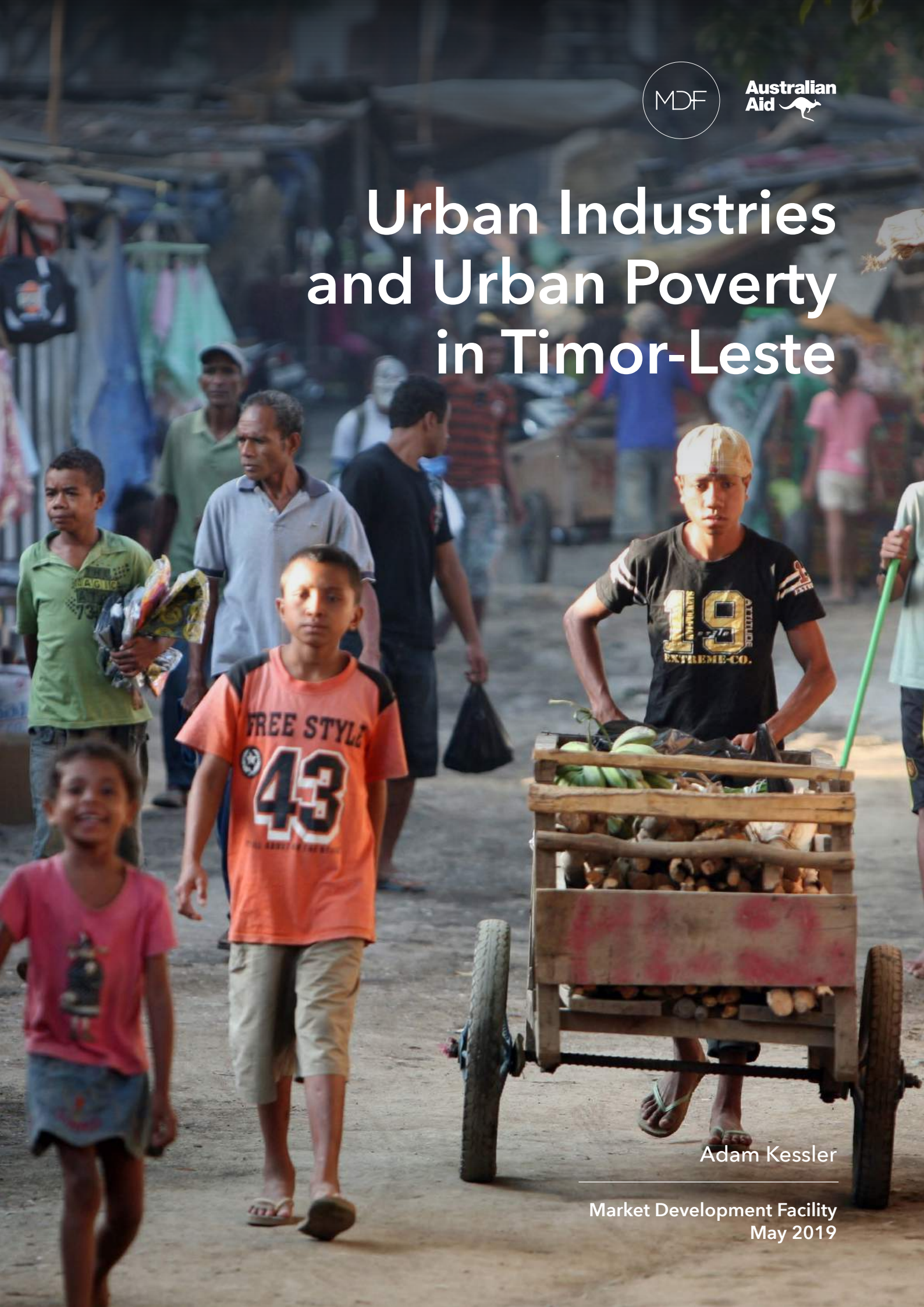




# Urban Industries and Urban Poverty in Timor-Leste



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The views expressed in this report are those of the author and do not necessarily reflect the views of the Australian Government, Market Development Facility or the Government of Timor-Leste.

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# Executive Summary



# Executive Summary



The aim of this study is to improve MDF's understanding of poverty in urban areas of Timor-Leste. There are two key research questions. Firstly, what opportunities exist for pro-poor business growth? Secondly, what are the characteristics of urban poverty? To answer these questions, a combination of primary research, literature reviews and key informant interviews were conducted and secondary data analysed.



## 1.1 Key question one: What opportunities exist for pro-poor business growth in urban areas of Timor-Leste?

Outside the tourism and agribusiness sectors (where MDF is already working) there are few opportunities for pro-poor business growth in urban areas of Timor-Leste.

The construction and services industry is growing and these companies can have a pro-poor impact, creating jobs and offering training. Supporting service businesses, however, offers limited opportunities for impact at scale. Where feasible, supporting local businesses to benefit from Timor-Leste's construction boom would be beneficial. Supporting micro-enterprises in service sectors could have a more direct pro-poor impact.

Manufacturing is a small sector that creates few jobs. While the manufacturing sector is important for Timor-Leste's long-term economic health, quick results should not be expected. Given that Timor-Leste is heavily dependent

on imports, a good place to start is import substitution. Opportunities are limited by the competitiveness of imports and the small size of the Timor-Leste market but may include beverages, garments, furniture and cleaning products.

A potential avenue for export is 'niche markets', which fulfil a specialist demand and command high margins. There is also a small niche business in recycling.

The third-biggest source of foreign exchange in Timor-Leste is labour export. Remittances provide more foreign exchange than agriculture, tourism, or manufacturing. Schemes in South Korea, Australia and New Zealand employ a significant number of people, providing money and skills. These have a real pro-poor impact and there is potential to support them further.

## 1.2 Key question two: What are the characteristics of urban poverty in Timor-Leste?

Many households interviewed associated poverty with laziness. Low education levels, a lack of external support, and cultural obligations were also perceived as factors keeping families in poverty.

The most common activity recorded in our sample was employment, followed by small informal businesses. Most households had at least one member who was formally employed, who often provided the bulk of household income.

Self-employment could provide a good income – but there is high competition. Without access to finance, respondents struggled to diversify their businesses and differentiate themselves from the competition.

Both the poor and non-poor valued education, and the most common desire for respondents and their families was to improve educational achievement. Some respondents hoped that their children could migrate to find work abroad as overseas work offered a way out of poverty.

Participants typically stressed the importance of investing in their own businesses in helping them to escape from poverty. However, respondents needed capital to start a business. This was challenging due to low salaries and limited access to loans, alongside the expectation on respondents to spend money on cultural events.

## 1.3 Recommendations



### Be opportunistic.

Opportunities are few and far between in Timor-Leste urban markets. When one comes along, MDF should take it. Large investments could be important, but MDF should treat investors cautiously, only engaging once a commitment is demonstrated.

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### Focus on import substitution.

Currently, many local firms cannot compete in the domestic market, let alone the international one. Consequently, it may be worth MDF seeking to understand better which products could be produced domestically, and supporting firms interested in doing so.

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### Supply market intelligence as a public good.

Many businesses we spoke to were conducting market analysis or research to inform their business models. Where there is an issue of common interest, such as recycling, it may be worth MDF investing in research to demonstrate the market size and disseminating this among market players to try and build interest.

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### There are many missing support functions, and MDF cannot supply them all.

Human resources, finance, information, investment facilitation, and branding are important to support functions. While MDF cannot build all of these, if there is an opportunity to work with a support market actor to improve one of them, it could have a moderate impact.

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### Labour export would be an interesting cross-cutting market.

Labour export is critical to several of the Pacific countries that MDF works in. It would be possible to imagine MDF investing in labour export markets in its Pacific countries. Increasing the supply of high-quality labour will create more opportunities. MDF has good connections with businesses in each country. If it can work with its partners and their suppliers, to supply a good source of labour to the various agricultural schemes this could have a significant impact for its target group.

# Key Statistics



Timor-Leste has a high proportion of internal migrants, 17.7 per cent of the population left their homes to settle in another district, with Dili experiencing highest net in-migration



Between 2004 and 2010 the urban population increased by 4.2 per cent, double the overall country population growth rate

As of 2015, 38 per cent of urban dwellers had migrated from other areas

Timor-Leste's economy grew **6.5%** per year between 2007 to 2016

Poverty rates reduced from **50.4%** to **41.8%** between 2007 and 2014, accompanied by a **12%** increase in consumption

Increase in government spending contributed to an **increase in GDP** and **reduction in poverty**.

Between 2004 and 2015 **two-thirds of non-agricultural jobs created** were in the public sector



## Construction sector

- Construction is **the largest single source** of employment and business registration
- Demand is driven by** government-funded infrastructure investment
- Construction growth is at risk from **declining oil revenues** and **political instability**



## Other service sectors

- Retail and wholesale trade** is the second-biggest provider of employment accounting for **29%** of all employment and **36%** of Dili-based enterprises
- Accommodation and food services** are the next biggest sector, with **9%** of all employment
- Demand is driven by** government procurement, investment in megaprojects and growing middle class



## Manufacturing sector

- Manufacturing contributes to less than **1%** of the GDP
- Manufacturing accounts for **4-6%** of employment
- Low investment in manufacturing** due to the competitiveness of imported products and small size of the population



## Labour export

- In 2017 over **USD40 million** was remitted from Timorese living and working overseas, supporting one in five households in Timor-Leste
- Most remittances are sent by** Timorese living in Europe, principally in the UK



## Chapter 2

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# Introduction



# Introduction



This study examines urban poverty in Timor-Leste. This introductory chapter summarises the purpose of the study, describes the methodology and outlines limitations. Chapter 3 provides the context to the study, based on background reading and discussions with the MDF team. It characterises Timor-Leste as an 'infant economy', with economic growth driven by oil and public sector investment. Chapter 4 provides information on the sectors we reviewed in this analysis; construction, services, manufacturing, and labour export. Chapter 5 turns to an urban poverty assessment, based on qualitative interviews with households living in urban Dili. It seeks to understand poverty from their perspective, examine the economic opportunities available, and find ways in which households can increase their income and wealth. Chapter 6 concludes by drawing together the business and household interviews to answer the research questions.

## 2.1 Purpose of study

The overall aim of this study is to improve MDF's understanding of poverty in urban areas of Timor-Leste. There are two key research questions and ten sub-questions, listed below:

### Key question one:

#### **What opportunities exist for pro-poor business growth in urban areas of Timor-Leste?**

- What urban industries experience high demand, private sector interest and investment, and potential for pro-poor impact?
- What is the growth potential of these industries and companies, and their ability to absorb more labour?
- What constraints do these industries and companies face?

### Key question two:

#### **What are the characteristics of urban poverty in Timor-Leste?**

- What is an appropriate poverty line for urban dwellers?
- What makes (and keeps) people who fall under the line poor?

- What economic activity do they engage in?
- What do they perceive as the advantages and disadvantages of these activities?
- What are their motivations and aspirations for the future?
- What is the role of migration and remittances in their economic situation, either as senders or receivers?
- What pathways out of poverty do they envision? What are the barriers?

We focused this study on Dili, which allowed us to go into depth in a single location. Dili is an appropriate focus because it is the biggest urban centre in Timor-Leste, with a population almost ten times that of the nearest rival. Dili also receives high numbers of migrants from rural areas and other towns. Consequently, the findings presented below may not be applicable to other urban centres.

Throughout this study, we excluded businesses working in the agribusiness or tourism sector. These are important potential growth sectors with linkages to urban environments, but MDF already has a portfolio in both. The aim of the study was to find new opportunities.

## 2.2 Methodology

This study utilised four main methods, described below.

### 2.2.1 Secondary literature review

The literature review covered documents shared by the MDF team, supplementary references, and additional searches on Google Scholar. We also obtained data-sets from the Timor-Leste Business Registration Authority, TradeInvest Timor-Leste, TradeMap, and the Instituto de Apoio ao Desenvolvimento Empresarial (IADE). These datasets were analysed and included in this report where relevant.

### 2.2.2 Key informant interviews

We spoke with four key informants. Three represented Timor-Leste government departments or business associations, and one was an independent academic. The MDF team were an additional important source of information on the business landscape in Dili.

