Peace Dividend Marketplace Timor-Leste Micro Matchmaking Impact Assessment Report:

BAUCAU

A Report By:

Peace Dividend Trust
Scott McCord
Dili, Timor-Leste

timor-leste@pdtglobal.org
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Executive Summary

Peace Dividend Trust (PDT) is a unique non-profit organization, dedicated to making peace and humanitarian operations more effective and equitable so that they deliver cheaper, faster, smarter missions – resulting in a stronger peace and a larger peace dividend. The Peace Dividend Marketplace projects, designed to facilitate local procurement and increase market awareness, are the instrumental tools in achieving these objectives. PDT currently has marketplace projects in three countries across the globe: Afghanistan, Haiti and Timor-Leste.

This report presents the findings of the Peace Dividend Marketplace Timor-Leste (PDM-TL) impact assessment survey on micro matchmaking activities in the district of Baucau. Data was collected for matches closed over $1,000 and analyzed as to the impact on job creation and the local private sector (all monetary values are reported in US dollars). A total of 72 separate transactions were analyzed, which were valued at $186,841. These transactions range across a total of eight sectors; the three sectors with the highest dollar values are: Real Estate and Insurance; Food and Beverages; and Automotive.

<table>
<thead>
<tr>
<th>Key Findings of Baucau Impact Assessment Study</th>
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<tbody>
<tr>
<td>Total Number of Jobs Created</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Permanent</td>
</tr>
<tr>
<td>Skilled</td>
</tr>
<tr>
<td>Number of Individuals Matched to a Job Opportunity</td>
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<tr>
<td>Number of Instances Funds Generated through Matchmaking were Spent on:</td>
</tr>
<tr>
<td>Education</td>
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<tr>
<td>Equipment</td>
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<td>New Business Ventures</td>
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<td>Personal Needs / Wants</td>
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<tr>
<td>Sectors with the Highest Value Transactions</td>
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<tr>
<td>Real Estate and Insurance</td>
</tr>
<tr>
<td>Food and Beverages</td>
</tr>
<tr>
<td>Automotive</td>
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</tbody>
</table>

The complete report provides the context and methodology for gathering the information. The compiled results indicate the PDM-TL project has been responsible for promoting private sector development, creating jobs, and stimulating the economy on a district-by-district level.

The micro matchmaking impact assessment report series will include two to three more individual district reports, as well as an aggregated report to demonstrate PDM-TL results across the 9 districts where PDT provided micro matchmaking. Coinciding with this series will be an impact assessment study and report on the Tender Distribution System. This program works with larger businesses that typically have larger contract values, but operates primarily in Dili, Timor-Leste’s capital.
1. Introduction

According to a World Bank report published in 2007, Timor-Leste’s formal economy created 400 jobs per year for approximately 20,000 school leavers.\(^1\) Two years later the country’s youth unemployment rate (ages 15-29), particularly in the district centers, is crippledly high. Timor-Leste currently has an estimated unemployment rate of above 20% in rural areas, with the unemployment rate at high as 43% in urban centers.\(^2\) Without specific programs targeted to develop the private sector and create jobs, economic stagnation will continue to be a serious problem for the country’s well being.

The work accomplished by Peace Dividend Trust (PDT) through its marketplace project in Timor-Leste is aligned to address the disparity between the number of job seekers and the number of jobs available. The Peace Dividend Marketplace Timor-Leste (PDM-TL) project is underpinned by the philosophy that helping businesses win business helps establish a sustainable private sector. With a sustainable private sector providing lasting job opportunities, progress towards a secure and enduring peace can be solidified.

2. Micro Matchmaking Impact Assessment Overview

For over two years, Peace Dividend Trust has provided matchmaking services to micro businesses in Timor-Leste, through its Peace Dividend Marketplace project. This service is intended to fill the informational gap that exists between those seeking to buy and those seeking to sell goods and services in Timor-Leste and, by enhancing the flow of information between buyers and sellers, to create opportunities for private sector growth and job creation.

