



**THE
WORLD
BANK**

Luis Constantino
Country Manager
Timor-Leste
East Asia and Pacific Region

Avenida dos Direitos Humanos
Dili
Timor-Leste
lconstantino@worldbank.org
Telephone (670) 723 0550
Fax (670) 332 1178

June 7, 2013

Ms. Geeta Sethi,
Program Manager
Global Agriculture and Food Security Program
Agriculture & Environmental Services Department
1818 H Street, NW
Washington, DC 20433 USA

Dear Ms. Sethi,

This letter is to highlight the importance and urgency of the Timor Leste GAFSP proposal and our commitment to support the Government with preparation and implementation of the Project to be funded through GAFSP.

Timor Leste is the second youngest state in the World, having been rebuilt from the ashes after 25 years of a struggle for independence and 400 years of colonial domination. Despite visible progress in a short period of time, the country continues to face immense challenges.

Poverty remains persistently high hovering around 50% and is much worse in rural areas where 70% of the population lives as subsistence farmers. With fifty eight percent of children under five stunted, 45% under-weight, and 19% wasted, malnutrition is at crisis levels (Figure 1). The stunting rate is the third highest in the world and higher than other countries in the region. And it is getting worse (Figure 2).

Figure 1: Rates of stunting in Timor-Leste and its neighbors

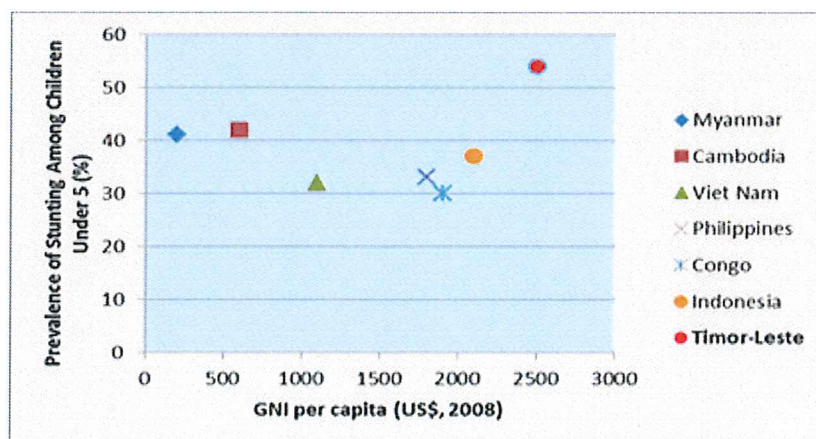
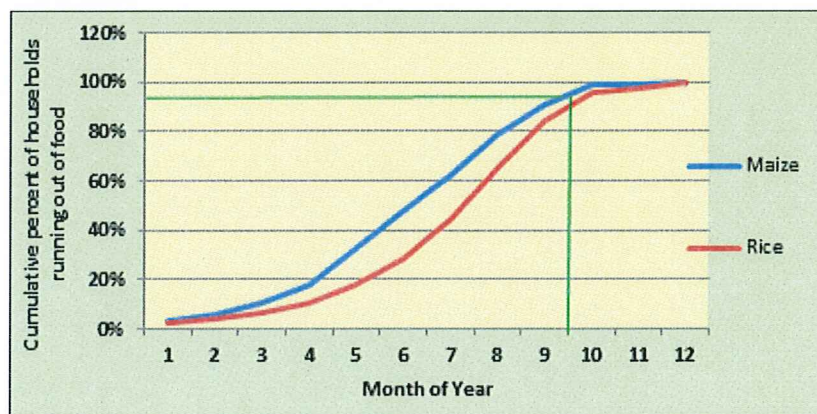


Figure 2: Nutritional status of children under five

Malnutrition and food insecurity are particularly pervasive in rural areas. Most farmers in Timor Leste are net consumers of food. About 90% of rural households exhaust their home grown food supplies in 9 months (Figure 3). Because of remoteness, isolation or poverty they are not able to rely on the market and food imports to make up for shortages. All roads are in very poor condition and many rural communities are only accessible by horse or on foot. They are particularly vulnerable to weather shocks; food production in 2011 declined by 30% due to flooding and off-season rains, threatening localized famine. With over 60% of the population less than 25 years of age, unemployment around 70%, and an insignificant private sector other than in agriculture, agricultural growth is needed to absorb the excess labor supply.

