



República Democrática de Timor-Leste  
Ministério das Finanças



Gabinete da Ministra

*"Seja um bom cidadão, seja um novo herói para a nossa Nação"*

No: **00292** / V/GMF / 2013

23 May 2013

**Luis Constantino**  
Country Manager  
The World Bank Office – Timor-Leste  
Dili, Timor-Leste

Dear Luis:

During the past few months the Ministry of Agriculture and Fisheries (MAF) has been actively engaged with the World Bank's assistance in the technical preparation of the proposal for the Sustainable Agricultural Productivity Improvement Project (SAPIP) that the Ministry of Finance will submit for funding to the Global Agriculture and Food Security Program (GAFSP) under the 3rd call for proposals.

As you are aware, the SAPIP represents a major opportunity for Timor-Leste's agricultural sector to address the many constraints to the achievement of our goals in food security and nutrition as specified in the V Constitutional Government Strategic Development Plan. These goals are being pursued by MAF through its Strategic Development Plan 2014-2020 and the associated Medium Term Operation and Investment Plans, 2014-2018. The Bank's assistance in the preparation of these plans is very much appreciated.

In view of our close collaboration in the sector and in consultation and agreement with the Minister of Agriculture, I would like to inquire whether the World Bank would be willing to act as the preferred Supervising Entity of SAPIP.

I am looking forward to further and deepen our collaboration in the areas of agricultural development and food security as outlined in the current Country Strategic Partnership.

Best regards,

**Emilia Pires**  
Minister

cc.: H.E. Xanana Gusmao, Prime Minister, Government of Timor-Leste, RDTL  
H.E. Mariano Sabino, Minister of Agriculture and Fisheries, RDTL



**DEMOCRATIC REPUBLIC OF TIMOR LESTE**  
**MINISTRY OF AGRICULTURE AND FISHERIES**  
**Seeds of Life - PO Box 221, Dili Timor-Leste**

**MAF DEVELOPMENT PARTNERS**



Wednesday 23 May, 2013

**Mariano Assanami Sabino,**  
**Minister Agriculture and Fisheries**  
Comoro, Dili  
Timor-Leste

Dear Minister Assanami,

Re: Assurance in support of GAFSP application to fund proposed SAPIP

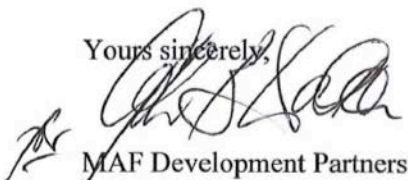
We refer to the letter from the Vice Minister dated 16<sup>th</sup> May 2013 in which he requested MAF Development Partners/Donors to support the Ministry of Agriculture and Fisheries' application to the Global Agriculture and Food Security Program (GAFSP) for funding for the proposed Sustainable Agricultural Productivity Improvement Project (SAPIP).

In response to the Vice Minister's letter MAF Development Partners/Donors are hereby pleased to assure the Minister that the proposed GAFSP funding will complement their existing projects and programs and is not expected to displace or duplicate other sources of funding.




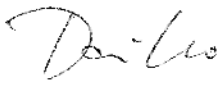





We participated in the GAFSP planning workshop at the MAF Conference Room today where the proposed Sustainable Agricultural Productivity Improvement Project (SAPIP) was outlined and discussed and we concur with the general design concept. It is clear to us that SAPIP will be of considerable benefit to the Ministry and also to its constituent farmers through its capacity building initiatives and its support for extension and farmer groups to increase production and incomes.

Accordingly, the undersigned MAF Development Partners are pleased to support MAF's application for GAFSP funds. We wish the Ministry every success with this application as the proposed project will contribute significantly to our joint efforts and important work.