Historically PDT has monitored the success of the program by tracking the total dollar value of each transaction facilitated, as well as the total number of transactions. While this offers a useful depiction of the monetary value provided by the service to Timorese businesses, it is by no means a comprehensive measure of the service’s overall impact on the local economy. This is the first in a series of reports that will broaden impact assessment by probing deeper into the benefits of micro matchmaking on the business communities where it operates. For the purposes of this report, micro matchmaking refers to all non Dili based matchmaking activities, or the linking of a buyer to a supplier which facilitates a transaction where money is exchanged for goods or services. This report on Baucau is one sample of the impact the program has had on a district level. PDT will publish reports on two or three additional districts, as well as an aggregate report that synthesizes information from all nine micro matchmaking districts.

Drawing on a tested survey used by the Peace Dividend Marketplace Afghanistan project to measure job creation in Helmand province, Peace Dividend Marketplace Timor-Leste (PDM-TL) developed a survey to assess the impact of its micro matchmaking program on job creation and private sector growth. Appropriate modifications from the Afghanistan survey were made to adapt to micro level businesses as well as other conditions specific to Timor-Leste’s economic environment.

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A survey of this kind is difficult to implement for several reasons. 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 numbers (a number of individuals, particularly in the rural regions, had no phones to begin with). As such, the PDT surveyors were unable to track down a portion of the intended interviewees and several transactions that were initially targeted to be analyzed could not be evaluated. The success rates of interviews vary from district to district. In Baucau, where most matches were in the urban center, surveyors tracked down 96% of the intended recipients. Despite the challenges, the information offers valuable insight into the impact of the business matchmaking program in Timor-Leste, if viewed as a sample of the overall data.

The data provides largely unprecedented information outlining the types of business opportunities that exist at the district level. The data looks past the monetary value of each match by describing what type of matches were most prevalent, how many jobs have been matched or created, and how the money earned from each match has been spent.

3. Micro Matchmaking

Peace Dividend Marketplace Timor-Leste began its micro matchmaking program in 2008 after witnessing high demand for a service that would connect local supply to demand from international actors working in Timor-Leste. Navigating the local marketplace in the country’s rural districts can leave international institutions or individuals frustrated by the lack of up-to-date market information and the idiosyncrasies of each area’s marketplace. The matchmaking service is the missing link between district suppliers and potential buyers. The matchmaker’s familiarity with the local market environment and understanding of both parties’ needs greatly facilitates local purchasing in the districts. Local purchasing in turn generates several benefits in the district economy.

The service has evolved since its inception as the needs and types of business transactions have changed. One noticeable difference is that the matchmaking program now includes national buyers, rather than just international institutions or personnel, in its list of clients. The 2006 crisis had a devastating effect on the country, essentially destroying longstanding networks across Timor-Leste. By connecting, or at times reconnecting, national buyers and national suppliers, the matchmaking program is strengthening sustainable business relationships in Timor-Leste. Recently, special focus has also been placed on cross border trade with the country’s largest trading partner, Indonesia.

Since its creation in 2008, the rural matchmaking program has directed over $7 million to locally owned businesses (all monetary values are reported in US dollars). Over 12,000 unique business transactions have been facilitated to achieve this sum across 9 districts: Ainaro, Baucau, Bobonaro, Covalima, Lautem, Manatuto, Manufahi, Oecusse and Viqueque. Unfortunately, due to funding constraints, PDM-TL suspended its matchmaking services in the districts of Baucau and Manatuto at the end of September 2010. Services in Ainaro, Manufahi and Lautem were
suspended earlier in 2010. Unless further funding is secured, all matchmaking activities in the districts will be closed down at the end of March 2011.

4. The Results

All data was gathered from matches closed over $1,000, as the PDM-TL team deemed this an appropriate sum to expect tangible, measurable results.

The reports focus on the effects of the PDM-TL project on employment, as job creation is one of PDT’s key objectives. As mentioned in the introduction, Timor-Leste’s employment rate is estimated to be above 20% in rural areas, reaching as high as 43% in urban centers.3

In this report, employment through the assistance of PDM-TL is measured in two ways: 1) Jobs created and 2) Jobs matched. The first reflects 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. The second reflects an instance in which a project or an employer was seeking labor and the matchmaker found a suitable candidate(s) to fill the position, hence matching a job seeker with a job.