### 2.2.3 Interviews with urban businesses

Qualitative interviews with businesses working in Dili were conducted by the lead researcher alongside the MDF team. Interviews were mostly conducted in Tetum, and translated during the interviews by the MDF Q&I Officer. Businesses were selected in the manufacturing, construction, or service sectors, based in Dili. We selected businesses that were not covered by the existing MDF portfolio of agribusiness and tourism. Larger and more formal businesses were favoured, since they were considered to have more growth potential.

The sample was purposive, relying on the knowledge of the MDF team in order to select businesses which would give us an insight into the sectors. We tried selecting randomly from the database of businesses held by the Business Registration Authority, but found that the listed phone numbers were seldom correct.

In total, we spoke to 12 businesses. As Table 1 shows, we spoke to an equal number of manufacturing and service businesses, and a small number of construction companies. All were formally registered except for one construction company. One manufacturing company was not interviewed directly as they are an existing MDF grantee, and MDF had enough information to complete the interview questions. Since we collected sensitive

information from each company, we have provided it here only in anonymised form. To protect the identities of the respondents, no list of interviewees is included.

**Table 1:** Businesses Interviewed

Sector	No. respondents
Construction	2
Manufacturing	5
Services	5
Grand Total	12

### 2.2.4 Household interviews

The primary method for investigating the characteristics of urban poverty was in-depth qualitative interviews with households living in Dili. These were conducted by four members of the MDF team, who received training on the questionnaire and purpose of the study. The lead researcher joined five of the interviews, working with a translator. Interviews were translated and written up by the MDF team, and provided to the lead researcher for analysis.

In total, 38 people were interviewed from four areas in Dili; Tasitolu, Beto, Bedois, and Mota Maloa. The areas were chosen because they were places where recent migrants to Dili lived, and each area typically hosted people originating from a different region in Timor-Leste. Within each area, the research team first spoke to the local chief, in order to gain agreement to conduct the study. The chief introduced us to households with people living in poverty, including a mixture of male and female respondents. We also picked houses at random for interviews during our visits to each area. Consent was asked before each interview was begun. All data has been anonymised below.

During the analysis, the textual data was examined to draw out relevant themes. Quotes in the below text are taken directly from the notes taken by the interviewers, with the English corrected where necessary. The analysis draws on both qualitative and quantitative data.

## 2.3 Limitations

There are three important limitations.



### **Firstly, we spoke with a relatively small number of businesses.**

The sample had an aspect of convenience sampling, relying heavily on the contacts and knowledge of the MDF team. This was necessary as there is no effective database of businesses in Timor-Leste. Answers from different respondents were often similar, suggesting that we did reach saturation point in our interviews.

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### **Secondly, the quality of the secondary data was often low.**

For example, the Business Registration Database only includes business registration, not whether the business started or has continued operation. Similarly, the TradeInvest database includes data on planned investments, but does not show whether these investments materialised. We provide appropriate caveats when using the data below.

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### **Thirdly, the qualitative information from households was not particularly deep.**

Interviews were relatively short (typically around 45 minutes), and there was not the time to gain the trust of the respondent in a way that might have enabled deeper answers. Moreover, notes were taken on the spot by the enumerators, rather than recording and transcribing answers. Despite this, the expertise and understanding of the enumerators enabled them to gather valuable insights into urban poverty.

Chapter 3

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# Context



# Context

## 3.1 Timor-Leste is an 'infant economy'

Timor-Leste can be characterised as an 'infant economy'. This means that it is in "the early stages of transformation from a traditional, subsistence economy into a modern economy" (Inder & Cornwell, 2016). There are few economic sectors operating at scale and capable of competing internationally. New businesses face numerous challenges, and market development needs to address multiple constraints at scale in order to support a viable private sector (Miehlbradt, Warner, & Kelly, 2018).

It is outside the scope of this report to discuss all the challenges faced by the Timor-Leste economy. Many are familiar to other developing countries, although exacerbated by Timor-Leste's small size and recent history of conflict. These include inadequate infrastructure, limited human resources, low access to finance for businesses, and ineffective government bureaucracy. Some additional specific challenges that are relevant to this report are:



**Land rights.** Occupations by the Portuguese and Indonesians, alongside traditional land rights, have left a set of competing claims on land. This makes it difficult for investors and private companies to secure land rights. A new land law approved in 2017 may improve this situation, though it is not yet fully implemented.



**Unstable politics.** In 2017, elections produced no clear victor, and no party was able to form a coalition (Courvisanos, 2018). Consequently, no budget was approved; government expenditure fell by 27 per cent in 2017, and remains significantly constrained in 2018 (Timor Leste Economic Report, 2018). Following a second election in May 2018, three parties have formed a coalition, enabling them to pass a budget and start making ministerial appointments. The situation, consequently, is likely to improve; though instability remains a significant economic risk.



**Uncompetitive minimum wage.** At USD1,495 a year<sup>1</sup>, minimum wage is 65 per cent of GDP, the 23<sup>rd</sup> highest in the world. The minimum is higher than regional competitors such as Indonesia (with a minimum wage of USD110 per month in Yogyakarta province), Bangladesh (USD17.85 per month, or USD95 per month in the garments sector) and Myanmar (USD70 per month).<sup>2</sup> While the high minimum wage provides protection and additional income for low-income households (see chapter 5), it also reduces the competitiveness of Timor-Leste exports, and likely reduces formal employment.

## 3.2 Economic growth is driven by oil and public sector investment

The Timor-Leste economy grew at a robust 6.5 per cent per year between 2007 to 2016 (World Bank, 2018). This growth was complemented by an increase in income and reduction in poverty. Poverty rates reduced from 50.4 per cent to 41.8 per cent between 2007 and 2014, accompanied by a 12 per cent increase in consumption (World Bank, 2014). While impressive, this also illustrates the challenges that Timor-Leste faces; growth is taking place from an extremely low base, and a large proportion of the population remains in poverty.

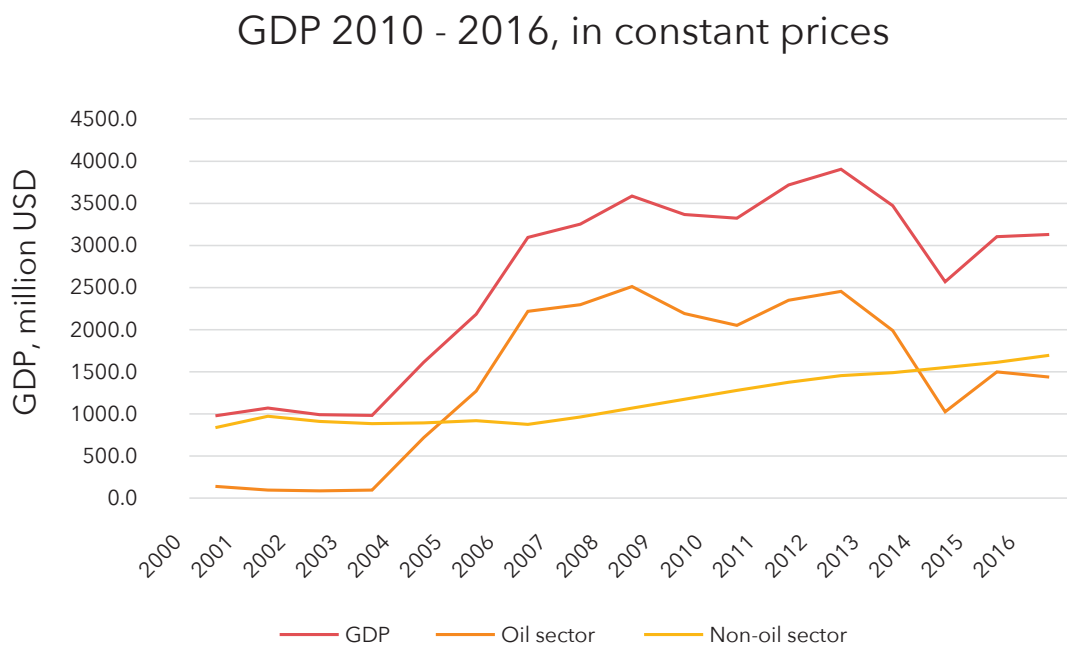
Economic growth has been driven by oil revenues and public sector investment. Timor-Leste has modest

reserves of oil by international standards (Cruz Cardoso, 2019), but they have been transformative for the Timor-Leste economy, due to high oil prices during the period of peak production, a small population relative to oil reserves, and good management. The Joint Petroleum Development Area (JPDA) in the Timor-Leste Sea contributed an average of 80 per cent of total gross domestic product (GDP) over 2006-2012, and paid for around 90 per cent of the Timor-Leste government budget (Cruz Cardoso, 2019). The importance of the oil sector to Timor-Leste's economy is demonstrated in Figure 1 below.

<sup>1</sup> The official minimum wage is USD115 per month, but it must be paid for 13 months each year.

<sup>2</sup> See detailed information on Wikipedia: [https://en.wikipedia.org/wiki/List\\_of\\_minimum\\_wages\\_by\\_country](https://en.wikipedia.org/wiki/List_of_minimum_wages_by_country) and <https://wageindicator.org/salary/minimum-wage>

Figure 1: GDP 2010 - 2016. Source: National Accounts, available on www.statistics.gov.tl

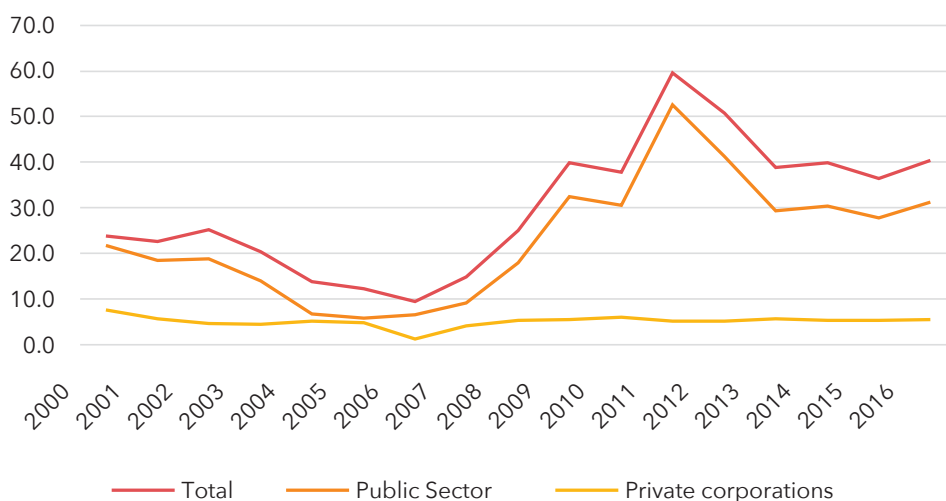


Government oil revenues are invested in a Petroleum Fund, which totalled USD16.8 billion in 2017 (Timor Leste Economic Report, 2018). While Timor-Leste law requires the Petroleum Fund to be a perpetual fund, with spending capped to ensure that the capital is not drawn down, in practice the government has been increasing spending beyond this threshold, especially on infrastructure

projects and cash transfers. This has contributed to an increase in GDP and reduction in poverty. Two-thirds of non-agricultural jobs created between 2004 and 2015 were in the public sector (World Bank, 2018). Figure 2 illustrates the importance of public-sector investment in the Timor-Leste economy.

