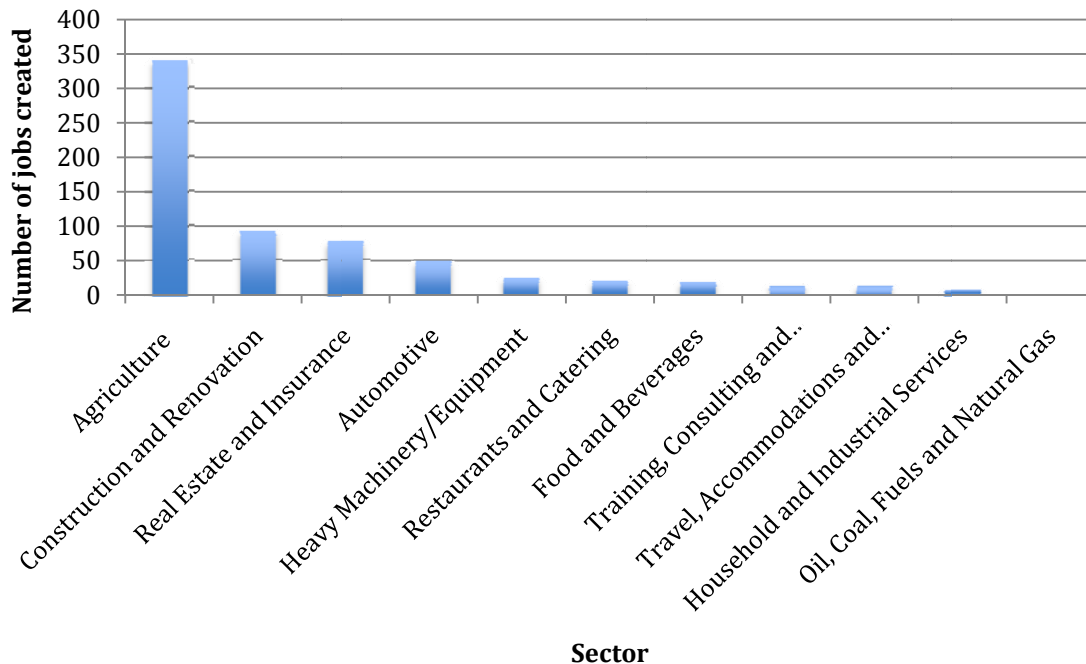
Only two districts, Baucau and Oecusse, reported no matches over \$1,000 for agriculture. In Oecusse a number of high value matches were facilitated, which if the suppliers had been reached, most likely would have shown the number of jobs created to be much higher.

The construction and renovation sector also created a high number of jobs. Communication is critical in this sector to ensure that district-based suppliers are aware of contracts issued by government and international organizations. PDT’s matchmaking service routinely informed district-based enterprises about construction contracts, facilitating locally awarded contracts in eight out of nine districts.

The real estate and insurance sector was an important source of commercial activity in all districts except Manufahi, and saw a high numbers of transactions, dollars facilitated, and jobs created. In this sector, new jobs were typically created when a foreigner rented a house and hired least one person to provide housekeeping services. This demonstrates the frequently unreported effects of a high foreign aid presence. With a number of internationals spread out across the country, jobs are often created if information about employment opportunities (even basic functions like housecleaning and cooking) is appropriately advertised.

The automotive industry, which generally consisted of matches where an individual rented their dump truck for construction purposes, created a substantial number of jobs. These matches often allowed the supplier to hire additional drivers to fulfill the contract.