The report differentiates laborers in three ways. The first differentiation is by gender. The second makes a distinction between skilled and unskilled workers. For the purposes of the survey, skilled workers represent all laborers who had received education at, or above, the secondary level or had received job-specific training. Unskilled workers represent all workers who had not completed secondary education or received specialized training. The third differentiation breaks down the duration of each labor contract to permanent and temporary. Permanent workers are expected to stay at the job for over 6 months, while temporary workers are expected to complete their contract prior to the 6-month mark.

Although this impact assessment report focuses on the largest transactions, it is important to note that the regions in which they take place are still relatively less developed compared to the country’s capital, Dili. According to the International Labor Organization, “around 70% of the population of Timor–Leste lives in the rural areas where the incidence of poverty is high as compared to that in the urban centres. As a result, almost 90% of the poor are in rural areas and poverty has become primarily a rural phenomenon.”4 When reviewing this information, it is important to remember that every job matters and even small dollar amounts can go along way into alleviating poverty and generating business.

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## 4.1 Baucau District Overview

<table>
<thead>
<tr>
<th>District Breakdown</th>
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<tbody>
<tr>
<td>Matchmaking Date Founded</td>
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<tr>
<td>Closing Date</td>
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<tr>
<td>Reporting Period</td>
</tr>
<tr>
<td>Dollars Facilitated</td>
</tr>
<tr>
<td>Number of Transactions Closed</td>
</tr>
<tr>
<td>Average Dollar Amount per Transaction</td>
</tr>
<tr>
<td>Transactions Counted for Impact Assessment</td>
</tr>
<tr>
<td>Number of Interviews Conducted</td>
</tr>
<tr>
<td>Value of Counted Transactions</td>
</tr>
</tbody>
</table>

## 4.2 Timeline of Matches Closed over $1,000

The total value of transactions counted for this survey remains relatively consistent across the 2.5 year reporting period. The highest value of matches was closed in 2008, resulting from a total of 29 matches. In 2009 the highest number of matches was closed at 30 matches. Only nine matches were closed in the first half of 2010, yet the total value was just over $60,000.

*Figure 1: Value of Matches per Year*

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5 72 matches were surveyed out of an eligible 75.
6 One additional interview was conducted due to one match being shared by two different individuals, who each utilized the revenue generated in different ways.

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4.3 Eight Represented Sectors

PDM-TL categorizes the types of matches closed by sector. The project utilizes a total of 26 sectors to differentiate business activity across the country. The matches closed in Baucau over $1,000 were spread across eight of these sectors. The sectors are as follows in order of value, highest to lowest: Real Estate and Insurance; Food and Beverages; Automotive, Travel, Accommodations, and Rentals; Office Furniture, Equipment and Supplies; Oil, Coal, Fuels and Natural Gas; and Construction and Renovation.

Figure 2 presents the spread across sectors, the percentages being derived from the dollar value of each match. As shown in the District Breakdown table above, the total dollar value of all matches that were evaluated in this survey was $186,841. This sum is approximately 13% of the total value of all matches facilitated by PDM-TL in Baucau, regardless of the value of the match.

Figure 2: Sectors of Matches above $1,000 in Baucau District

The sector with the highest total worth, Real Estate and Insurance, has accumulated $78,900 over 13 unique transactions. These matches include supplying international personnel with long-term residences as well as finding office space for organizations. The sector of second highest value, Food and Beverages, has shown that the demand for meat and fish products in Baucau, often upon delivery, to be quite high. One entrepreneur in particular, Mr. Lorenzo da Costa, who runs a meat delivery service, has benefited from 15 unique matches worth over $19,000. The total dollar value of matches made in this sector is $58,004 derived from 37 transactions. The table below provides a complete overview of the value of matches in each of the eight sectors.
<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of Matches</th>
<th>Value of Matches</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate and Insurance</td>
<td>13</td>
<td>$78,900</td>
</tr>
<tr>
<td>Food and Beverages</td>
<td>37</td>
<td>$58,004</td>
</tr>
<tr>
<td>Automotive</td>
<td>9</td>
<td>$19,619</td>
</tr>
<tr>
<td>Travel, Accommodations and Rentals</td>
<td>9</td>
<td>$15,438</td>
</tr>
<tr>
<td>Office Furniture, Equipment and Supplies</td>
<td>1</td>
<td>$8,100</td>
</tr>
<tr>
<td>Oil, Coal, Fuels and Natural Gas</td>
<td>1</td>
<td>$4,080</td>
</tr>
<tr>
<td>Construction and Renovation</td>
<td>1</td>
<td>$1,600</td>
</tr>
<tr>
<td>Restaurants and Catering</td>
<td>1</td>
<td>$1,100</td>
</tr>
</tbody>
</table>