Yours sincerely,

  
MAF Development Partners

MAF DEVELOPMENT PARTNERS

MAF DEVELOPMENT REPRESENTATIVE		
Representative	MAF Development Partner	Signature
AUSAID	NERYL LEWIS DIRECTOR RURAL DEVELOPMENT	
USAID	Ryder Rogers Director, Economic Growth Office	
GI2	Alwin Schuchman Principal Advisor ROPIV (peer reviewer)	
JICA	Hidetoshi Doi Project Formulation Advisor	
FAO	Paula Lopes da Cruz Assistant Representative	
ACIAR	John Dalton ATL Seed & Life	
IFAD	Kong Kiong Ma Project Manager - TLMSP	
WB	LOIS CONSTANTINO Country Manager	
New Zealand Embassy	Anne Masley 1st Secretary (Dev)	

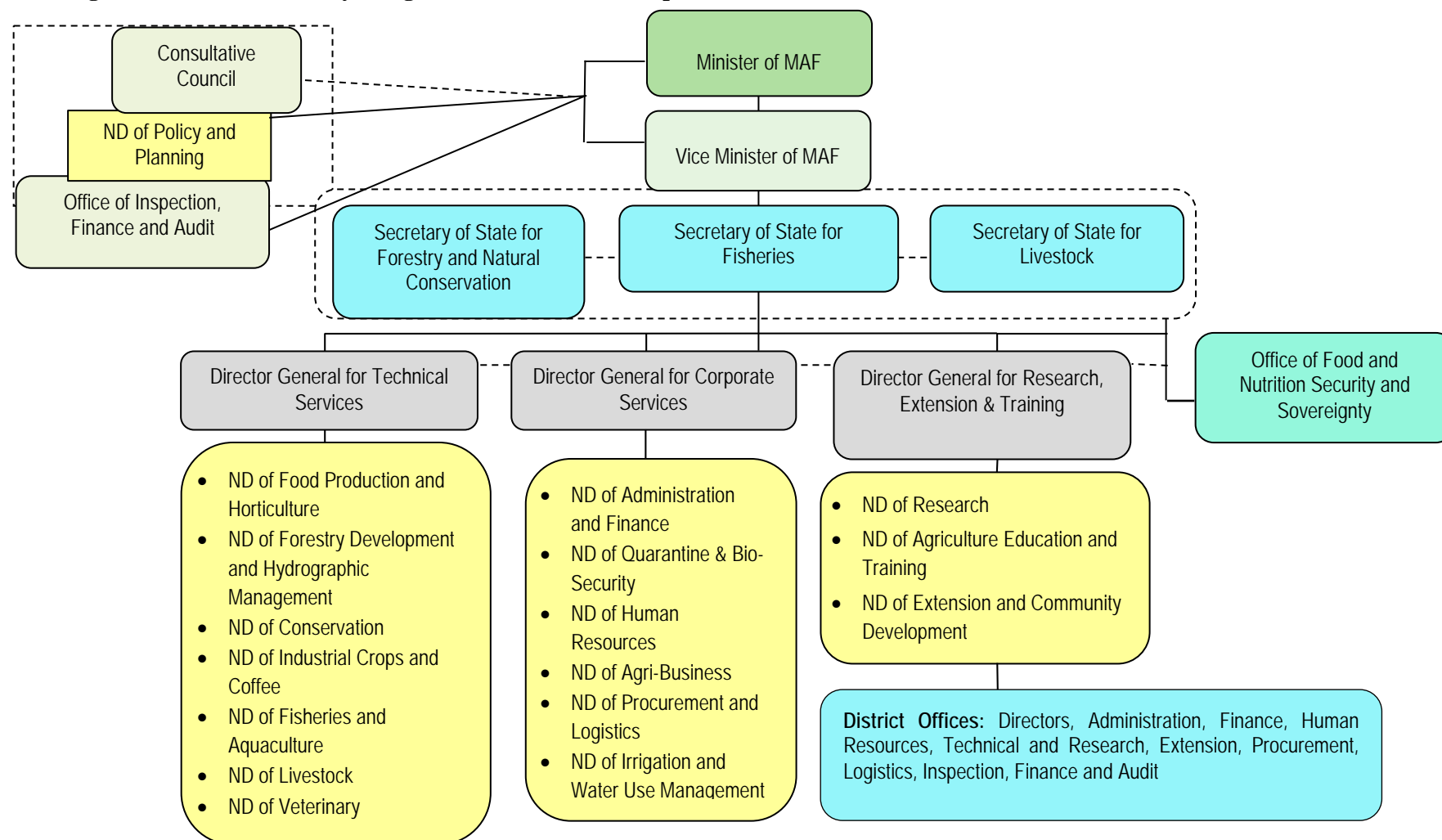
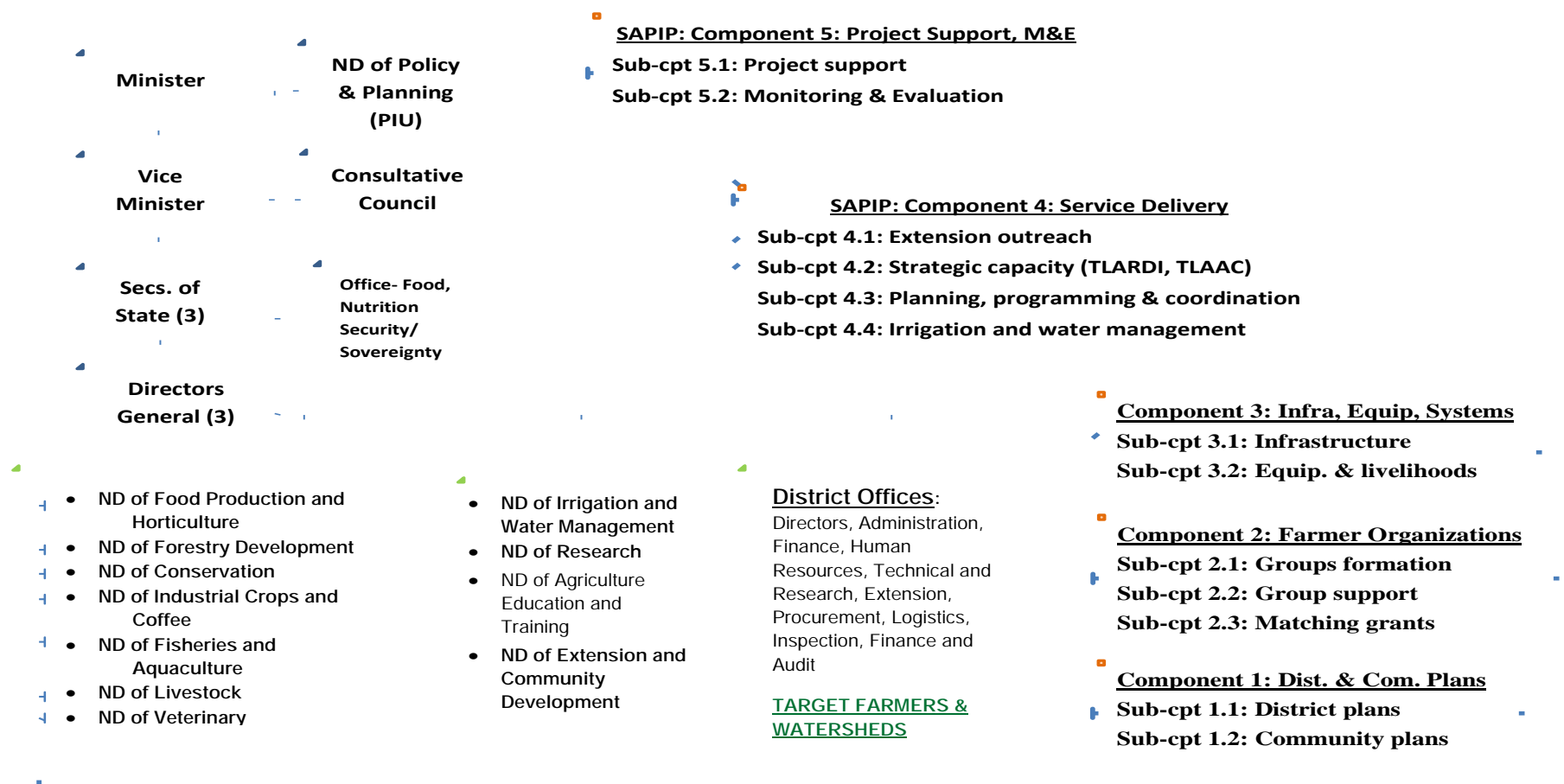
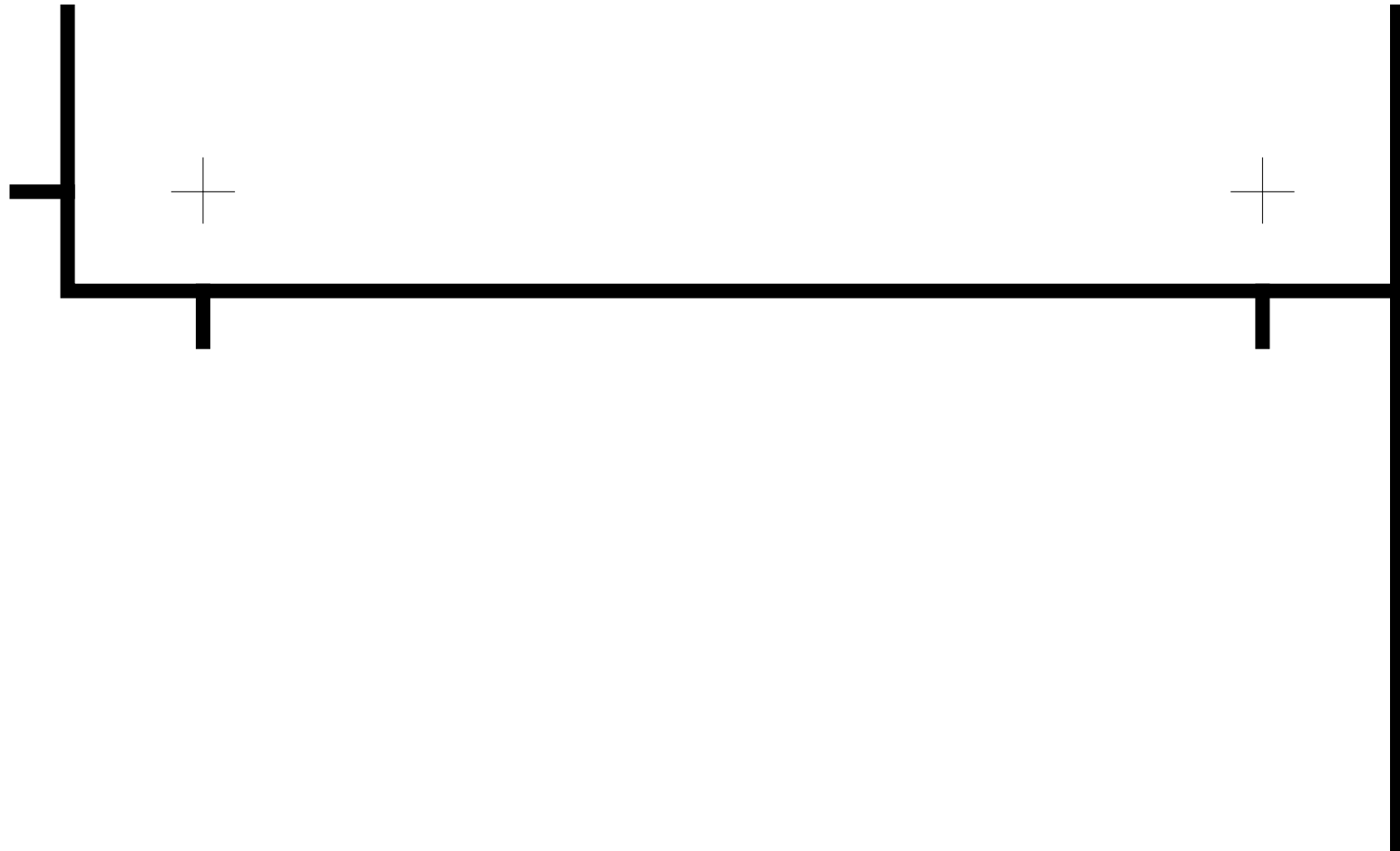
**Figure 1: Organization of the Ministry of Agriculture and Fisheries (planned for 2014)**