Figure 3: Months in which household-grown rice and maize supplies are exhausted

While the country has recently started to benefit from some oil wealth, GDP per capita remains low at around \$1000. Oil reserves per capita are small when compared with other oil producing countries and production has started to decline. With 90% of Government budget financed by oil income, Timor Leste is the second most oil dependent country in the World, and its future is tied to how much of this income it is able to save, or to uncertain new oil and gas fields.

Prudently Government is setting aside some of the country's oil wealth for lean and hardship times and future generations. Oil revenues are deposited into the Petroleum Fund, a recognized best practice of a sovereign wealth fund, thanks to its standards of transparency and sustainability, and EITI compliance. But the careful management of oil revenues, reflected in restrictions to Government's authority to withdraw from the Fund, has a cost, forcing a rationing of fiscal resources between equally urgent and important priorities in agriculture, infrastructure, health, education, nutrition, food and jobs.

The Ministry of Agriculture and Fisheries' (MAF's) budget is insufficient to kick off sector development. Recognizing the challenge MAF has prepared Medium Term Operation and Investment Plans (MTOP and MTIP) which outline how Timor-Leste intends to respond to the urgent needs of the sector and to the sector's budget "gap". The GAFSP proposal will help MAF address its budget shortfall. It is a sound proposal aimed at increasing production and productivity and ultimately the cash incomes of subsistence farmers, enabling them to meet part of their needs, in the market. It recognizes the importance of creating a favorable environment for the currently small private sector to develop, including in the form of farmer organizations with capacity to participate in and benefit from market development.

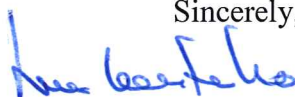
Increasing food production is of paramount importance at this stage of Timor-Leste's development to address food security and nutrition needs. It is vital for rural areas because most food consumption is from own production. Moreover increasing production of food crops will help stabilize food prices and support the process of agricultural diversification, in turn contributing to increased rural incomes. Farm productivity in Timor-Leste, including food crops, is one of the lowest the world, so there is potential for a big improvement. Increasing productivity in a sustainable way will help address food shortages and help create a food supply that is resilient to climatic shocks.

Cognizant that malnutrition demands a multi-sectorial response, involving among others health, water supply and sanitation, education and agriculture, Government has set-up a National Council for Food Security and Nutrition bringing together the key Ministries and prepared a National Nutrition Strategy. MAF supports the fundamental role played by women in improving the nutritional outcomes of agricultural growth and has issued an appropriate gender policy. Better seeds and crop diversification will help the nutrition in rural households. Other Government programs and development partners are supporting nutrition related activities in health and water supply and sanitation.

Recognizing the centrality of agriculture for addressing some of the poverty, food security and nutrition challenges the country faces, the World Bank Group's new Country Partnership Strategy (FY13-FY17) refocused a substantial part of the Bank's assistance towards rural areas, namely in support of agriculture productivity. The CPS specifically identifies support to Government in implementing a GAFSP-funded project as one of its core activities. The CPS gives center stage to nutrition, and several WBG supported programs will address the nutrition challenge, for example through community nutrition and conditional cash transfers. Other WBG investments will augment the impacts of the GAFSP program. Road rehabilitation (US\$120 million - WB) and trade logistics (new cargo port – IFC) will connect remote communities to markets and services. Together they will lower the cost of imports, including for food and agriculture inputs, and of exports; coffee is the only product Timor Leste exports other than oil, but in insignificant quantities. WB technical assistance in telecommunications has already contributed to the dismantling of the monopoly and the entry of new operators that will expand the mobile network in rural areas.

The World Bank Group has communicated to Government its support for the GAFSP application and its readiness to be the Supervising Entity.

Sincerely,



Luis Constantino
Country Manager
Timor-Leste
East Asia and Pacific Region

منظمة
الغذية والزراعة
للأمم المتحدة

联合国
粮食及
农业组织

Food and Agriculture
Organization of the
United Nations



Organisation des
Nations Unies pour
l'alimentation et
l'agriculture

Продовольственная и
сельскохозяйственная
организация
Объединенных Наций

Organización de las
Naciones Unidas para la
Agricultura y la
Alimentación

Regional Office for Asia and the Pacific

Maliwan Mansion, 39 Phra Atit Rd
Bangkok 10200, Thailand

Tel. (+662) 697-4000

FAX: (+662) 697-4445

E-Mail: FAO-RAP@FAO.ORG

Our Ref.:

Your Ref.: TIM/2013-01

Expression of Interest to Provide Services as Supervising entity for “Sustainable Agricultural Productivity Improvement Project”

21 May 2013

Excellency,

I have the pleasure to contact you and to confirm that Mr. Vili A Fuavao, Deputy Regional Representative for Asia and the Pacific is scheduled to visit Dili on the first week of June to present his accreditation as FAO Representative for Timor-Leste and to bring to your attention an important issue relating to the partnership between FAO and your country.