Figure 2: Investment as percentage of GDP. Source: National Accounts

### Investment as percentage of non-oil GDP

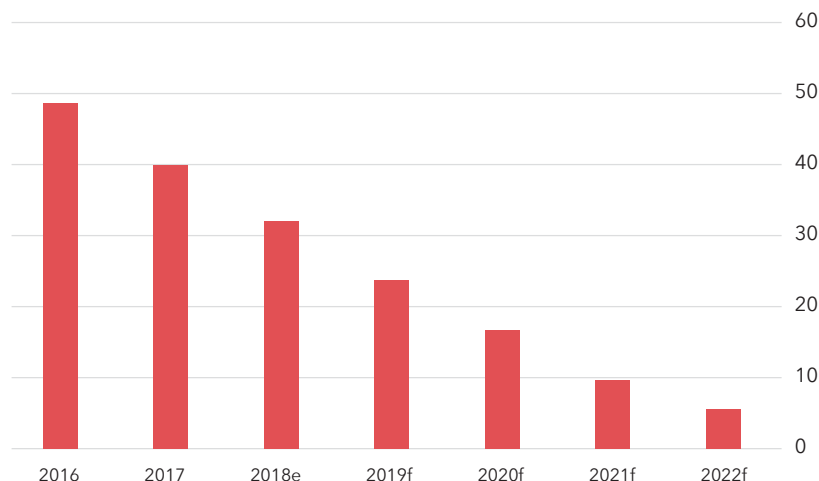


The good times may not last. Revenue from the JPDA has peaked and is likely to end by 2021. New fields are under development but unlikely to sustain the current level of revenue (Evans, 2018). The Timor-Leste government currently plans to process the natural gas

at a new terminal in Timor-Leste itself – but this poses political and technical risks, and many outside observers believe it is not financially viable (Fitch Solutions, 2019). Latest projections for oil production are shown in Figure 3 below.

Figure 3: Source: Fitch Solutions, 2019

### Timor-Leste - crude and other liquids production ('000b/d)



e/f = Fitch Solutions estimate/forecast. Source: EIA, ANP, Fitch Solutions

Timor-Leste has a high proportion of internal migrants, with 17.7 per cent of the population having left their homes to settle in another district. Dili is the only district experiencing net in-migration, suggesting that many people are moving to urban centres. (UNESCO, UNDP, IOM, & UN-Habitat, 2016). Between 2004 and 2010 the urban population increased by 4.2 per cent, double the overall country population growth rate. By 2015, 38 per cent of urban dwellers had migrated from other areas, as opposed to 10 per cent of rural dwellers (NSD & NFPA, 2010). Timor-Leste needs to create jobs

to accommodate the new urban migrants, who can no longer rely on agricultural income. Overall, 9,000 people join the labour market every year (World Bank, 2018).

The above discussion demonstrates that Timor-Leste needs to diversify away from oil towards productive private sectors. This is easier said than done. “Analysis ... of countries where oil contributes significantly to per capita income shows that economic diversification has been slow and, in some cases, there has been none.” (Cruz Cardoso, 2019)

### 3.3 Implications for this study

The above discussion frames a significant challenge for this study. The overall motivation was to help MDF understand how Timor-Leste could diversify away from oil, and how jobs could be created for migrants to urban areas. These are pressing questions. The literature and MDF’s research, however, suggest that there are no easy answers. The two areas with the biggest potential growth are agribusiness and tourism. However, these sectors were both excluded from this study as MDF is already working in them.

We have taken two approaches in this study. Firstly, we have tried to find opportunities as widely as possible.

We spoke to a broad cross-section of businesses, asking open questions about opportunities and challenges. This was complemented by a literature review and interview with other relevant experts. The aim is not to develop a comprehensive set of challenges or solutions – but to highlight areas where MDF might find traction.

We complemented this with in-depth interviews with people living in poverty in urban areas. The aim was to understand urban poverty from their perspective, and to get a better understanding of what it is like to live in Dili. This was expected to introduce a new perspective and fresh ideas into the debate.



## Sectoral findings



# Sectoral findings



This chapter summarises findings from our discussions with businesses and key informants in Dili. It is not a comprehensive analysis of each sector, but aims to highlight key findings.

## 4.1 Construction and service sectors

### 4.1.1 Construction

Construction is booming in Timor-Leste. While affected by the recent slowdown in government procurement, the Business Activity Survey, Enterprise and Skills survey, and Business Registration database all show that construction is the largest single source of employment and business registration, with around 30 per cent of employment and business registered (SEPFOPe, 2016; Ximenes et al, 2016; Business Registration Database). SEPFOPe (2016) shows that construction companies make up a large proportion of urban tax-paying enterprises, with 909 enterprises comprising 24 per cent of the Dili-based sample.

Demand is driven by government-funded infrastructure investment. Now that a government has been formed, our respondents expected construction to increase. Ongoing megaprojects – such as the Tibar Port – will drive growth and job-creation. SEPFOPe (2016) shows that construction companies are moderately optimistic about hiring, with 13 per cent of construction enterprises expecting to hire more staff (as of November 2016) and 4 per cent expecting to reduce the number of staff.

Construction growth is at risk from declining oil revenues and political instability. As existing sources of oil run dry, there is likely to be a slowing of government-funded infrastructure projects. (Curtain & Wilson, Timor-Leste Workforce Development Strategic Review, 2018). Moreover, growth is at particular risk from political instability. We spoke to a formal construction company that had reduced their mining staff from 73 people to 22 in 2018, and laid off construction staff. The respondent reported that, in some cases, the government had not paid for work that had already been undertaken. Turmoil in government has hindered decision-making. One respondent awaiting a large construction project told us that “government decision on land clearance and environmental and mining licenses is still pending”.

Local procurement in construction could bring more jobs to Timor-Leste. Construction firms in our sample worked as sub-contractors to larger Chinese firms. One firm told us that “If you are Timorese, you ask less money than the Chinese companies – so people ask for your service.” Any opportunities to manufacture inputs locally would be welcomed. The most obvious is cement and clinker, which accounted for USD24.7 million of imports in 2017. A large foreign direct investment, TL Cement, is planned to manufacture cement in Baucau, for the local and export market.

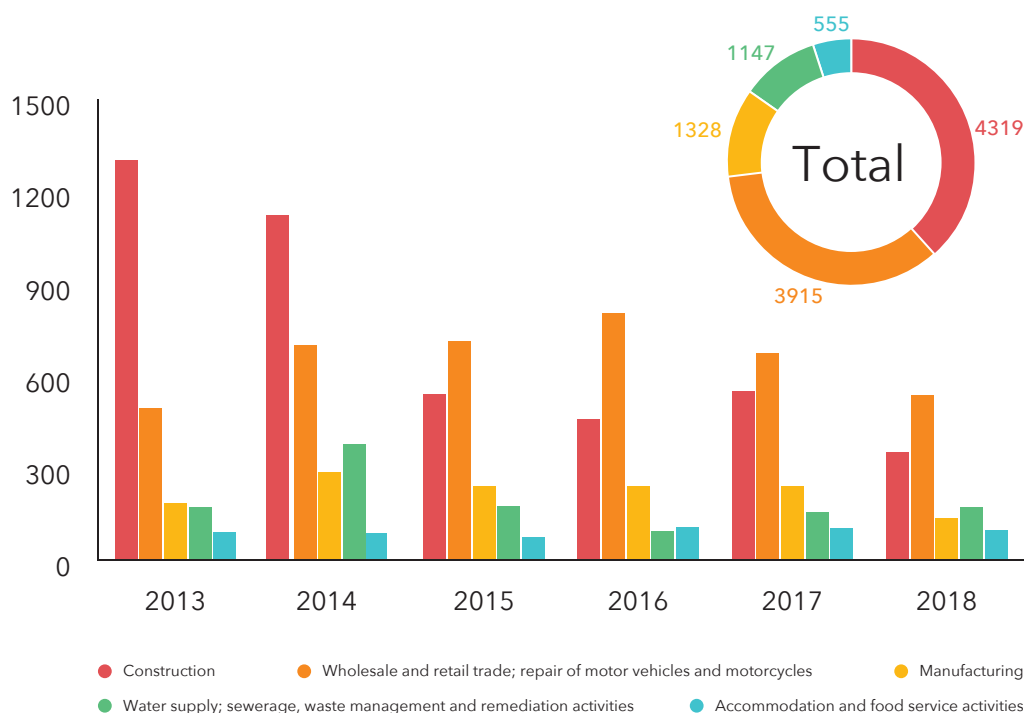
Building the capacity of suppliers to cater to the construction needs of mega-projects would also help keep money in Timor-Leste, and benefit the local economy. The informal construction company felt that they could expand if they get more money, as, in order to bid for government contracts, the “government requires you to have capital.” Larger companies had access to bank loans, but still struggled with high interest rates.

The above discussion demonstrates that construction is experiencing high growth rates, and respondents were optimistic about the opportunity to create new employment. In the medium term, there are significant risks around government spending and stability. Supporting local procurement and capacity could help maximise job-creation while opportunities are available.

### 4.1.2 Other service sectors

Despite the recent economic contraction, there has been long-term growth in service sectors. The business registration database shows this clearly, as three out of the five most common type of business registered were service companies. Construction and wholesale trade together comprised almost 64 per cent of all businesses registered.

**Table 2:** Business registration per year, per sector



The domination of service sectors is confirmed by the Business Activity Survey (2016) and the Enterprise and Skills Survey (2016). Retail and wholesale trade is the second biggest provider of employment listed in the Business Activity Survey, accounting for 29 per cent of all employment. Accommodation and food services is the next biggest sector (excluding 'other'), with 9 per cent of all employment. The Enterprise and Skills survey also found retail and wholesale trade to be the largest sector, with 36 per cent of Dili-based enterprises and 22 per cent of employment. Other administrative service sectors, while comprising fewer businesses (6 per cent of the total), employed more people, with 25 per cent of total employment.

The largest employers in our sample provided services to other businesses. One employment agency had 500 staff on their books, working at a variety of clients. A cleaning agency employed 281, reduced from 500 due to government cuts. A security company employed over a thousand people. The high employment in these areas is explained by the fact that these agencies did not directly create jobs; they matched employees to jobs created by other companies. Other companies created tens or hundreds of jobs. The largest was a conglomerate with 386 employees across retail, mining, and construction operations. No other companies we interviewed employed more than fifty staff. Given the paucity of active companies in Timor-Leste, this reinforces the challenges in creating the 9,000 jobs that are needed annually.

Demand is driven by several factors:



**Government procurement.** For example, we interviewed a cleaning company that sells mostly to the government. They told us that "the market

is dominated by the state. This is common sense - the country economy is dominated by the government". Although they have two private clients, they find that the government is a better client as it guarantees financial flows.



**Investment in megaprojects.** Timor-Leste is investing USD490 million in a new port in Tibar (GCR, 2017). One job-matching firm in our sample had just received a request for 500 employees to work in the port, from administration staff, to truck drivers, to engineers. Respondents shared a view that this government investment in infrastructure would intensify in subsequent years. "All work is starting because this is a new country".



**Growing urban middle class.** For example, the owner of a supermarket started off in the grocery business. However, he recently expanded to retail, as "groceries have lots of competition". He saw a growth opportunity in "modern supermarkets. Most supermarkets aren't too innovative". His supermarket has a parking area, clean and tidy appearance, and good service. This required USD400,000 of investment, from himself, his partner, and a bank loan. Revenue grew 25 per cent in 2018, suggesting a strong market.

The minimum wage in Timor-Leste sets a floor on the wages that can be paid in the formal sector. All respondents in the service sectors paid the minimum wage, suggesting that they would pay less if legally permitted. All businesses faced challenges of finding staff with sufficient soft skills. One retail centre was typical, saying that they didn't want "specific skills, just understanding and committing to what they are doing". This was a potential risk to the future operation of the business; the owner wanted to return to his home country, but was unable to find a suitable manager in Timor-Leste. Other employers of low-skill labour had similar experiences. For example, a cleaning service found that it was easy to find cleaners - but harder to

retain them, as they often left during the middle of the job. Most of their workforce was illiterate; "We only want experience, not qualifications, and a hard work ethic". A security company prioritised honesty and attitude over formal qualifications or skills.

Respondents were optimistic regarding future growth and demand. Supporting service businesses, however, offers limited opportunities for impact at scale. Even a large supermarket or restaurant employs tens, rather than hundreds, of staff. Large business-support organisations that employ hundreds of people - such as security or cleaning businesses - are not job-creators, but simply provide a service to other businesses.