The spread of sectors for matches over $1,000 differs in comparison with the spread of sectors for all matches closed, regardless of value. The first difference was that the Food and Beverages sector holds the largest quantity and value of matches with the inclusion of all facilitated transactions. This sector accounts for 4,299 matches and a value of $1,141,396. The second difference is that the Heavy Machinery/Equipment, Generators, A/C and Solar Power sector was not represented in the eight sectors with matches over $1,000. When looking at all matches closed regardless of value, this sector trails Food and Beverages as the second highest valued sector with 275 matches closed and worth $109,922. The final consequential difference was that the Training, Consulting, and Scientific Services sector, which is not accounted for in the table above, is one of the highest grossing sectors overall. It is this sector that includes the results from individual jobs matched, as described above. As such, the matches over $1,000 for this sector were accounted for in a different way than all other matches, which is why they are not included in the table above but they will be discussed in a separate section below.

4.4 Employment Landscape Prior to Matchmaking Involvement

Prior to the matchmaking transactions, the aggregate number of unique jobs among PDM-TL supplier clients, including business owners was 178. This means that of all the businesses that PDM-TL matchmakers worked with in Baucau that resulted in transactions over $1,000, there were 178 people employed or active leading up to the matchmaker's intervention. Of these 178 persons, 71% were male (126) and 29% were female (52), and 21% of persons were classified as skilled labor (37) while 79% were classified as unskilled labor (141).
4.5 Jobs Created

The $186,841 generated through matchmaking activities valued over $1,000 created 44 unique jobs that did not exist before PDM-TL’s matchmaking intervention. This represents a total increase of 25% in the number of people employed by the businesses surveyed for this report. This particular data was derived from a survey question that asked employers to state whether they had to, or were able to, hire additional labor because of the new contract.

Figure 5 outlines the spread between male and female workers, between permanent and temporary jobs, and between skilled and unskilled jobs. The biggest difference among the three categories was between skilled and unskilled labor, where there was a 72% gap between the two. There were six more males hired than females and 14 more laborers hired on permanently as compared to temporarily.
Jobs were created in five sectors. Of the eight sectors in which matches were over $1,000 (see Figure 2), the three sectors that experienced no influx of labor due to the facilitated matches were: Construction and Renovation; Office Furniture, Equipment and Supplies; and Restaurants and Catering. The sector with the highest number of jobs created was Food and Beverages, where 18 new jobs were created. Travel, Accommodations and Rentals follows next with 12 new jobs created. The remaining sectors in which jobs were created include: Real Estate and Insurance with nine jobs created; Automotive with six jobs created; and Oil, Coal, Fuels and Natural Gas with one job created.

Figure 6 portrays the dollar value of the five sectors where jobs were created divided by the number of jobs created. This shows the average amount of money required per sector to create one job. The sector with the lowest cost to job creation ratio is Automotive, where $1,286.50 could theoretically sustain one job. It is important to note, however, that these conclusions are drawn only from the PDM-TL sample data; capital required to create a job in each sector could be much higher or much lower in practice.
Figure 6: Average Cost to Create One Job per Sector

4.6 Jobs Matched

Apart from jobs created, Baucau matchmakers were able to match eight job seekers to employment opportunities. These matches are generally reported under the Training, Consulting and Scientific Services sector. Together, their contracts (the majority of which were for the duration of one year) were valued at over $28,140, averaging out to a salary close to $300 per month per worker. Positions ranged from office assistant, to chef, to journalist, to name a few. Although these jobs could ultimately have been filled without the assistance of PDT, verbal feedback from the employers indicated that the matchmaking service made it significantly easier for business owners to fill a vacant position.