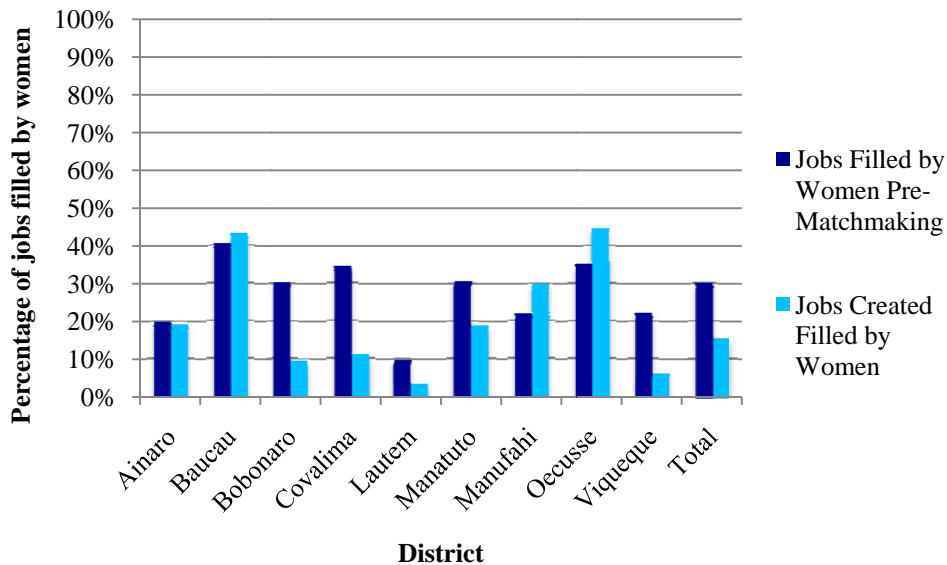
Figure 2: Jobs created by sector



3.3 Jobs created filled by women

One hundred jobs filled by women were created across the nine districts. Figure 3 shows that there were opportunities created for men than for women, as the data indicate that women rarely work in two out of the three high grossing sectors: agriculture and construction and renovation. Baucau and Oecusse, which reported few matches in these two sectors, created the most jobs filled by women as well as the highest ratios of female to male labor.

Figure 3: Percentage of jobs created that were filled by women compared to the percentage of jobs filled by women before matchmaking



3.4 Jobs matched

Matchmakers spent a significant portion of their time searching for laborers to fill job vacancies in their respective districts. To coordinate large groups of labor, particularly for construction projects, the matchmakers worked closely with village chiefs and community leaders.

The data on job matches is derived from the database that PDT uses to monitor its work rather than the survey. Analysis of this database⁹ showed that:

- Across the country, matchmakers were able to fill 3,382 positions with job seekers. Positions ranged from short-term construction labor to NGO project officers on year-long contracts.
- The Viqueque team was the most active in terms of job matching, helping to fill 1,655 work opportunities through 59 separate transactions. Thirty of these transactions were assisting the International Labor Organization (ILO) find labor for various construction projects.
- In Baucau just eight jobs were matched. There were fewer temporary construction projects in Baucau than in less developed parts of the country, which translated into less demand for PDT's services in filling job vacancies.

3.5 Tracking Income Derived from Matchmaking

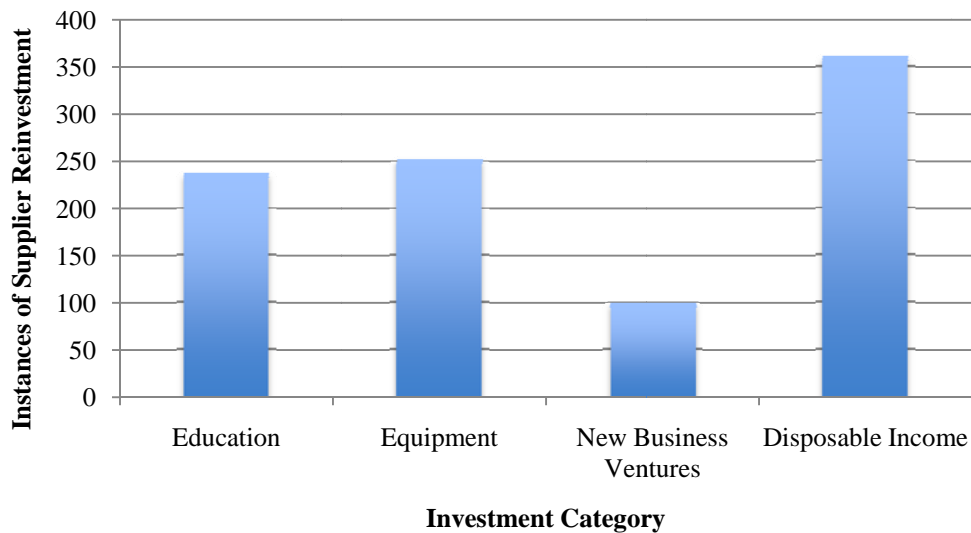
While the central discussion of the impact assessment interviews involved job creation, interviewees were also asked how they utilized revenues generated by the matches.¹⁰ This offers a deeper understanding of the impact matchmaking has had, not only on business owners and the labor force, but on their families and communities as well.