## 4.2 Manufacturing

Timor-Leste probably has the lowest share of manufacturing in GDP in the world, at less than 1 per cent. (Timor Leste Economic Report, 2018). Manufacturing accounts for between 4 per cent and 6 per cent of employment (SEPFOP, 2016; General Directorate of Statistics, 2016). Curtain and Wilson (2018) noted bluntly that "there are few opportunities in Timor-Leste to diversify the currently oil-based economy." This reality has informed MDF's strategies. While Greenfield Manufacturing is a sector of interest, partnerships are opportunity driven rather than strategic "due to the nascent nature of most non-agriculture industries in Timor-Leste as well as the dynamic and emergent environment that they occupy." (MDF, 2015)

### 4.2.1 Import Substitution

Timor-Leste is heavily dependent on imports, which suggests opportunities for import substitution. Although import dependency has reduced in recent years, as the economy grew and the government procured more services locally, it remains high (World Bank, 2018). Table 3 below shows the most common imports in 2013 and 2017, excluding primary commodities and agribusiness. Note that this shows broad categories rather than detailed products.<sup>3</sup>

**Table 3:** Imports in 2013 and 2017

Category	Value in 2013 (000 USD)	Value in 2017 (000 USD)	Change
Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	61,475	70,344	14%
Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	38,085	42,148	11%
Beverages, spirits and vinegar	22,053	34,935	58%
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	42,379	31,487	-26%
Salt; sulphur; earths and stone; plastering materials, lime and cement	17,529	25,110	43%
Articles of iron or steel	20,546	13,382	-35%
Other made-up textile articles; sets; worn clothing and worn textile articles; rags	32,610	11,912	-63%
Iron and steel	6,012	11,634	94%

<sup>3</sup> To be precise, this shows products at the HS code second level. Data was only available for these two years.

Category	Value in 2013 (000 USD)	Value in 2017 (000 USD)	Change
Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; ...	8,238	7,303	- 11%
Rubber and articles thereof	7,060	7,271	3%

Several manufacturing companies in our sample produced goods for the local market. For example, a manufacturer of a popular beverage competes primarily against Indonesian imports. They have slowly built a market, expanding from 27 employees in 2013 to 32 today. A new plant, built with \$2.8 million of investment, will double their monthly production, require an additional 60-70 staff, and is expected to open in 2019. The business currently estimates that they meet 2-4 per cent of market demand, and want to capture 15-18 per cent.

Other companies who were replacing exports with locally manufactured products included a manufacturer of plastic water tanks. The owner employed three people. His main competition was imports from Indonesia and China, which were available at a lower cost than could be matched locally. He felt that he offered an improved quality product, including an eight-year warranty. An MDF-supported company had also started salt production, displacing Indonesian salt.

The above companies succeeded by:

- Selecting products with current high import volumes and logistics costs. Salt and beverages are both common commodities with high import volumes. As bulky, relatively low-cost commodities, logistics comprises a high proportion of their total cost. This provides an opportunity for companies in Timor-Leste to compete.
- Committed, long-term investors. It was not easy for the above companies to become profitable. The manager of one felt that Indonesian firms were deliberately undercutting him, selling at a loss to drive him out of the market. A local competitor had closed under pressures from imports, although had recently re-opened with a new investor. Our respondent survived because his plant was cross-subsidised by different, more profitable aspects of the company. Respondents appeared committed to the idea of local manufacture. One respondent said, "We intend to produce beverages so our country is less dependent on imports."

Opportunities are limited, given competitiveness of imports and the small market in Timor-Leste. It is unrealistic to expect Timor-Leste to start manufacturing its own vehicles, electrical machinery, and nuclear reactors.

What other products might be of interest? A scan of the detailed import list suggests the following:



**Beverages.** Timor-Leste imported around USD16.8 million of water-based products in 2017, including both mineral and aerated, with additional sugar and without. A natural extension for manufacturing firms would be to produce beverages locally, perhaps by importing concentrate and bottling the final product in-country. The latter is labour-intensive.



**Simple garments.** Timor-Leste imported USD10.3 million of worn clothing, including blankets, linen, etc. Local manufacturing is unlikely to compete with second-hand or higher value clothing. It might, however, replace lower-quality produce such as blankets or rugs. Moreover, there is an opportunity to manufacture uniforms, which are tailored to local demand and cannot be imported in bulk. This has been the business model of one MDF partner, Mahanaim. The government is considering restricting the import of second-hand clothing on environmental grounds, which could create further opportunities.



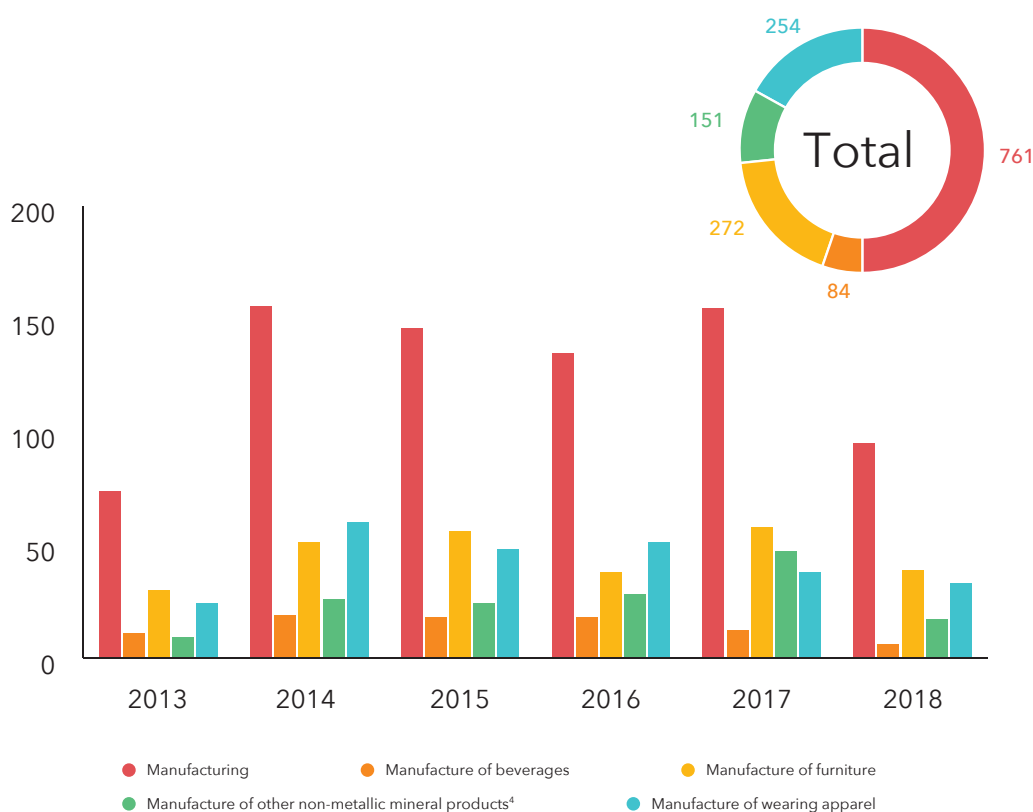
**Furniture.** Timor-Leste imported USD3.2 million of furniture in 2017. Local manufacture is unlikely to compete at the high end of the market, but again there is potential for lower-end manufacture.



**Cleaning products.** Imported soap accounted for USD2.9 million of imports, other washing products USD1.9 million, and shampoo USD1.6 million of imports. If a company is able to serve local tastes, this presents an additional opportunity. Another MDF partner, ACELDA, is planning on entering the soap market.

The business registration data in Table 4 suggests that there is some private sector interest in servicing these needs.

**Table 4:** Business registration in selected manufacturing sectors, by year



Several respondents felt that there was a need for promotional campaigns to boost local products domestically. Local consumers are familiar with imported products, and trust them. “It’s hard to convince people to change their mind,” we were told by one business. The businesses engaged in import substitution were actively trying to influence this mindset through marketing and campaigns. For example, one business felt that “local production guarantees quality!” Consequently, respondents felt that there was a need for a ‘Made in Timor’ brand which could be used to sell their products.

Businesses we spoke with considered human resources an important constraint, and invested in training. Manufacturing businesses typically needed specific skills which weren’t available in Timor-Leste. For example, one manufacturing firm with an expatriate owner told us that

“I taught the (current) manager, now he is teaching the staff.” Another was hiring four international staff for their new production line, with the intention that they transfer skills to local staff. Smaller companies were particularly affected by access to finance. A small manufacturing firm, for example, felt that the “main constraint to expansion is funds”. They were unable to find the investment for recycling equipment from a bank, and so were considering working with an NGO instead.

At the moment, about 5 per cent of enterprises and employment is in the manufacturing sector (SEPFOP, 2016). As the above shows, there is theoretical potential for this to increase and for more labour to be absorbed. Manufacturing enterprises face multiple constraints, however, and growth is uncertain.

### 4.3 Foreign Direct Investment (FDI)

The TradeInvest database shows a total of USD1.4 billion of committed investment since 2006, with 61 per cent from the accommodation and construction sectors. This represents a promise from investors, not money spent in

the country. As can be seen from Table 5, the main focus of FDI is construction and service sectors, with a limited manufacturing base.

<sup>4</sup> This is primarily cement, ceramic, and other construction inputs, and so relevant for the construction section above.

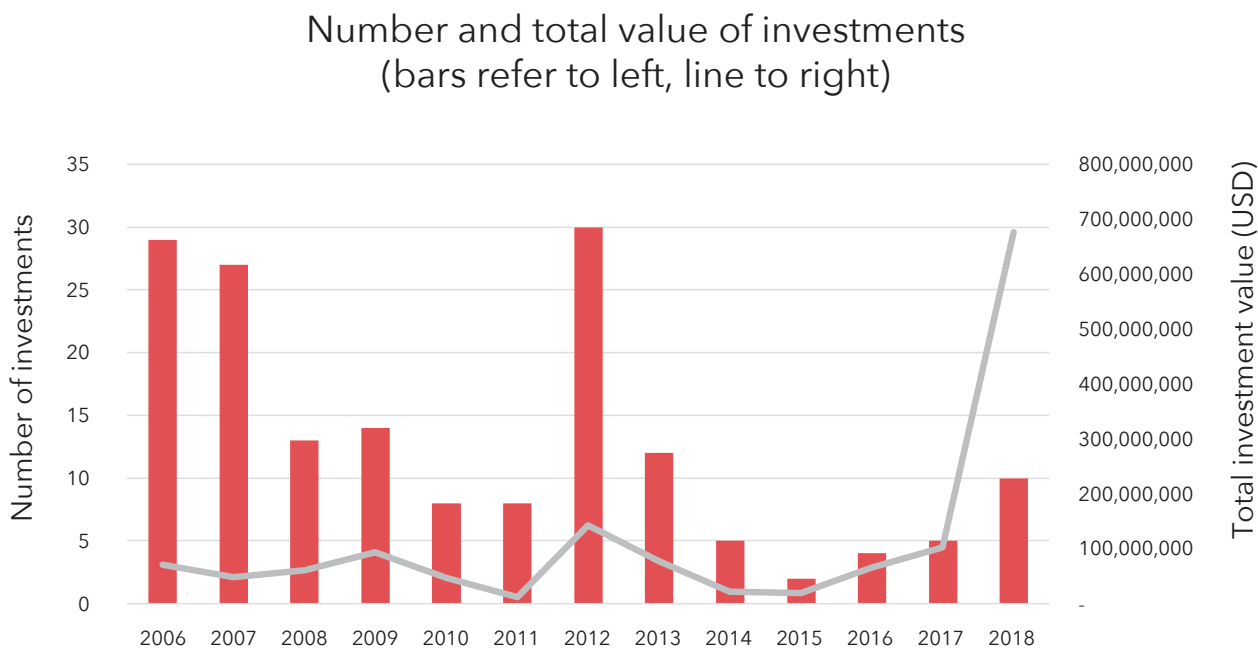
**Table 5:** Foreign Direct Investment in Timor-Leste, 2016 - 2018

Row Labels	Number of investments	Average Investment (USD)	Total investments (USD)
Accommodation and food service activities	39	10,741,883	418,933,428
Administrative and support service activities	3	353,333	1,060,000
Arts, entertainment and recreation	1	24,000,000	24,000,000
Construction	33	13,859,616	457,367,312
Education	2	28,000,000	56,000,000
Financial and insurance activities	6	4,847,619	29,085,711
Human health and social work activities	4	23,591,690	94,366,759
Information and communication	5	7,699,960	38,499,800
Manufacturing	22	5,074,270	111,633,946
Mining and quarrying	1	9,000,000	9,000,000
Professional, scientific and technical activities	1	230,000	230,000
Public administration and defence; compulsory social security	2	276,199	552,398
Real estate activities	6	4,904,333	29,426,000
Transportation and storage	11	1,731,282	19,044,101
Water supply; sewerage, waste management and remediation activities	3	240,363	721,089
Wholesale and retail trade; repair of motor vehicles and motorcycles	24	3,049,930	73,198,317
Agriculture, forestry and fishing	7	10,771,786	75,402,500
<b>Grand Total</b>	<b>170</b>	<b>8,461,890</b>	<b>1,438,521,361</b>

Figure 5 shows the number and total of investments per year in Timor-Leste. It shows a large increase in value in 2018, driven by the planned Pelican Paradise Holdings investments; almost USD700 million of investment in

construction, accommodation, and associated services. The number of planned investments, by contrast, appears to be reducing since 2006.