Figure 2: SAPIP Organization



**Figure 3: Map of Timor-Leste showing the location of SAPIP's target watersheds**



### **3 PEER REVIEW OF MEDIUM TERM INVESTMENT PLAN**

The Peer Review of the Medium Term Investment Plan (Attachment 6) was completed by Mr. Alwin Schuchmann, German Development Cooperation Coordinator (GIZ) from GIZ's office in Dili, Timor-Leste. His review and comments are based on the GAFSP guidelines, and are detailed in Section 3.1. The Applicant's responses to Mr. Schuchmann's suggestions/ comments are outlined in Section 3.2.



### 3.1 Peer review of Medium Term Investment Plan



#### Annex 2

#### Review of non-African Country Investment Plans Consistent with the CAADP approach

**Review of the Medium Term Operational Plan (MTOP) and Medium Term Investment Plan (MTIP) of the Ministry of Agriculture and Fisheries of Timor-Leste by the GIZ Green Sector Advisory Team**

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Areas of Review	Content of Review of Country Investment Plans
Likelihood for the investment programmes to realize growth and poverty reduction	<p>The MTOP and the MTIP are fully aligned with the growth and poverty reduction targets of the National Strategic Development Plan (SDP, 2011-2030), the Programme of the 5<sup>th</sup> Constitutional Government (2012-2017) and the MAF Strategic Plan (MAFSP, 2014-2020).</p> <p>The two plans aim at poverty reduction, ensuring food and nutrition security, import substitution for agricultural products and promoting employment and economic growth. They do contribute to the achievement of the targets set in the Millennium Development Goals.</p> <p>For the full execution of the plans it will be crucial for MAF to strongly focus on the Institutional Development and Capacity Building of the MAF-staff.</p> <p>Both, institutional development and capacity building are very well elaborated in Programme 4 of the MTOP.</p>
Technical realism (alignment of resources with results) and adequacy of institutional arrangements to implement	<p>The results of the programmes and sub-programmes are generally aligned with the planned resources. The reviewer has the following comments:</p> <ol style="list-style-type: none"> <li>1. Research: It is recommended to make use of available research results and knowledge from neighbouring countries before executing own research in the country.</li> <li>2. Extension: As mentioned in the MTOP, extension is the backbone for achieving the goals set. Decentralization of decision-making and budget allocation to the district directorate of agriculture is essential and the right step to make extension services more effective.</li> </ol> <p>However, the paramount importance of extension is not sufficiently reflected in the budget allocation: only 4 % of the MTOP budget and only 9 % of the budget for Programme 1 are allocated for extension services. Transport and housing for Extension Workers in the sucos are not addressed by the MTOP.</p> <p>Extension Policy, Strategy and the National Extension Handbook are not mentioned, neither programme 1, nor in programme 2. Farmer fields should be used to demonstrate,</p>



test and evaluate new technologies together with farmers. Extension training centres can only partially fulfil this task.

3. 53 % of the budget for programme 1 is allocated for sub-programme 1.6 with free provision of inputs to farmers to increase production. Without training and access to market, we consider this budget as too high.

The importance of the private sector was very well elaborated in sub-programme 2.6. However, no activities to engage the private sector were defined. It is recommended that immediately after the formation of the new Department for Agri-Business, sub-programme 2.6 should receive priority and should start developing a strategy for involving the private sector. At the moment the private sector faces difficulties in establishing a market system due to import of staple food and free distribution of agricultural inputs.

Proposal: MAF could channel all input subsidies to farmers (seed, fertilizer, pesticides, etc.) through the private sector and traders instead of input distribution by MAF, NGOs and Development Partners.

4. It is highly appreciated that the MTOP foresees the revision of policies under Programme 3. Due to the high number of Policies which need revision, it is recommended to give priority to following: import substitution, export promotion, land tenure, irrigation and water policies. Furthermore, extension and seed policies are not mentioned, but need attention too.

Programme 4 is very well elaborated. Organizational and capacity development is the key for a successful implementation of both MTOP and MTIP. We do also agree that strengthening of DNPP is a pre-condition for leading the implementation process.

However, seeing the actual capacity of MAF with only one holder of a PHD-degree, 19 Masters and around 50 Bachelor degrees, implementation of the MTOP will remain a huge task. It will be necessary that the current staff receives educational upgrading, and higher qualified staff with adjusted salaries is employed.

We recommend starting organizational and capacity development (education) immediately to allow for a smooth implementation.

DNADCA was not mentioned under training and capacity building in sub programme 4.2. However, we consider the integration of extension staff in general training activities of MAF important for improving client-oriented work and service delivery on the ground.

We observed very few funds were allocated for the establishment and running of a MAF M&E System including impact monitoring. The same holds true for knowledge management and communication. Only 50.000 USD per year were allocated which is not enough according to the experiences of the reviewer.

