

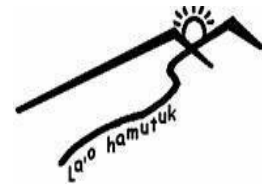
La'o Hamutuk

Timor-Leste Institute for Development Monitoring and Analysis

Rua Mártires da Pátria Bebora, Dili, Timor-Leste

Tel: +670 332 1040

email: info@laohamutuk.org Website: www.laohamutuk.org



Comments from La'o Hamutuk on USAID concept paper:

“Economic growth integrated project for private sector competitiveness, agriculture and global climate change”

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La'o Hamutuk appreciates USAID's request for ideas and opinion on its concept paper “Economic growth integrated project for private sector competitiveness, agriculture and global climate change”.¹ We are convinced that it is fundamental to truly understand a situation to be able to respond to real needs and not applying to different contexts a same package following certain theories or international donors' consensus. Judging by USAID's questions, it seems like USAID will need further research and analysis to complete the consultation process of this project. We encourage USAID's project team to talk directly with the farmers, to explore ways to integrate communities in the decision making process and to consider them as the actors of this project.

We are also glad that USAID wants to support the agriculture sector, which unfortunately is not the priority of Timor-Leste Government even though the majority of Timorese people live in rural areas and depend on the agriculture sector. We believe development is not reduced to industrialization, urbanization and building mega infrastructure projects. We should promote the sustainable agriculture model, which does not require huge and expensive inputs, so that it really benefits small farmers' economy in the long and short terms as well as contributing to the nature's luxuriance.

We appreciate USAID's effort to diversify production and improve nutrition through the horticulture sector, because the Government is currently too focused on increasing rice and maize production, ignoring the fact that Timor-Leste is the main rice-consuming nation in the world. Generally, we Timorese people simply eat to be full without considering the nutrition value of food. And it is in our mentality to think that we have not eaten yet unless we eat rice. This project can thus facilitate and strengthen education on the consumption of nutritious food. In order to improve the high malnutrition rate in Timor-Leste, we need to teach people not to eat just rice or only one type of food, and to promote the consumption of vegetables, fruits and other food products that they can grow in their garden (local products).

However, we think some project components need to be changed, including the assumptions, conclusion and its philosophy. We hope that despite our usually different approach and vocabulary, our comment will help USAID to improve this concept paper and develop a project that will benefit Timorese people in the long term.

The focal problem identified by USAID is the following: “People engaged in Timor-Leste's agriculture sector are not benefiting from sustainable economic growth”. Official data show indeed that the distribution of economic resources is not fair and does not benefit the majority of people, as the income of the richest 10% is 14 times higher than the poorest 10%. In addition,

¹ This article responds to the USAID request for comment on the draft paper at <https://www.fbo.gov/index?s=opportunity&mode=form&id=8ebdb689f0523dc4bcbab1594bd882a7&tab=core&tabmode=list&=>

the agriculture sector does not contribute much to GDP. It is the oil and gas sector, and public sector expenditures (that are possible because of money from oil and gas) that contribute the most to the GDP.

USAID identified two main factors contributing to this focal problem: 1) The inability of farmers to effectively utilize resources to engage in the private sector, and 2) low productivity in the agriculture sector.

In our opinion, if farmers do not benefit from economic growth, it is not because of factors 1) or 2), but because of the Government policy that does not allocate sufficient budget (2% of GSB) and does not have appropriate plan to respond to the agriculture sector's needs and to the majority of people living in rural areas. In addition, if the agriculture sector represent a small part of GDP, it is because the oil and gas sectors dominate the economy, and because the agriculture sector is not intended to contribute to GDP because of its subsistence nature (the coffee sector is still small) with indeed low productivity rate.

We think it is not correct to say that farmers do not have the capacity to engage in the private sector, because in reality they are more oriented in producing for their own consumption, and so they have not tried hard yet to engage in the private sector. In Timor-Leste, the "private sector" is not big, as based on La'o Hamutuk's estimation, around 8% of the population works in the private sector, including implementing public contracts, and 8% works independently (taxi, market, kiosk, etc.). Moreover, involving the private sector, whose objective is only to make profit, is not a solution to improve farmers' live.