**Figure 5:** Number and total value of investments. The red bar chart shows the number of investments, and the grey line shows the total value.



We spoke to several foreign investors in manufacturing during our field work. One major business is investing USD400 million to build a mine and associated cement plant, for export to Australia as well as local sales. They have completed feasibility studies and are waiting for government approval to begin construction, which will take three years. The process began in 2012, so this is a good example of a committed investor with the patience to see the process through. We also spoke with another who was enthusiastic about potential large investments in infrastructure and industrial parks. Details were vague, though they mentioned that LEDs and garments might be of interest. Large-scale investment like this has the potential to transform industry in Timor-Leste, but are likely to remain isolated cases.

A government informant cautioned us that existing investments have not always lived up to their promises. For example, one investor recently built a large manufacturing plant, committing to employ 1,000 people. But only 200 jobs have been created. Other investors are discussion with the Timor-Leste government but without any outcome; “Some companies are all talk, no action!”

Timor-Leste is not commonly known as an investment destination. We were told by one investor that “nobody knows about Timor-Leste, but there are many opportunities”. Anecdotally, we heard of one potential investor who thought that Timor-Leste was in Africa. Given the relative obscurity of Timor-Leste, and the challenges of the investment climate, a good investment

facilitation function is essential. One opportunity is to use existing large investment projects as cornerstones of an investment strategy. One such investor told us that “we are the first mega manufacturing project in Timor-Leste, so can help to introduce other investors”.

#### 4.3.1 Manufactured exports

Other opportunities for growth in exports outside the agribusiness and tourism sectors are limited. One potential avenue is ‘niche markets’ (World Bank, 2018). This covers a range of products which fulfil a specialist demand, enabling high margins to be charged on relatively simple products. These often have a high quality or a cultural/brand value. Examples are Fijian water and Samoan-branded Body Shop products, Bali handicraft, and Himalayan salt. This sector could grow fast and absorb a significant amount of labour, if a suitable product could be found.

One other potential export market is online outsourcing services, the contracting of workers to perform tasks via internet-based platforms. The market size was estimated to be USD4.8 billion in 2016, at least USD0.4 billion of which was low-complexity ‘microwork’ (Keuk et al, 2015). We learned of a company that was interested in using labour from Timor-Leste to do basic data processing, training artificial intelligence systems. The company conducted a test in Timor-Leste (using a local job matching firm) but the trainees were not able to meet the quality standards required by the company.



**Table 6:** Framework for assessing countries competitiveness for outsourcing services. Source: Keuk et al, 2015.

Category	Factor
Talent availability and quality	Worksize and demographics
	Skills & expertise
Cost	Labour rate
	Connectivity cost
Infrastructure	Devices (i.e. computer)
	Connectivity
	Power
	Payment platforms
Enabling Environment	Business environment
	Government support
	ICT service culture & maturity

Online outsourcing services would enable Timor-Leste workers to tap into a global market, gain income and gain skills. The potential for growth, however, is questionable. The World Bank provided a framework for assessing country readiness for online outsourcing services. With a small, unskilled workforce, limited connectivity, and a

lack of English language skills, Timor-Leste does not do well against these criteria (see Table 6). If an interested investor could be found, and enough support offered for employees, this might be a good opportunity nonetheless.

#### 4.4 Recycling

Three companies expressed an interest in investing in recycling. The planned investments varied significantly. An SME was considering purchasing a “plastic densifier” that could crush plastic to form bricks. This would require around USD25,000 of investment, and the bricks could be used for construction or roads. We were told that “Cambodia has started making plastic houses” using a similar technology. (See <http://conceptosplasticos.com/> for more details).

A larger company interviewed was interested in collaborating with the Asian Development Bank and a waste management company to collect plastic rubbish. Two other investors from India are apparently interested, and in the process of acquiring investment licences. Another large business is looking for USD1.5 million

in loans, and doing a market study to understand the potential return on investment.

As the above suggests, these ventures are in initial stages. All were looking for investment or loans, and studying the viability of the business model. Several respondents were interested in working with NGOs, either to provide finance or to develop networks of suppliers. Motivations were social as well as commercial. For example, one company told us that “Once we start, people will value plastic bottles”. Another “would like to be part of solution in rubbish”. As well as reducing plastic waste, they expected to provide income for a network of rubbish collectors within Dili. While a good opportunity, it is likely to remain a niche in terms of job-creation, given the likely size of the recycling market.

## 4.5 Labour export

Timor-Leste's biggest source of foreign exchange - after oil and aid - is the export of labour services. In 2017 over USD40 million was remitted from Timorese living and working overseas, supporting one in five households in Timor-Leste. (SWP). Labour export produces more foreign exchange than agriculture, tourism, or manufacturing.

Most remittances are sent by Timorese living in Europe, principally in the UK. More relevant for MDF are remittances sent from Timorese on short-term placements in Korea, Australia, and New Zealand. The number of people on these programs has been growing in recent years. For example, the Australian Seasonal Worker Programme (SWP) increased the number of jobs taken up by Timorese workers from 12 in 2012 to 781 in 2017. There is the potential to further increase these numbers between 10 and 20 times by 2040 (Curtain & Wilson, 2018). The South Korea Employment Permit System, which offers low-skilled temporary work, has provided jobs for between 100 and 500 Timorese each year to 2017. The new Pacific Labour Scheme provides opportunities for workers in sectors outside agriculture, such as cleaning or hospitality. While it has started at a small scale, Timor-Leste has just been made eligible and there is opportunity for expansion (Howes, 2018)

With reforms, the number of potential migrants - and the benefits arising from these schemes - could rise dramatically. The World Bank estimates that, if reforms

are made by sending and receiving countries, 240,000 more Pacific Islanders could migrate abroad by 2040. The increased number of workers could generate up to USD10 billion of additional income. (The World Bank, 2017)

The value of remittances goes primarily to poor households. A World Bank evaluation found an impressive aggregate development impact for migrants, the community they come from, and the country. In total, this came to AUD5.5 million in income gains for Timor-Leste between 2013 and 2017 (SWP). Similar calculations are not available for the Korea workers program, but likely to also be significant. Since this income is given directly to participating households, it can have a significant pro-poor impact. For those who work on the Seasonal Workers Programme, the natural investment opportunity is in agriculture, where they can use their newly gained knowledge and experience. A follow-up study, however, found a big gap between intentions and reality; only half of those who intended to start a business actually did so. It was more common to use savings on house construction or living expenses. (Wigglesworth & Boavida dos Santos, 2017).

The existing scale and pro-poor impact of remittances, alongside the opportunities for significant growth, mean that this is likely to play an increasingly important part of the livelihoods strategy of the urban poor in Timor-Leste.



# Urban poverty assessment



# Urban poverty assessment

## 5.1 Sample demographics

Our qualitative sample included 38 respondents. 25 (66 per cent) were female, the rest male. Their age ranged between 24 and 60, with an average of 41 years. 29 (76 per cent) of the respondents were married, 5 single, and 4 widowed. The above characteristics are because we typically spoke to the head of the household, at a time when many of the men were out at work. Consequently, we were more likely to speak with the female household head.

On average, the households had 3.4 children. As Table 7 shows, education levels were mixed, with the largest number having attended high school. A high proportion had no education at all, and a high proportion (surprisingly) had attended university.

**Table 7:** Education levels in our sample

Category	Count	Percentage
No school	9	24%
Primary School	7	18%
Senior high school	13	34%
University	8	21%
Unknown	1	3%
Grand Total	38	100%

Our final sample was wealthier and comprised fewer recent migrants than we intended. As the above table shows, several respondents had high levels of education, and several had well-paying jobs with NGOs or government institutions. Five respondents earned more than USD500 a month. While a majority had migrated,

none had moved to Dili in the previous 10 years. In the analysis, we considered excluding the non-poor, but decided that it would provide a richer picture if the sample include the voices of a cross-section of urban dwellers, both poor and non-poor. We disaggregate data by poverty levels below where appropriate.

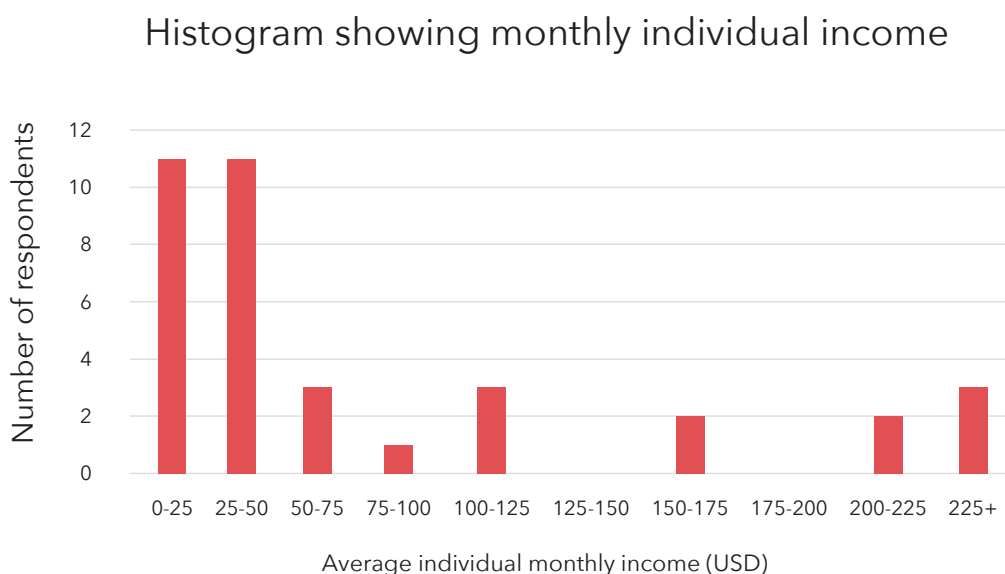
## 5.2 Characterising poverty

We assessed poverty using a tool developed by MDF, which measures income in domains including formal employment, agricultural income, self-employment, etc. We also asked how many household members the income supported, in order to arrive at a figure of income per household. It should be noted that this is a rough estimate; the income assessment was designed for speed rather than rigour.

On average, each household included 6.5 people. This is more than the children and spouse of the respondent, as each household typically also incorporated other family

members. The average income per person was USD78.5, above the poverty line suggested by World Bank (2014) of USD56.16. As the histogram in Figure 6 shows, however, the distribution is skewed. A majority of respondents earned under USD50 per month, but a small number had a much higher income. The highest income in our sample was USD402.50 per month - almost double the next highest. This was due largely to a small household size (with just two members, the second smallest in our sample). If we remove this outlier, the average income per person reduces to USD69.

**Figure 6:** Histogram showing monthly individual income (USD)



Of this sample, 22 (58 per cent) are living in poverty (using the poverty line of USD56.15), and 16 (42 per cent) are not. The average income of the poor in the sample was just USD26, while the average income of those not living in poverty was USD161.

As Table 9 shows, participants owned a reasonable number of assets. Ownership of assets was, of course, higher among the non-poor than the poor. Even among those classified as poor, however, a majority had a television, and almost everyone had a phone.

**Table 8:** Numbers living in poverty

Category	Average monthly income (USD)	Number
Not poor	161	16
Poor	26	22
Grand Total	78	38

**Table 9:** Ownership of assets in sample

Row Labels	Ownership of assets				
	Refrigerator	Phone	Bike	Car	TV
Total	50%	95%	55%	16%	74%
Poor	35%	96%	43%	4%	61%
Not poor	73%	93%	73%	33%	93%

Beyond the quantitative data, we sought to understand the subjective perception of the people living in Timor-Leste on poverty by asking what characterises people living in poverty.