The interviewees responded on a match-by-match basis. For example, if they had received assistance with more than one match, they answered this question multiple times. The majority of responses can be organized into four categories: education, equipment, new business ventures and disposable income. The first three of these categories represents investment in either human or physical capital. Figure 4 shows the spread of data. Figures in the Appendix show the spread of responses by district.

⁹Consistent with the survey data, this information was gathered from all labor matches over \$1,000.

¹⁰ This data was entirely self-reported by each supplier and could not be verified by the PDT matchmakers. However, it should be noted that most respondents were quite candid.

Figure 4: Spending the income from micro matchmaking



Education

Forty-one percent of responses indicate that a portion of the income generated through the matchmaking service was invested in education. Nearly all of the respondents in this category indicated they used the money to pay for their children’s schooling, while a handful of suppliers reinvested the money in training for their employees.

Equipment

Investment in equipment was a common phenomenon across all districts. Forty-four percent of supplier responses indicated that a portion of the income from a match was spent on either upgrading or purchasing equipment. Common examples included the expansion of a guesthouse and a holding area or corral for cattle.

New Business Ventures

A number of responses indicated that money was used for starting a new business. Many kiosks, or small roadside shops that sell daily necessities and general food and beverage products, were opened. Other examples of new business ventures include a Lautem cattle trader starting a concrete block making enterprise and a carpenter building a small guesthouse in Covalima.

Disposable income

In 63 percent of the instances, income generated by the match was spent on the personal needs and wants of the respondent’s families. Many suppliers indicated that they used the funds to “halo adat,” or build an “uma adat,” Adat is the Bahasa Indonesia word for tradition, but can be applied to many different social activities when used in Tetun. “Halo adat” roughly translates to make tradition, which can involve throwing a party or hosting

a cultural event. Building an “uma adat” or the tradition East Timorese house was also a common use of funds.

4. Conclusion

The results show that the PDM-TL micro matchmaking service has created 652 jobs in key growth sectors across Timor-Leste. The results are dominated by the large number of jobs created in the cattle and coffee industries, areas of great strategic importance to Timor-Leste’s economy. These industries have yet to develop the infrastructure that comes with more mature markets. PDT is helping to grow these markets by providing the information that is desperately needed to match buyers and suppliers.

As the country diversifies its economy, PDT’s work is essential in job creation. This impact assessment shows that, if invested in properly, local industries can create jobs quickly and effectively. Entrepreneurs and small businesses must be given the support they need to grow, expand, and create jobs. Peace Dividend Trust has been instrumental in delivering this support, but greater support, especially on policymaking levels, is needed.

This study does not speak comprehensively to all of the project’s results. PDT is eager to further explore the impact of its services by asking such questions as:

- Do more developed markets in key sectors require less assistance from matchmakers than those that are in the nascent stages?
- Where suppliers have invested in new enterprises, how have these fared?

Another study on this depth and scale would provide much needed insight into the trends in each local marketplace.