	<p>5. Agro-Biodiversity and the actual GIZ implemented Project are not mentioned neither in Programme 1, nor in Programme 5 or its sub-programmes. Programme 5 aims at the conservation of biodiversity in general; mentioning land and water biodiversity and projects, which are implemented by DNF only (ABD is implemented by DNPI). We consider the diversity in agriculture and the protection of local species and varieties crucial for food security, balanced nutrition and adaptation to climate change.</p>
An inclusive review and consultation process	<p>For the formulation of the MTOP and MTIP the participation of key stakeholders was guaranteed. The process started in September 2012 with the development of the MAF strategic plan with District and National Directors involved. It was a process driven by MAF and facilitated by Development Partners. The development of the MTOP started in December 2012. The first draft of the MTOP was presented to MAF staff on the 14<sup>th</sup> of April 2013. During the week of the 22<sup>nd</sup> of April District Directors and local Stakeholders were involved. The final consultation meeting was held on the 30<sup>th</sup> of April including MAF staff; development partners, NGOs and the private sector. The final draft was presented on the 25<sup>th</sup> of May.</p>
Consistency of country budgetary and development assistance commitments with the country investment plan	<p>The investment plan presents clearly the resources from Government and Development Partners. The financial gap is well presented and analysed under point 4.5. The total budget gap is USD 147 million over 5 years.</p> <p>Taking into account that</p> <ul style="list-style-type: none"> <li>the current commitments from development partners will come to an end by 2016,</li> <li>new programmes are expected to start,</li> <li>around USD 100 million are planned for subsidies, but could be allocated for other purposes,</li> </ul> <p>it can be assumed that only a small gap will remain that can be handled by MAF through yearly work plans and budgeting.</p> <p>However, it should be underlined that the national budget does not yet give adequate attention to the financial needs of the agricultural sector. This must be addressed during the coming years and should be considered during the revision of the MTOP and MTIP after two years.</p>
Adequacy of institutional arrangements for effective and efficient delivery, including M&E	<p>The new role of MAF in the agricultural development is well and adequately described in chapter 5.1. We appreciate that:</p> <ul style="list-style-type: none"> <li>MAF will gradually move towards cost-sharing arrangements for service delivery to clients and will define and implement a nation-wide modified system for it.</li> <li>the roles of the public sector will be redefined and clearly articulated</li> <li>MAF will implement policies and programs that will enable the private sector, civil society, community-based organizations, NGOs and development partners to actively engage in and contribute to development of agriculture in Timor-Leste.</li> <li>MAF aims at empowering farmer groups through assistance in building farmers' cooperatives, thus facilitating market linkages and partnerships.</li> </ul>

	<p>Linkages and partnerships in this development process are described in 5.3. The description of inter-sectorial coordination regarding health/nutrition is not yet elaborated in a detailed way. The budget for watershed management to protect natural resources is relatively small as compared to rehabilitation of degraded forest areas. The budget for watershed management should be higher in order to achieve sustainable conservation of watershed areas and the forests belonging to them, thus avoiding further degradation and future rehabilitation costs.</p>
Coherence and or consistency between policies, implementation arrangements and delivery mechanisms, and investments areas, priorities or program objectives	<p>The revision of policies is clearly described under Programme 2. To promote investments in agriculture, the land tenure policy should be revised as soon as possible. The policy to import inputs and the subsidy policy should be revised to increase the production and facilitate marketing.</p> <p>The new organisational set up seems to be realistic.</p>
Appropriateness and feasibility of the indicators for impact and system for capacity improvement and accountability	<p>The MTOP indicators described in Table 45 seem to be generally realistic and achievable.</p> <p>The result framework in Annex 4 is clear and logic. Yet the indicators and targets are often not SMART and miss base line data.</p>
Extent and quality of dialogue, (peer) review and mutual accountability system	<p>Implementation responsibilities are clearly defined. Measures of accountability for achieving the expected results within MAF are not yet described in the document. This should be tackled through the planned institutional reform and capacity building programme.</p> <p>The peer reviewer has been transparently informed and involved during the planning process. A close dialogue has been ensured. It would have been desirable to include peer reviewer in the district consultation meetings as well.</p>

Dili, 31<sup>st</sup> of May 2013



Dr. Silvio Decurtins

## **3.2 Comments on Peer Review by the Minister of MAF**





MINISTÉRIO DA  
AGRICULTURA  
E PESCAS

REF: 43 / GM / V / 2013

Dili, 1 June 2013.