The most common response was to associate poverty with laziness. This answer was given by 17 (45 per cent)

of respondents. This was somewhat surprising, given the limited opportunities in the Timor-Leste economy. Nevertheless, many participants felt strongly that poverty was related to an unwillingness to work. For example, participants described 'poverty' in the following ways:



*Instead of being pro-active, the person just sits and wait for things to happen or change, the person is shy to do things such as carrying vegetables on the shoulder and selling to the communities, the person does not have the creativity to find money making opportunities.*

*The person does not make the effort to search for the opportunity that can change life, the person is dependent on others, the person does not work hard to get what they want, the person is lazy.*

Unsurprisingly, this feeling was concentrated among the non-poor, 11 (73 per cent) of whom mentioned laziness as a reason for poverty. Among the poor, a still-

sizeable 6 (26 per cent) did. Wealthier respondents often contrasted the perceived laziness of the poor with their own diligence. For example:



*Laziness makes them poor. If you are poor, you should have diligence, not laziness. If you are diligent, then you can find a job. But if you sleep and sleep...every morning you should wake up early and get things done! My diligence - I woke up early and sold things in the local market.*

Other respondents recognised external factors which influenced poverty, alongside or instead of individual behaviour. These factors included:



**Educational levels.** For example, one respondent said that “because level of education is too low, it makes it difficult for us to find a job. Currently, many people are graduated from University, so it is easier for them to get a good job than me.”



**Lack of support from external institutions.** For example, one respondent described a poor

person as someone who “does not get support or help from the government, the person does not have opportunity to get loans from any financial institutions to start a business”.



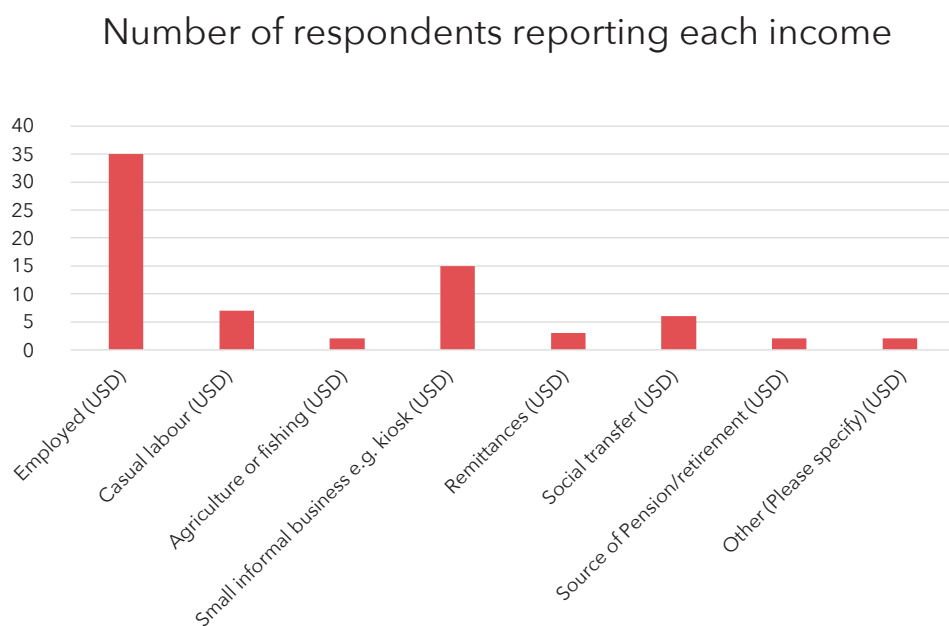
**Cultural obligations.** Respondents in our sample felt pressure to support “cultural obligations”. These include support for marriages, funerals, and for the “Uma Lulik” (sacred traditional house). This was perceived as a factor influencing poverty, because “people spent more money on cultural events instead of saving.”

### 5.3 Economic activities

From the 38 households in our sample, we recorded 72 different sources of income – slightly under two sources of income per household. As Figure 7 shows, the most common was formal employment, accounting for 35 out of the 72 income sources. The second most common was small informal businesses, with 15 responses. We

observed during our interviews that respondents were more likely to name their biggest sources of income, for example ignoring small-scale livestock farming. Consequently, this probably understates the amount of casual work which provided some money to pay for expenses, but no regular income.

**Figure 7:** Number of respondents reporting each income source



As Table 10 shows, agriculture provided the highest average income, with USD288 per month, followed by remittances at USD265. Both are based on just two entries, however, so not robust. The next highest paid category is employment, with an average (mean) of

USD230 per month. The median is USD150, suggesting that the mean is skewed by a number of relatively highly paid people. Small informal businesses and casual labour are somewhat less well remunerated.

**Table 10:** Income from various occupations

	Average monthly income	Minimum monthly income	Maximum monthly income	Median monthly income	Number
Employed	231	5	1,000	150	33
Casual labour	116	15	300	108	6
Agriculture or fishing	288	240	336	288	2
Small informal business e.g. kiosks	218	25	940	163	14
Remittances	265	230	300	265	2
Social transfers	80	5	227	29	6
Source of Pension/ retirement	128	25	230	128	2
Other (Please specify) (USD)	163	25	300	163	2

### 5.3.1 Employment

Our sample included respondents in a range of occupations. A small number worked in relatively highly paid jobs, primarily for the government or NGOs. Others worked in mid-level semi-skilled jobs, such as a mechanic or plumber. The remainder worked in low-skill jobs including retail, cleaning, or security.

It was common for one household member to be in work, supporting the rest of the household. 74 per cent of poor households and 80 per cent of non-poor households had at least one member in formal employment. This provided, on average, 74 per cent of household income. Interestingly, the poor relied more heavily on formal

employment, which made up 81 per cent of their income, as opposed to 63 per cent of the non-poor's income. Given that 33 people were employed, and we recorded 168 members of the households we interviewed, approximately one in five people were in work.

The most common way of finding work, accounting for 19 (61 per cent) of the stories we heard, was through networks of family, friends, or past colleagues. Several respondents took jobs replacing family members who had to resign because of illness or pregnancy. Others learned of vacancies through friends or colleagues. For example, one person who worked in motorbike repair got the job "from a friend because it used my school

background in mechanical engineering". Others applied for open vacancies, or just went directly to the employer and asked for work. For example, one respondent told us how they got their supermarket job by visiting the supermarket and asking if there were any vacancies.

The main reason for seeking work was to get income; few respondents had enough options or knowledge to allow them to choose between job opportunities. Respondents often felt pressure to support family, especially when a spouse was ill, studying or without work. Several respondents also needed to earn money in order to support cultural events<sup>5</sup>:



**Q:** *Why did you choose to do this work?*

**A:** *Because it's necessary - in the household there is a very big demand for culture. When culture demands - you need to pay for culture.*

Consequently, work was valued because of the income it brought in, rather than skills or inherent satisfaction. When asked about disadvantages, participants mentioned that they didn't like heavy work:



*[My son's] work is heavy - loading and unloading. Because he thinks of his family and his mother, he does it!*

Participants also struggled with high workloads and poor working conditions. For example, one person working in retail complained that "When I can't go to work because of sickness, USD5.75 will be deducted daily". Another

respondent noted of his wife that "she has to take late lunch when the restaurant is busy, if she is late then her boss gets angry".

## 5.4 Self-employment

All self-employed people in this sample worked in goods or food retail. For example, one respondent had a kiosk selling vegetables, one sold coconut, another sate skewers, and so on. There was some distinction between larger enterprises working out of concrete kiosks, and street-side sellers. The former could earn 10-20 dollars a day, the latter typically earned between 3 and 5 dollars.

Respondents typically took up self-employment for lack of other options. For example, one respondent told us that "this is the only type of business I can use to generate extra income." Another said that they took it "because there were no other options, this was based on my capacity". As with employment, getting money to pay for family needs and education was a large motivator.

Another respondent said that they "need money for household needs and it is difficult to find another job". Another said:



*There are no other jobs, the rest of my family members are still studying. This work will help to support family needs such as food and other school necessities*

<sup>5</sup> Cultural events were commonly mentioned in our interviews. They include events such as family weddings or funerals, where members are expected to contribute to the event.



A key consideration for self-employed people was the growing level of competition. Linked to this was challenges with obtaining capital, preventing business diversification and exploration of different niches. For example, one respondent said:



*For kiosks there are more competitors now, because I have a small amount of capital. With more capital, I could increase the quantity of products that I'm selling.*

Another woman with a small vegetable business complained that “more people are selling vegetables. There is more competition, so my income is reduced.” While she had previously made USD25-30 a day, now she made USD2-3. Similarly, another respondent with a vegetable stall told us “Sometimes people don't buy because many people open the same small kiosk”.

## 5.5 Motivations and aspirations

### 5.5.1 Job search

Out of 35 participants who answered, 24 (69 per cent) were looking for different or more work. This figure was similar across the poor and non-poor respondents (71 per cent vs 65 per cent) The main motivation was to increase the amount and stability of income that they received. Several participants were concerned about their ability to send children to school from their existing revenue. For example, one respondent looking for a retail or construction job wanted to “make sure that there are three meals per day, all of my children want to go to school”.

Instability was a concern for respondents in agricultural or self-employment. For example, one respondent who worked as a fisherman told us that “In the high fish season, we catch more fish. But in the low fish season, I need a job instead.” Given that the respondents were primarily women, many were concerned about helping their husbands support the family. One respondent said that she was looking for another job because “In life, the husband and wife must help each other”.

Most respondents would be satisfied with any job. For example, one respondent told us that their ambition was to “find a job easily, and I wish that more job opportunities were available”. This was echoed by many respondents, who listed examples of jobs - such as construction, cleaner, driver, or security guard - but seldom had a strong preference. The small number of skilled workers in our sample were looking for specific jobs that matched with their skills. For example, one respondent said that “I am looking for job that is related to my skills”. Another wanted “to become an IT professional because I graduated from computer academy.”

When asked about aspirations more generally, several respondents mentioned their desire to start or expand their own businesses. For example, one respondent wanted “to have a better life where he gets a good job, and start a kiosk business that sells food supplies”. Another “wants to make a big kiosk to support their family”. Self-employment was particularly valued by women who felt that it would allow them to stay at home and look after children:



**Q:** *What kind of jobs are you looking for?*

**A:** *Any jobs. I would prefer to work for a kiosk, you can get money on a daily basis. In a company it is difficult, nobody would look after my children.... The problem is money. It's difficult, I need about USD200 in loans.*

## 5.5.2 Other aspirations

When we asked what kind of life they wanted for their themselves and their family, the most common answer was improved education to help children get work,

mentioned by 15 (43 per cent) of respondents. This motivation was shared by both poor and non-poor respondents. For example:



*I'm illiterate - but I hope my kids go to school. Education for my kids is most important, so they can have a better life than me. If they are willing to study, they can have a better life. If not, they will be same as me!*

*Now, we only focus on how our kids can get better. They should attend school - if possible up to university. We hope they can support us in the future.*

*I want to get a better job because I need money to support my family. Two of my siblings are still in the school and they need money for school fees.*

Some respondents also hoped that their children would be able to migrate to find work. For example, one mother told us that she hoped that she could "send her children

to England to find work there if they are not able to find one here". Another hoped that "If God helps, hopefully [her son] can go to Korea and get work in Korea."

## 5.6 Migration

Only five people (13 per cent) in our sample were born in Dili, suggesting high levels of migration. On average, respondents had lived in Dili for 21 years. Only 6 (18 per cent) of the respondents had lived there for 10 years or less. The most common reason for moving to Dili was education, followed by family, as the below table shows.

**Table 11:** Reasons for moving to Dili

Row Labels	Number
Education	15
Employment	5
Family	9
Conflict	4
Grand Total	33

Respondents moved to Dili for education in response to the lack of opportunities in their home towns. For example, one respondent said that they moved "for study, there was no high school at my place that time." Respondents who moved for employment felt strongly that the city offered better opportunities. For example, one respondent said that they moved for "one reason - to

find a better life. I lived in rural areas, so was interested in moving to urban, where I have more chance to find a job." Several respondents moved for multiple reasons. For example, one respondent initially moved for school, where she met her husband - and then decided to stay in Dili with him, even though she had a job offer back home. Several respondents also moved for reasons related to the conflict with Indonesia, or internal political conflicts.