As you are aware the deadline for submitting Timor-Leste proposal to the Global Agriculture and Food Security Program (GAFSP) is 5 June 2013. This letter is also about the possible role of FAO in implementing and supervising the technical assistance component of the “Sustainable Agricultural Productivity Improvement Project”.

As you know, FAO has been a long-standing partner of the Ministry of Agriculture and Fisheries (MAF) in various fields such as early warning systems, fisheries, value-addition activities, and soon also conservation agriculture. Further to the MAF-FAO collaboration at technical level, FAO is also contributing to the Ministry's efforts to coordinate essential activities across line Ministries and other stakeholders in the area of food security. All of FAO's forthcoming interventions in Timor-Leste are primarily guided by the agreement between your Ministry and FAO to implement the FAO Country Programming Framework (CPF) (2013-17). In this document we agreed to focus on four priority areas, all of which are closely aligned with MAF's own strategic objectives. At this stage, I would like to draw your attention to priority area four, which covers activities to strengthen institutional capacities of MAF and focus of improved coordination of investments, development of policy frameworks, statistics systems and also planning and management of the agricultural sector.

.../...

Eng. Mariano Assanami Sabino
Minister
Ministry of Agriculture and Fisheries
Dili
The Democratic Republic of Timor-Leste

- 2 -

We believe that your Ministry and FAO have jointly identified essential areas for improvement within MAF. These areas are also now reflected in your Strategic Plan (2014-2020) under Strategic Objectives three (enabling environment) and four (organizational strengthening). FAO also wishes to congratulate your Ministry for the successful finalization of MAFs Medium-Term Operational Plan (2014-18).

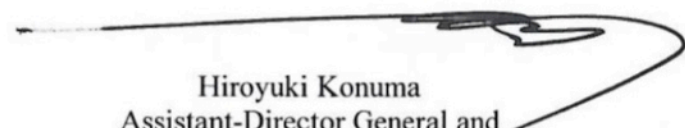
Earlier this year, FAO was approached by the World Bank (WB) to participate in the mission to support the Government of Timor-Leste in developing its application for the GAFSP in 2013. For that purpose, Ms Jennifer Braun was recently in Timor-Leste to work with MAFs appointed GAFSP-support team and the WB consultants. It was her task to focus on the formulation of component four of the proposal ("Strengthen MAF service delivery to farmers and communities"). She also discussed with you and the WB team the possibility for FAO to provide Technical Assistance to the Ministry in this particular area, should Timor-Leste obtain the funds.

What was agreed upon at the time of Ms Braun's mission was the importance to support MAF in the areas of strategic planning and program coordination. This would primarily take place through a strengthening of the National Directorate of Policy and Planning. These tasks entail to establish a Monitoring & Evaluation system and to build up MAF-internal expertise to better use available statistical data in strategic decision-making. Another area where FAO could support MAF, based in past and ongoing experience in Timor-Leste, is the co-ordination of bilateral and multi-lateral co-operation.

Based on the above identified priorities, of the recent experience of FAO in your country and in close agreement with the World Bank, FAO wishes to propose its services as the supervising entity and implementing agency of the technical assistance component of your GAFSP-financed proposal. I am grateful if you could confirm whether you are in agreement with this proposal, I am available to further discuss it during the next couple of weeks in order to refine the proposal and eventually inform the Ministry of Finance who would send the formal submission to GAFSP secretariat.

Finally and in addition to the visit of the FAOR designate for Timor-Leste in early June, I would also like to inform you that our Senior Officers in FAO Regional Office for Asia and the Pacific, Mr. Jairo Castano and Ms. Rosa Rolle, will visit to your country and I have requested that they follow up on the GAFSP matters and to provide whatever technical advices to you and your Ministry on this in connection with the World Bank.

Accept, Your Excellency, the assurance of my highest consideration,



Hiroyuki Konuma
Assistant-Director General and
Regional Representative for Asia and the Pacific