Dr. Silvio Decurtins  
GIZ Country Coordinator  
C/o GIZ Timor-Leste Joint Project Administration  
Rua Mercado Comoro No.2  
Prais dos Coqueiros  
Dili, Timor-Leste

**Re: GIZ's Peer Review of the Ministry of Agriculture and Fisheries' (MAF's) Medium Term Operation and Investment Plans (MTOP and MTIP)**

I have had the pleasure of reading GIZ's review and want to thank you and your staff for the time taken to complete this task which is an important part of MAF's Application for Global Agriculture and Food Security Program (GAFSP) funds to support a Sustainable Agriculture Productivity Project (SAPIP).

In responding to your comments I would like say at the outset that MAF appreciates your complementary comments on our MTOP and MTIP. These were prepared by MAF's staff during the early part of 2013, with support from the World Bank and AusAID, and the full participation of all Stakeholders and Development Partners.

I note that your Review covers the eight key areas listed in Annex 2 of the GAFSP Guidelines. Because of GIZ's comprehensive response to each point, I do not intend to comment on your responses where they are positive and/or complementary, but rather to focus on those points, which in the opinion of MAF, require a response and in some cases, clarification.

I have prepared MAF's response in note form, with reference to the GAFSP area of review before providing comments.

**1. Technical realism and adequacy of institutional arrangements to implement:**

- Research results: I agree with GIZ's suggestion that MAF make use of available research results from neighboring countries. In fact our ACIAR-funded Livestock Development Project is already using adaptive research results from West Timor, Indonesia. The Timor-Leste Agriculture Research and Development Institute (TLARDI) has been included in SAPIP, and once operational will certainly engage with nearby neighbors for support.

- Budget for Extension: GIZ has raised a very good point here and it is clear that we should re-visit the budget allocated to this vital part of our service to farmers. This will be done when we set our budget for 2014 and when the MTOP is first reviewed. In the meantime please note that SAPIP has allocated considerable GAFSP funds to extension support and development (about \$3.1 million).
- Reference to the Extension Policy, Strategy and National Extension Handbook: This is an omission in our MTOP and will be corrected. These documents are important for the success of our extension program and are valued by our staff.
- Provision of free inputs for farmers: GIZ has correctly raised this point as an issue which warrants further consideration when we frame future budgets, and MAF notes your suggestion that input subsidies should be channeled through the private sector instead of MAF, NGOs and Development Partners. MAF intends to review this policy during the early part of MTOP implementation as many Stakeholders raised this point during the various workshops conducted during formulation of the MTOP. And under SAPIP, MAF intends to progressively replace farm inputs subsidies with small grants which can be used to purchase production inputs and technical services.
- Importance of the Private Sector: There appears to be an omission in the MTIP budgets for Sub-program 2.6 as it is intended to implement activities which support the emerging private sector. This will be corrected. In addition, SAPIP will support this important Stakeholder and assist with forming partnerships with small farming businesses.
- Policies which require review: Thank you for suggesting this comprehensive list. It will be used to guide the Timor-Leste Agriculture Advisory Council (TLAAC) once it is operational with support from SAPIP. MAF realizes that there are important policies which are constraining the development of our agriculture sector and we undertake to analyze and address these during the course of the MTOP.
- Staffing capacity in MAF: This is a major constraint in all Ministries in Timor-Leste and this is why Component 4 of SAPIP has been allocated over \$13 million – to build staff skills and capacity as quickly as possible. However we also realize that MAF needs to increase its staff's formal qualifications and therefore once our reorganization has been completed we will be applying for budget from Government's Human Capacity Development Fund to enable selected staff to upgrade their formal qualifications. I note your recommendation that MAF commence organizational and capacity development as soon as possible, and we aim to allocate some funds in 2014. And GIZ is correct – it will be important to include NDADCA in the Ministry's staff development programs (this is an omission in the MTOP).
- Funding for M&E: I think there is some misunderstanding here as Sub-program 4.3 (M&E) has been allocated \$1.435 million over the five-year MTOP. However I will ask MAF's planners to check these figures, and please note that SAPIP has allocated an additional \$0.85 million for M&E over five years.
- Inclusion of Agro-Biodiversity: Not including this important topic in our MTOP is an over-sight which will be corrected at the first opportunity. We agree with your comment that diversity in agriculture and the protection of local species and varieties is crucial for future food security, balanced nutrition and adaptation to climate change.