Appendix

1. Micro Matchmaking General Overview

On 4 February 2008, PDM-TL introduced pilot matchmaking programs in two districts: Baucau and Bobonaro. Roughly a month later, activities in Ainaro, Covalima, Lautem and Oecusse opened. Matchmaking activities began in the last three districts, Manatuto, Manufahi and Viqueque on 2 February 2009. Micro matchmaking activities have been following a phased close down, starting with Ainaro, Lautem and Manufahi in May and June 2010 and followed by Baucau and Manatuto in September 2010. Activities in Oecusse and Bobonaro are scheduled to close at the end of February 2011, with activities in Covalima and Viqueque scheduled to close at the end of March 2011. The figure below shows the dollar amount facilitated for each year assessed in this study.

Table 1: Timeline of Transactions						
	2008		2009		2010	
District	# Matches	Total Value	# Matches	Total Value	# Matches	Total Value
Ainaro	8	\$23,530	68	\$439,588	2	\$7,500
Baucau	28	\$67,537	34	\$57,696	9	\$60,412
Bobonaro	8	\$21,440	32	\$214,279	4	\$210,775
Covalima	31	\$175,097	11	\$203,603	14	\$435,700
Lautem	4	\$19,560	71	\$149,591	39	\$82,734
Manatuto	0	n/a	28	\$61,900	4	\$7,100
Manufahi	0	n/a	15	\$51,191	1	\$1,428
Oecusse	1	\$30,184	13	\$69,400	5	\$7,800
Viqueque	0	n/a	38	\$104,089	20	\$47,643
Total	80	\$337,348	310	\$1,351,336	98	\$861,092

Table 2: Results Breakdown	
First Matchmaking Districts Founded	February 2008
Matchmaking Program Scheduled Close Date	March 2011
Reporting Period	February 2008 – July 2010
Dollars Facilitated	\$8,651,414
Number of Transactions Closed	11,869
Average Dollar Amount per Transaction	\$729
Transactions Counted for Impact Assessment	488 ¹¹
Number of Interviews Conducted	573 ¹²
Number of Unique Suppliers	352
Value of Counted Transactions	\$2,549,776

¹¹ 488 matches were surveyed out of an eligible 697. Of these matches, 315 out of a possible 667 unique suppliers could be contacted and surveyed.

¹² A number of transactions required multiple surveys, as the matchmakers sourced products and services from multiple suppliers, who each utilized the revenue generated in different ways. (On some occasions, not all suppliers involved in a match could be interviewed.)

2. Suppliers interviewed

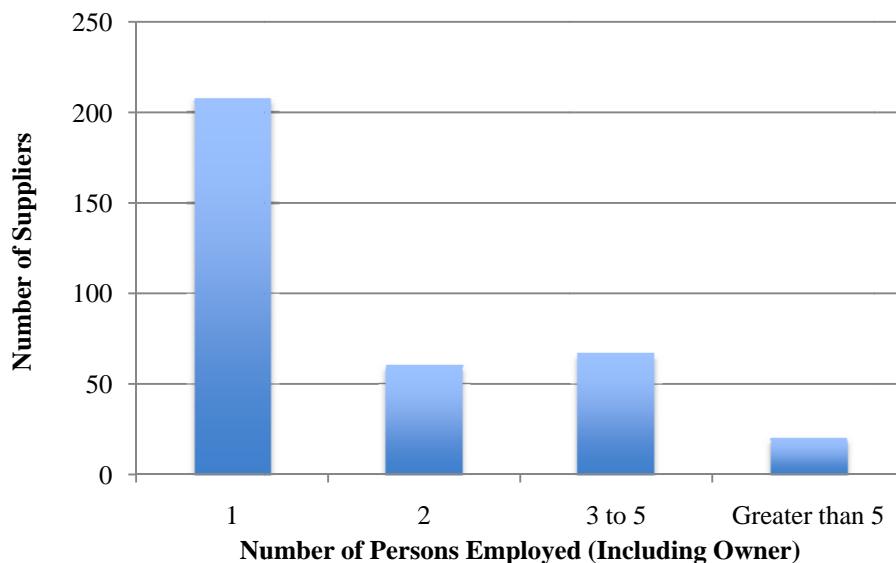
2.1 Response rate of suppliers

Table 3: Response Rate by District	
District	Percentage Interviewed
Ainaro	100%
Baucau	97%
Bobonaro	39%
Covalima	62%
Lautem	64%
Manatuto	94%
Manufahi	100%
Oecusse	66%
Viqueque	67%