Most respondents (20, or 63 per cent) who had moved from outside Dili sent remittances home to their family. The amount and purpose varied significantly. The average annual amount was USD509, based on sixteen respondents who gave enough detail for that figure to be calculated. Those who were not able to give a precise figure often sent back smaller, more irregular gifts, so this annual figure overstates the true average. Some respondents sent money to support their parents:



*I send support to my father back at home who is already 80 years old. The support is not in money but in materials such as food supply (rice, cooking oil, sugar, etc).*

Others sent money to support the education of their family.

“

*I support my younger brother's school, and my parents, also my son who is still one year old.*

The most common reason, however, was to support 'cultural events'. Nine people – 45 per cent of those sending remittances – sent money for cultural events. Respondents viewed this with some dissatisfaction, as the following rueful phrase expresses: "We cannot avoid it - there is a traditional event once a year."

## 5.7 Pathways out of poverty

We asked open questions to try and understand what respondents saw as ways for them to increase their incomes. Some answers are familiar from the above

discussion. Hard work and education were regular themes:

“

**Q:** How do you think you might achieve your desired goals?

**A:** First, work hard, support family to get a good education.

*We must work harder to realise our dream... If our level of education is low, we will get a lower salary, and this will not allow us to keep some money as saving.*

**Q:** How do you think you might achieve your desired goals?

**A:** Making money even though you are tired. You must try hard and guide your child well so that your child is successful.



Participants typically stressed the importance of investing in their own businesses in helping them to escape from poverty. While many spoke about finding jobs, they were often vague about exactly what types of jobs and how

they would get them. When discussing small businesses, by contrast, they were specific about their own plans and about their knowledge of other people who had followed a similar route. For example:



*I learn from some successful people who are doing small businesses which are getting bigger. They are diligent, working hard, so their income has increased. What makes people successful isn't higher education, but your willingness to become successful and your diligence.*

*One of my relatives has been successful because ... after Timor-Leste got independence he started his own business running a fuel station.*

In order to start a business, participants need savings. One respondent told us that gaining wealth is “about financial management. It's the ability to properly manage all the money that someone has.” Another respondent was keen to start a business, but held back by their limited savings; “A small business would be good, but I

don't have capital to do it.” There are many constraints to savings – including low salaries, limited access to loans, and the expectation on respondents to spend money on cultural events. This is perceived as limiting opportunities to save:



*One challenge is that sometimes Timorese people get big demands for culture. I want to save money, but when my family demand I need to use it to pay for culture.*

*It is difficult to keep money since we have plenty of cultural or traditional events.*

*Often we have to spent money for cultural events instead of for saving. We are not able to manage our income properly.*

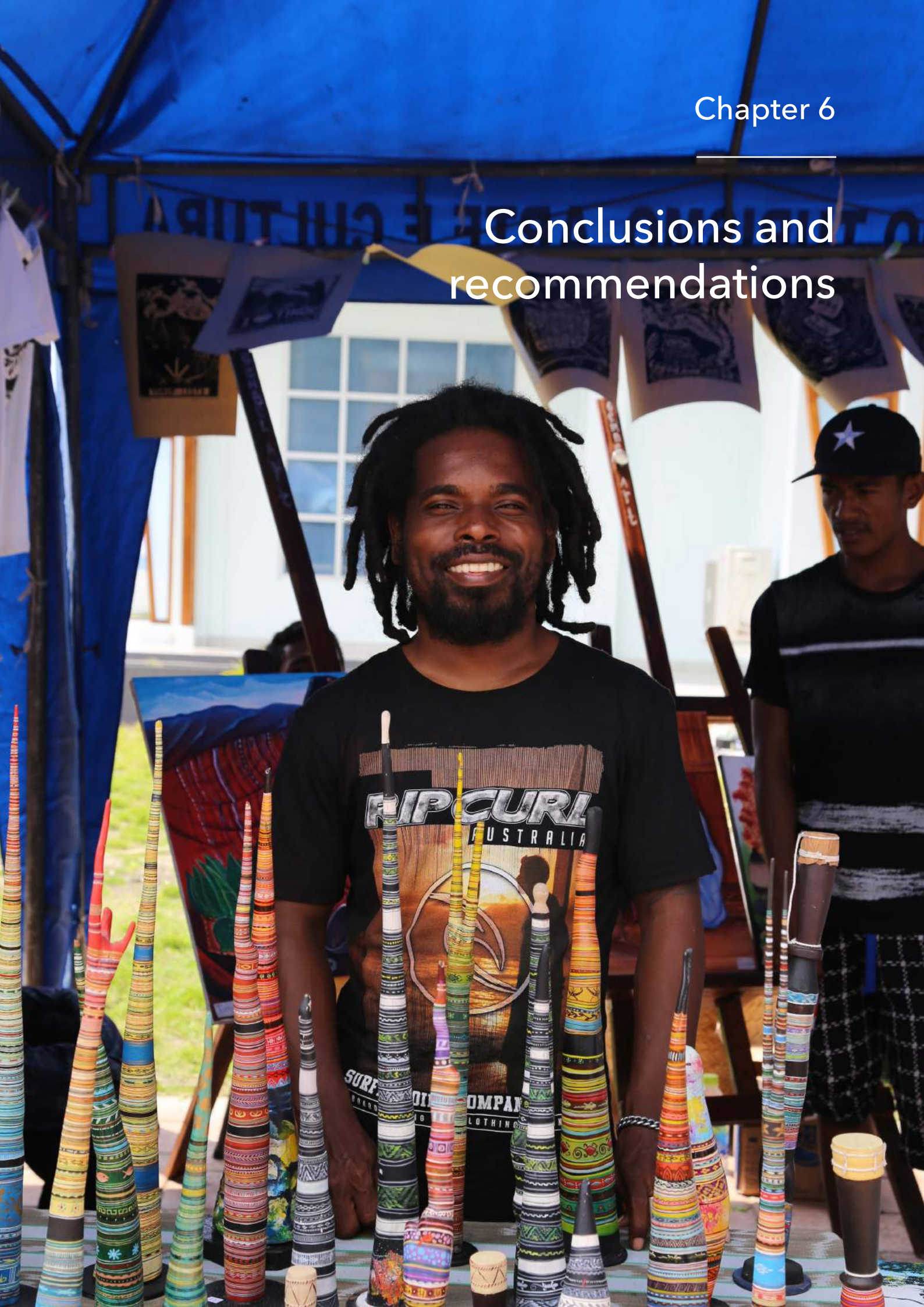
**Q:** *Can you give an example of a friend or family member who has become successful? Why do you think they have?*

**A:** *He saved some money even though the culture requirement came. He only gave a little so he could become wealthier.*

Finally, several respondents discussed how overseas work could offer a pathway out of poverty, for them and for their families. Two households had family members overseas, in Canada and Korea respectively, remitting around USD250 monthly. The extra income was visible in their living conditions; their International Wealth Index score put them in the top 20 per cent of global households, with a television, refrigerator, and (in one case) a car. One of the households said that having a son in Canada “allows us to repair our house, buy home electronics, and buy a piece of land to build a new house.”

In other cases, sending a family member overseas was an ambition rather than reality. One mother told us “If God helps, hopefully my son can go to Korea.” She was paying for Korean language lessons for her child in order for this to happen, though concerned that he might not pass his exams. Another wanted to send her son to England. Both faced challenges in obtaining the documentation for their children to go work overseas.

# Conclusions and recommendations



# Conclusions and recommendations



In this chapter, I return to the key questions of this study, and draw together the various data sources to provide conclusions against each. Where relevant, I group sub-questions to avoid repetition.

## 6.1 Key question one: What opportunities exist for pro-poor business growth in urban areas of Timor-Leste?

*a) What urban industries experience high demand, private sector interest and investment, and potential for pro-poor impact?*

*b) What is the growth potential of these industries and companies, and their ability to absorb more labour?*

- **Outside the tourism and agribusiness sectors (where MDF is already working) there are few opportunities for pro-poor business growth in urban areas of Timor-Leste.** Rather than just restating this fact, this study attempted to dive deeper into the opportunities that do exist.
- **There is a growing construction and services industry.** Despite recent setbacks due to political instability, the overall trend is of long-term growth. Falling oil revenues mean that growth is unlikely to last forever, so it is important for Timor-Leste to take advantage of the boom while it lasts.
- **Large service companies have a pro-poor impact.** Large cleaning, security, retail and accommodation businesses create jobs for the poor and unskilled. They also offer training in a range of soft and technical skills. As the household interviews show, it is common for a household to be largely dependent on a single family member who has a formal job. The minimum wage boosts income for low-paid workers. All the service companies in our sample pay the minimum wage, suggesting that they would pay lower if possible.
- **Supporting service businesses, however, offers limited opportunities for impact at scale.** Even a large supermarket or restaurant employs tens, rather than hundreds, of staff. Even if MDF was able to support multiple such businesses, ignoring any questions of displacement or attribution, the total jobs created

would be small. Although there are large business-support organisations that employ hundreds of people – such as security or cleaning businesses – these are not job-creators, but simply provide a service to other businesses. Innovation in retail contexts may replace labour with capital, potentially benefitting middle-class consumers but actively damaging for the poor.

- **Where feasible, supporting businesses to benefit from Timor-Leste’s construction boom would be beneficial.** Currently, most big construction contracts are won by larger Chinese or other international firms. Any support to Timor-Leste’s home-grown construction industry to win these contracts would improve their balance of payments, transfer more skills locally, and provide finance for reinvestment.
- **Supporting micro-enterprises in service sectors could have a more direct pro-poor impact.** Many of the respondents in our household survey relied on micro-enterprises for income, almost all in the retail sector. Supporting these micro-enterprises to access finance, diversify and grow could have a more direct pro-poor impact than working with larger firms.
- **Manufacturing is a small sector that creates few jobs.** Overall, manufacturing is a small contributor to Timor-Leste’s GDP, and creates few jobs. While supporting the manufacturing sector is an important way to support Timor-Leste’s long-term economic health, MDF should not expect quick results.
- **Given that Timor-Leste is heavily dependent on imports, a good place to start is import substitution.** We interviewed several companies that have successfully developed products that compete with imports, and concluded that they shared committed, long-term investors and selected products with high import volumes and logistics costs. Opportunities are limited by the competitiveness of imports and the

small size of the Timor-Leste market, but may include beverages, garments, furniture and cleaning products.

- **There are limited opportunities for further exports, beyond large investment projects.** One potential avenue for export is 'niche markets', which fulfil a specialist demand and command high margins. Another potential is online outsourcing services, though this faces significant challenges.
- **There is a small niche business in recycling.** There are surprising levels of private sector interest, and potential pro-poor impact from supply chains of poor urban dwellers collecting rubbish.
- **The third-biggest source of foreign exchange in Timor-Leste is labour export.** Remittances provide more foreign exchange than agriculture, tourism, or manufacturing. Schemes in South Korea, Australia and New Zealand employ a significant number of people, providing money as well as upgrading skills. These have a real pro-poor impact and there is potential to support them further. Household interviews showed that families with relatives overseas benefit significantly from the additional remittances, and several respondents were hoping to send a family member overseas.

### c) *What constraints do these industries and companies face?*

- **As an 'infant economy', Timor-Leste poses significant challenges to all businesses in every industry.** These include infrastructure, human resources, government bureaucracy, among others.
- **Human resources is a cross-cutting challenge.** All businesses in our sample raised the challenge of finding good enough staff. In some cases, they struggled to find technical skills that weren't available locally. This was particularly true for manufacturing and construction sectors, which relied on specific technical knowledge. All enterprises, including service sectors, found it challenging to hire workers with the soft skills

they needed, especially diligence and work ethics.