**2. Inclusive review and consultation process:**

- Thank you for your complements on this process. During the design and preparation of our MTOP, MAF was particularly conscious of ensuring a high level of inclusiveness. The outcomes from this process are summarized in our Application for GAFSP funds in Attachment 7.

**3. Consistency of country budgetary and development assistance commitments with the MTIP and MTOP:**

- GIZ's comments on MAF's budget situation and on the impact of subsidies are correct and directly relevant to the Ministry's future plans. I realize that the high subsidy element in Sub-program 1.6 is the main reason why our funding "gap" is so high, hence my undertaking to review this policy with the objective of gradually changing from subsidies to grants, which is the basis of farmer support under SAPIP.
- I also agree with GIZ's statement that the National budget does not yet give adequate attention to the financial needs of the agriculture sector. To this end I will be asking TLAAC to prepare a well-quantified case for more budget to be presented to the Council of Ministers. This will be based on impact analysis using agriculture economics techniques to support the argument that the agriculture sector in a country such as Timor-Leste should be allocated about 10% of a nation's sustainable budget.

**4. Adequacy of institutional arrangements of effective and efficient delivery, including M&E**

- I note GIZ's comment that "the description of inter-sectoral coordination regarding health/nutrition is not yet elaborated in a detailed way". This is correct but MAF and Government have recently put in place important parts of this equation, as follows: (i) the appointment of the Minister of MAF as the Chair of the "National Council for Food Security and Nutrition for Timor-Leste" (KONSANTIL<sup>1</sup>); (ii) devolution of the School Feeding Program which is now based on the purchase and preparation of locally-grown foods; and (iii) the design of a "National Nutrition Strategy" which is now ready for presentation to the Council of Ministers. Furthermore, we have included additional support for the Secretariat which services KONSANTIL, in SAPIP, in the form of capacity building for the "Food and Nutrition Security Task Force".
- I note GIZ's comments on the relativity of the budget allocation between watershed management and the rehabilitation of degraded forests. This is a valid point and I will ask MAF's planners to check this.

**5. Coherence/ consistency between policies, implementation arrangements and delivery mechanisms, and investment areas, priorities or program objectives:**

- I have commented on how MAF intends to address important policy issues in point 1.

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<sup>1</sup> KONSANTIL comprise Ministers from all Ministries with a mandate for improved nutrition in Timor-Leste.

- Thank you for your comments on the proposed re-organization of MAF. This will proceed once the Organic Law has been passed.

**6. Appropriateness and feasibility of the indicators for impact and systems capacity improvement and accountability:**

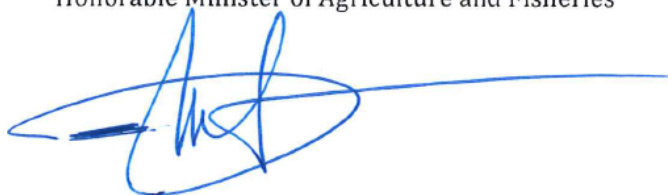
- Preparing the MTOP indicator list in Table 45 was a difficult task for MAF. This is because we do not have accurate baseline data for some products and it is always difficult to predict forward targets in a country such as Timor-Leste where climate change and outbreaks of diseases and pests can cause huge variations in production, which are beyond our direct control. However, in recognition of the need to improve our targeting and reporting, MAF has included plans for an Agriculture Census in the next few years, with support from Development Partners, and support for improved M&E (point 4) will also improve this aspect of our operations.

**7. Extent and quality of dialogue, (peer) review and mutual accountability system:**

- I note GIZ's comments that measures of accountability for achieving the expected results within MAF are not yet described. This is correct, but will be addressed once MAF has been reorganized, and positions created and new staff appointed. I am aware that this is an important and immediate task.

Thank you again for your very helpful and positive comments on MAF's MTOP and MTIP. They will be used to guide MTOP implementation with support from SAPIP.

Honorable Minister of Agriculture and Fisheries



Mariano Assanami Sabino