With regard to the number of jobs matched, the Baucau results are noticeably lower than jobs matched in several other districts. In Viqueque and Manatuto districts, for example, the numbers of jobs matched are in the hundreds. In these predominately less developed parts of the country, requests for short-term laborers for various construction projects are typically higher. As the district with the second largest city in the country, Baucau has better infrastructure and a lower demand for temporary laborers. As a result, the matchmaking team in Baucau focused less on matching labor than it did on generating transactions for goods and services. All jobs matched in Baucau were permanent positions.

4.7 Tracking Income Derived from Matchmaking

While the central discussion of the impact assessment interviews involved job creation, interviewees were asked how they utilized revenues generated by the matches. Most participants were quite candid in their responses, offering a better understanding of the depth of impact the matchmaking service has had, not only on the business owners and the labor force, but on their families and communities as well. The interviewees responded on a match-by-match basis, so 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 Personal Needs/Wants. The first three of these categories represent investment in either human or physical capital and are thus contributing to further economic growth in the region. Figure 7 shows a spread of the data.

*Figure 7: Reinvestment Spread*

![Bar graph showing number of responses for Education, Equipment, New Business Ventures, and Personal Needs/Wants](image)

**Education**

Out of 72 matches, there were 25 instances in which the money generated from the match was invested in education. Most of these cases were rural business owners putting money aside for their children’s schooling. In a few instances, investment was made in providing staff with training and capacity building.

**Equipment**

Twenty-six responses indicated that the money earned, or a portion of it, was allocated for purchasing, upgrading, or repairing equipment. Examples of this include a meat seller purchasing additional rope to keep better control over his cattle, repairs made to several houses, cars, and motorbikes, as well as purchases of new office equipment such as photocopiers and computers.

**New Business Ventures**

A significant number of entrepreneurs decided to direct funds generated from the match to a new business venture. The scale of each new business ranges in size and sector, but all are derived from funds received through the matchmaker’s assistance. Several kiosks were opened. These are very small roadside shops that sell general food and beverage products and daily necessities. In addition, a number of guesthouses and rental houses were established, which can potentially generate a significant income for the owners.
Personal Needs/Wants

Finally, a number of responses indicated that the money was used to contribute to a household’s daily necessities. Many entrepreneurs responded that the funds were used to “halo adat” or to build an “uma adat.” Adat is the Bahasa Indonesia word for tradition, but can be applied to many different social activities when used in Tetum. “Halo adat” roughly translates to make tradition, which can involve throwing a party or hosting a cultural event. Building an “uma adat,” or the traditional East Timorese house, was also a very common use of funds.

4.8 A Story from the Field

One common request PDT Matchmaking Assistant Mr. Helven Bento receives is to find accommodation for travelers or international workers. With no previous experience in Timor-Leste and no language skills, this task can be quite daunting. One of Helven’s many tasks is to make this experience, and other procurement necessities an international (or national) requires, as painless as possible.

In one such instance, Helven received a request from a group of international aid workers arriving from Dili to find a guesthouse or a hotel that would have enough rooms available to accommodate a large group. Melita Guesthouse was the winning business. The match was large enough that the manager, Mr. Mino Bruno, was able to hire 6 additional permanent employees, more than doubling the staff. Since the match, Melita Guesthouse has also been able to use the funds to make repairs and open new guestrooms.

After the match, Helven was also able to provide the staff of Melita with informal training on the type of services international travelers expect when coming to the districts. After completing matches such as these, Matchmaking Assistants receive a variety of different feedback that can be redirected to the appropriate suppliers. Helven was able to talk to Melita about the importance of sanitation and cleanliness and the effect it has when it does not meet traveler’s expectations. The guesthouse was grateful for his feedback, and has since incorporated his suggestions.

5. Conclusion

The findings of this study provide a closer look at the impact of PDM-TL’s micro matchmaking service. The district of Baucau, as shown through the data collected in 73 separate interviews, has experienced job creation as well as investment in education and short and long term capital.

The micro matchmaking program remains one of Peace Dividend Marketplace’s most valuable contributions to building the local economy. One of the reasons for its success is that it concentrates on micro businesses, where even the smallest of matches can make a significant difference, especially when the majority of people living in the districts survive on less than a dollar a day.