2.2 Characteristics of suppliers

For the purpose of understanding the characteristics of the business community assisted through the PDM-TL matchmaking service, it is important to have a better definition of the broad term “supplier.” Nearly 60 percent of all unique suppliers were a single person or entrepreneur operating alone before the contract was awarded. Seventeen percent of unique suppliers were two people (often a husband and a wife) running a small business. Nineteen percent of suppliers employed between three to five workers, including the owner. Only six percent of suppliers employed over five workers, including the owner. Figure 5 provides a visual look at this spread.

Figure 5: Size of suppliers interviewed



Prior to the matchmaking transactions, the aggregate number of unique jobs among PDM-TL supplier clients surveyed, including business owners, was 1,083. This means that of all the

businesses that PDM-TL matchmakers worked with across the nine districts that resulted in transactions over \$1,000, there were 1,083 people employed or active leading up to the matchmaker's intervention. Of these 1,083 persons, 70 percent were male and 30 percent were female, and 31 percent of persons were classified as skilled labor while 69 percent were classified as unskilled labor.

2.3 Suppliers and matches by sector

PDM-TL categorizes the type of matches closed by sector. The matches closed in this survey were distributed across 13 of these sectors, listed in the table below.

Table 4: Sectors of Operations				
Sector	Districts	Number of Matches	Number of Suppliers	Value
Agriculture	All except Baucau and Oecusse	251	192	\$1,810,570
Automotive	All except Oecusse	41	34	\$117,063
Construction and Renovation	All except Covalima	49	37	\$177,170
Food and Beverages	Baucau	37	10	\$58,004
Heavy Machinery/Equipment, Generators, A/C and Solar Panels	Ainaro, Bobonaro, Covalima, Lautem and Viqueque	19	10	\$76,010
Household and Industrial Services	Bobonaro	2	1	\$9,315
Office Furniture, Equipment and Supplies	Baucau and Manufahi	5	2	\$13,100
Oil, Coal, Fuels and Natural Gas	Baucau	1	1	\$4,080
Real Estate and Insurance	All except Manufahi	57	46	\$233,700
Restaurants and Catering	All except Covalima, Lautem and Oecusse	9	7	\$16,940
Telecommunication Services and Equipment	Bobonaro	1	1	\$1,800
Training, Consulting and Scientific Services	Covalima and Manufahi	4	5	\$9,861
Travel, Accommodations and Rentals	Ainaro, Baucau and Viqueque	12	6	\$22,163