Our specific suggestions are the following:

1. Reduce the scope of the project to make it more realistic

Although we agree on the need to adopt an integrated approach and to avoid solely focusing on one aspect when dealing with complex issues, we believe there is a risk to lose sight of the goal and to be unable to work effectively when one tries to respond simultaneously to all issues. This project has the ambition to contribute to economic growth, to respond to global climate change, to build markets, to address land issues, to reduce malnutrition, to change people's behavior, etc. Maybe it would be better to focus on the most important challenges that can be addressed during the time of the project and within its capacity, as this will contribute to other long-term objectives.

2. Focus on improving farmers' livelihood rather than building markets or promoting economic growth

USAID already identified important problems including malnutrition, low income, low productivity, and activities aimed to address these problems such as irrigation, organic fertilizer, household garden, school demonstration projects, fisheries, etc. In our opinion, the priority of the project should be the activities mentioned in the part "complementary components for nutrition, behavior change and life skills". The objective to "address the social, cultural and human considerations" must be the priority, instead of considering it as secondary compared to the market. If NGOs don't give importance to the market, as you pointed out, it is because they believe there are other priorities, based on their experience with people and on the realities of this country. Farmers need capacity building to improve their everyday agricultural practices, including in water management, soil improvement, etc. Moreover, as you can currently observe, economic growth is not linked to people's well-being. Thus it would be better to stop focusing on this indicator.

3. Recognize that economic liberalism affects social justice and domestic production

We are disappointed to see that USAID does not learn from the past, and still wants to apply economic liberalism without questioning this ideology. The Timor-Leste Government signed the

Covenant on Economic, Social and Cultural Rights and is not a member of the WTO, so the Government plays an important social role that includes intervening in the economy and the market to protect people's interest. We disagree with USAID that considers Government interventions in the market via subsidies, free inputs or import restrictions as a problem. Indeed, as cheap imports impact negatively domestic production, the Government must take decisions to protect domestic production from unfair external competition. La'ó Hamutuk promotes the concept of food sovereignty, which may enable our country not to depend on food imports and to strengthen farmers' communities.

4. Promote cooperatives instead of the private sector

The private sector or companies are more focused on ways to make huge profits, whereas farmers are vulnerable, not well organized and work to obtain food as well as money to sustain their live and respond to their household needs. Thus, we believe it would be better to focus on strengthening the farmers before linking them to the private sector or to think about developing commercial agriculture. The reality shown by various projects implemented in Aileu is that farmers produce and private sector actors weigh and buy crops directly in the farm at very low price, making huge profit. Another example is the project "Povu kuda Governu sosa" (People farm, Government buys), which also benefit companies buying cheap products from farmers and selling them at a higher price to the Government. We believe it would be better to develop agricultural cooperatives owned and managed by farmers, so that companies or private sector actors come and buy products at the cooperative. Cooperatives can strengthen social and human values, which are lost when we think in terms of market and consumers. In addition, at the end of the project, strong cooperatives can continue facilitating farmers' production and ensure the sustainability of the efforts to improve people's live.

5. Be careful with the system of "access to finance"

In our opinion, before creating a system to increase access to finance, it is necessary to have a good understanding of people's behavior and capacity to manage money. It is not correct to say that people do not have access to finance, as there is already a borrowing system, though informal, linking people with each other. When introducing a system that increases the scale of borrowing, there is a risk to create bigger problems such as people losing their land if they are unable to control their debt load.

6. Promote climate justice

If USAID is really interested in addressing the problem of global climate change, as stated in the title of the project, the US Government itself must take credible decisions in the USA territory to respond to the consequences of an unsustainable development model. It is good to help victims in other countries to adapt to and mitigate the effects of climate change, but it is not enough to resolve the problem.

La'ó Hamutuk is grateful for your consideration of our ideas. We will be happy to respond any question if needed. We hope our comments will help you formulate a project that will benefit Timor-Leste people.

Thank you,

La'ó Hamutuk Agriculture Team



Inês Martins



Alexandra Arnassalon



Mariano Ferreira