3. How profits from matchmaking were spent across districts

Figure 6: Spending on education

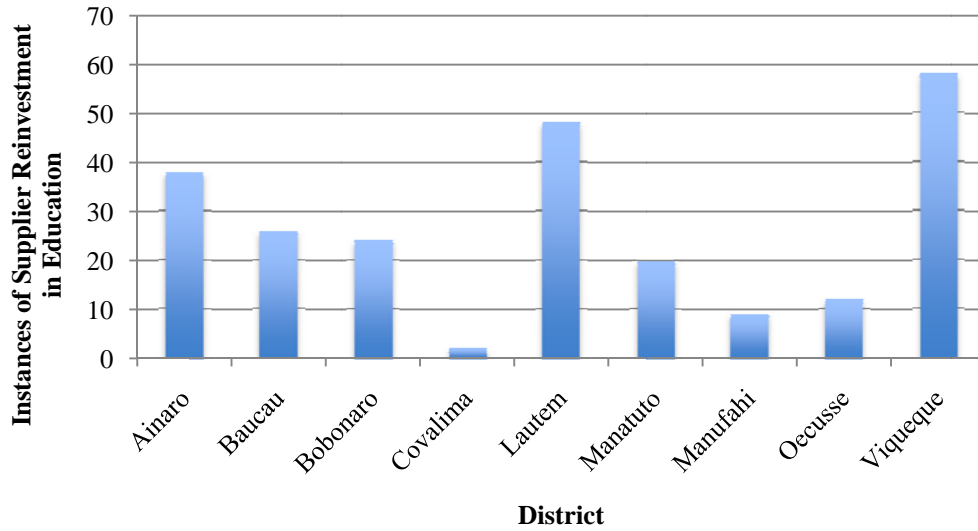


Figure 7: Spending on equipment

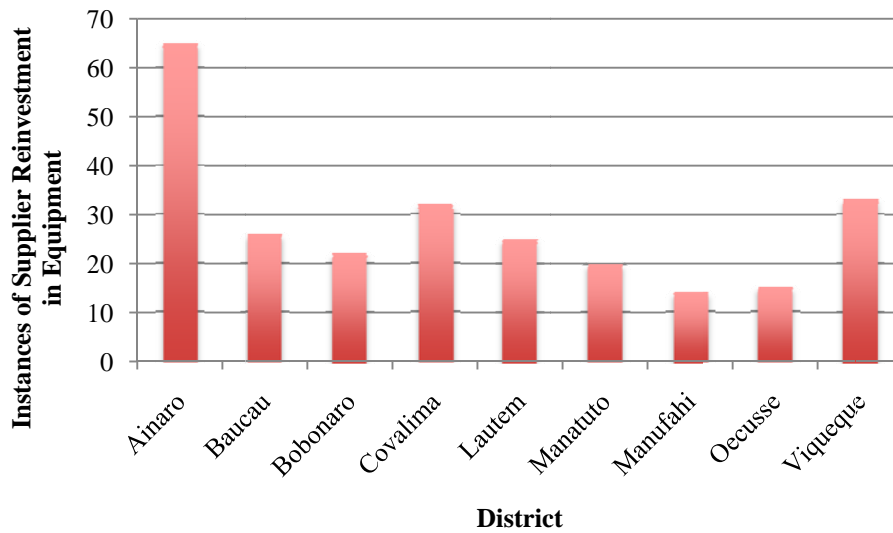


Figure 8: Spending on new business ventures

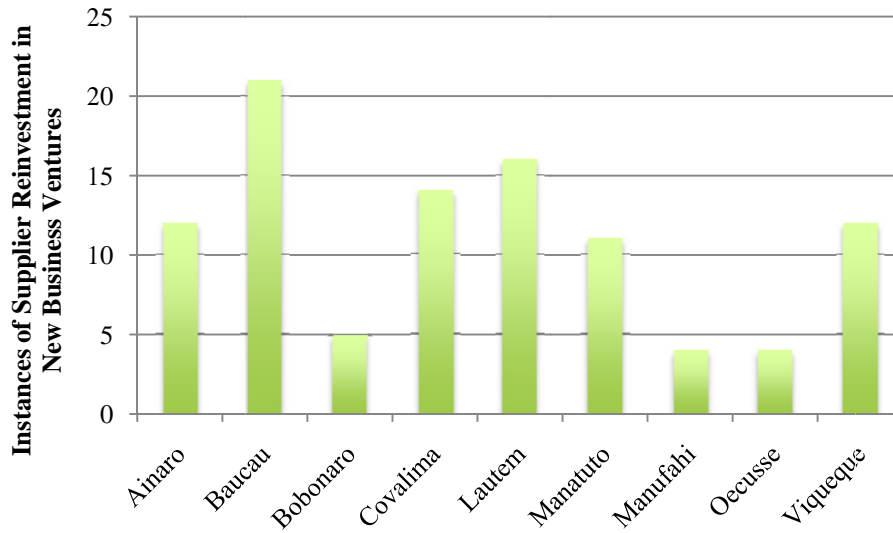


Figure 9: Disposable spending