- **Investment facilitation is a critical support function.** Given the challenges of investing in Timor-Leste, it is essential to have a strong investment facilitation service that can help investors on the pathway. This can include providing information about the opportunities in Timor-Leste, potentially through a pitch-book or other communications materials, connecting investors with investees and other supporting businesses, targeting investors in strategic sectors, or hand-holding investors throughout the process of investing in Timor-Leste.
- **Access to information is currently limited.** Many of our interviewees were conducting market analysis into sectors of interest. This is particularly important given the risks and incomplete data on Timor-Leste.
- **Access to finance can help diversification and growth.** Small businesses especially struggled to access finance for expansion. Larger businesses could access finance, but paid high rates of interest on loans. Individual entrepreneurs, interviewed as part of our household survey, also had very low levels of access to finance, and saw it as a critical component of a pathway out of poverty.
- **Promotional campaigns could support exports and import substitution.** Local distrust of products from Timor-Leste was a barrier to import substitution, and Timor-Leste products have no global reputation. A branding campaign might address these challenges.
- **Labour export offers several opportunities.** There are two important opportunities to support the export of labour services. The first is to improve the quality of labour sent by Timor-Leste, which in the long run will improve the demand for labour and the number of people getting work. The second is to support those who have left the country to use their money productively when they are back.

## 6.2 Key question two: What are the characteristics of urban poverty in Timor-Leste?

### a) *What is an appropriate poverty line for urban dwellers?*

- **In this study we have used the poverty line of USD56.16 per person per month proposed by the World Bank (2014).** This was the only poverty line estimate disaggregated between rural and urban households that we found. In our qualitative sample, 22 (58 per cent) of respondents fell under this line.

### b) *What makes (and keeps) people who fall under the line poor?*

- **Many respondents associated poverty with laziness.** They felt strongly that many people were poor

because they were unwilling to work. This view was held particularly often, though not exclusively, by respondents who were not themselves poor.

- **Low education levels, a lack of external support, and cultural obligations were also perceived as factors keeping families in poverty.** Low education levels were perceived as preventing people from getting a job and finding new opportunities. A lack of external support from the government and financial institutions were often cited as a factor in keeping families in poverty. And cultural obligations to provide money for weddings, funerals, and family shrines were perceived as preventing families from saving.

**c) What economic activity do they engage in?**

**d) What do they perceive as the advantages and disadvantages of these activities?**

**e) What are their motivations and aspirations for the future?**

- **The most common activity recorded in our sample was employment, followed by small informal businesses.** Most households had at least one member who was formally employed, who often provided the bulk of household income.
- **Respondents clearly valued the predictable income of a formal job.** Except for a few skilled professionals, however, respondents did not mind what kind of job they got. Respondents mostly got jobs through networks, and preferred 'easy' jobs without high workloads.
- **Self-employment could provide a good income – but there is high competition.** Respondents who successfully launched small businesses could provide a decent income for their family. Especially for more common businesses, such as selling vegetables, there was high and growing competition. Without access to finance, respondents struggled to diversify their businesses and differentiate themselves from the competition.
- **Some respondents preferred self-employment to formal jobs.** For some women, self-employment offered the opportunity for flexible working, and looking after their children. For others, it offered an additional source of finance to complement other work or income streams.
- **Both the poor and non-poor valued education.** The most common desire for respondents and their families was to improve educational achievement. Parents wanted their children to have a good education, and older brothers worked to enable their siblings to study. This was perceived as setting the children up for a good job in future.
- **Some respondents hoped that their children could migrate to find work.** Many respondents were aware of the labour export schemes mentioned above, to

South Korea or to Australia. Some wanted their children to take this opportunity, and took steps towards it by funding language studies. Others benefitted from remittances sent by overseas relatives.

**f) What is the role of migration and remittances in their economic situation, either as senders or receivers?**

- **Most of our sample were migrants from outside Dili.** Only five (13 per cent) of our sample were born in Dili. The most common reason for moving was education, followed by family.
- **Most respondents sent remittances home to their family.** The amount and purpose varied significantly. It typically had a value of hundreds of dollars a year. Money was spent to support family, education, and the all-important "cultural obligations".

**g) What pathways out of poverty do they envision? What are the barriers?**

- **The themes listed above are relevant as pathways out of poverty.** Hard work and education are regular themes throughout the interviews. Respondents often felt that these were ways in which people could lift themselves out of poverty.
- **Self-employment is a way out of poverty.** Participants typically stressed the importance of investing in their own businesses in helping them to escape from poverty. They were often specific about their own plans and some knew other people who had followed a similar route.
- **Respondents needed capital to start a business.** To start a business, however, respondents needed savings. This was challenging due to low salaries and limited access to loans, alongside the expectation on respondents to spend money on cultural events.
- **Overseas work could offer a way out of poverty.** Two households with family members overseas received a significant amount of money in remittances, enabling them to purchase better household assets. Several respondents were hoping that their sons or husbands could follow.

## 6.3 Recommendations

This study was designed as open and exploratory, and so has not developed prescriptive recommendations. Nonetheless, it has brought up some ideas that MDF should explore further, should it wish to start working in urban markets in Timor-Leste.

### 6.3.1 Opportunism

- **Opportunities are few and far between in Timor-Leste urban markets. When one comes along, MDF**

**should take it.** It has done so successfully with NPM; it should consider similar partnerships with other firms that are serious about investing in a new business model. Recycling is one emerging opportunity. Data processing could be another, with at least one company that was interested.

- **Building a portfolio of successful companies in Timor-Leste will help build trust in local products both domestically and internationally.** Large investments



could be particularly valuable in this regard, but MDF should treat investors cautiously, only engaging once they have demonstrated their commitment to the project.

### 6.3.2 Import substitution

- **Import substitution may be an area worthy of intensive support.** Where export opportunities exist, MDF should help companies from Timor-Leste take them. Currently, however, local firms cannot compete in the domestic market, let alone the international one. Consequently, it may be worth MDF seeking to understand better which products could be produced domestically, and supporting firms interested in doing so. Based on this study, this could include beverages, garments, furniture and cleaning products.
- **A particularly important sub-market is construction and oil, given the huge sums invested in these areas.** Despite the market dependency on government, if MDF can help companies capture more value from mega-investments it could have a significant pro-poor impact.

### 6.3.3 Market intelligence

- **MDF could supply market knowledge as a public good.** Many businesses we spoke to were conducting market analysis or research to inform their business models. Where there is an issue of common interest, such as recycling, it may be worth MDF investing in research to demonstrate the market size, and disseminating this among market players to try and build interest. Other areas where market knowledge could be valuable include potential 'niche markets' and areas for import substitution.

### 6.3.4 Support functions

- **There are many missing support functions, and MDF cannot supply them all.** Human resources, finance, information, investment facilitation, and branding of Timor-Leste goods were all mentioned as important support functions. While MDF cannot build all of these, if there is an opportunity to work with a support market actor to improve one of them, it could have a moderate impact. In a context with so many missing support functions, it should not be expected alone to transform the market.
- **Some of these support functions have potential partners.** TradeInvest is an obvious home for some of these functions, such as investment facilitation and branding. Skills-matching and training businesses

provide a potential home for human resource-related support functions. Information is likely to remain a public good (as discussed above), while finance was not explored in any depth through this study.

### 6.3.5 Labour export

- **Labour export would be an interesting cross-cutting market.** Labour export is critical to several of the Pacific countries that MDF works in. It would be possible to imagine MDF investing in labour export markets in its Pacific countries: Fiji, PNG and Timor-Leste. This would take advantage of economies of scale and could bring benefits to each economy.
- **Increasing supply of high-quality labour will create more opportunities.** For the Australian Seasonal Worker Programme, workers from the Pacific compete with backpackers who can easily travel to Australia. The higher quality workers that the program can source, the more likely Australian businesses are to recruit more workers, growing the scheme and delivering more benefits. MDF has good connections with businesses in each country. If it can work with its partners and their suppliers, to supply a good source of labour to the various agricultural schemes this could have a significant impact for its target group. For the Pacific Labour Scheme, there is a challenge in finding people with Australian-level qualifications to undertake the desired office jobs in Australia. Private companies already work with the migration schemes, or want to, offering a potential entry point for MDF.
- **After returning, workers need assistance to invest their money and skills.** Currently Timor-Leste is not receiving the full benefit from remittances because relatively little is being invested. If MDF could support workers to do so, through training or linkages to businesses, this would be an important innovation

### 6.3.6 Support self-employment

- **Self-employment is central to the lives of the poor.** Most households in our sample had at least one formal wage-earner, but their aim was to develop and grow their own businesses. Finance was a critical constraint to this, but there are doubtless many others. Supporting self-employment would be an intervention closer to the lives of the ultimate beneficiaries of MDF's program than supporting formal employment.

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# Annexes

## Key informants questionnaire

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Interviewer:

Date:

Location:

Entry time:

Exit time:

### 1. Introduction

- a. Name and position of respondent.
- b. Respondent organization.
- c. Gender of respondent.
- d. Explain objectives of study.

### 2. General questions

- a. What is the role of your organization in supporting the private sector?

### 3. Overview of sector growth

- a. What are the main formal and informal economic activities in urban areas in Timor Leste?
- b. How has this changed over the past three years? Why?
- c. How do you expect this to change over the next three years? Why?

### 4. Sectoral breakdown

For each sector mentioned above, ask:

- a. What level of private interest and investment is there in this sector? How is this changing?
- b. What is the level of demand in this sector? How is this changing?
- c. Do the poor benefit from participation in this sector? How?
- d. Do you see new products and services being developed within these sectors? Can you give any examples?
- e. What products do you think might be most successful in future?
- f. What are the main constraints facing these sectors?
- g. Can you suggest some firms in these sectors we should speak to in order to better understand the opportunities?

### 5. Other

- a. Do you have data showing investment or business registration in these sectors?

## Managers questionnaire

---

Interviewer:

Date:

Location:

Entry time:

Exit time:

### 1. Introduction

State reason for survey. Explain that information is confidential and used only for MDF analysis of opportunities for support.

- a. Name of company
- b. Sector of company
- c. Phone number
- d. Name and position of respondent(s)
- e. Gender of respondents
- f. Formal/informal enterprise

### 2. General questions

- a. Products and services offered.
- b. Approximate revenue in last year
- c. Number and type of employees
  - Full time (female / male)
  - Part time (female / male)
- d. Ambition to offer new products or services in future? If so, what steps have been taken?

### 3. Growth potential of industry

- a. How big is the demand for your products? Is this currently met by the market players?
- b. What major drivers of demand are there?
- c. Is this demand growing, staying the same, or reducing? Why?
- d. Does Timor Leste have an advantage in this product compared to other countries? Why?

### 4. Private sector interest/investment

- a. Who are your major competitors in this market?
- b. What advantage does your company have compared to your competitors?
- c. In the last three years, how much have you invested in your business?
- d. Over the last three years, has your firm revenue grown, stayed the same, or reduced? By approximately how much?
- e. What are the reasons for the change in revenue?
- f. Over the next three years, how do you expect revenue to change? Why?
- g. What new products do you think might be most successful in future?

### 5. Pro-poor impact.

- a. Over the last three years, has the number of people you employed grown, stayed the same, or reduced? By how many?
- b. What is the reason for the change in employment?

- c. Which are entry/low skills jobs in your firms? How many are in entry/low skilled jobs on the overall number (female/male)?
- d. Which qualifications are needed to enter in such jobs (schooling, vocational education and training, previous experience, motivation)?
- e. For these jobs, could you give an approximation of salary per month?
- f. Do you have any expats working for your business? If so, how many and at what levels?

## **5. Constraints**

- a. What are the main challenges facing your business?
- b. What are the main organisations (public or private) supporting you to address these challenges?

- To conclude, ask if the interviewee has any other point they would like to touch upon or any questions to you.

## Urban poor questionnaire

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Explain purpose of the interview. State that we are interested in their perspectives on living and working in Dili. This is for a project undertaken by a research company. All information you give us will be kept confidential. Seek consent before continuing.

### 1. Basic information

- Interviewer:
- Date:
- Location:
- Name of respondent:
- Gender of respondent:

### 2. Demographics

- How old are you?
- What is the highest level of education you achieved?
- How many people are in your household (excluding you)?
- \_\_\_\_\_ male children (17 or younger)
- \_\_\_\_\_ female children (17 or younger)
- \_\_\_\_\_ male adult
- \_\_\_\_\_ female adult

### 3. Poverty

Please complete the following table in USD:

	Your INCOME per month	Your partner's INCOME per month	Additional earners in your HH
Employed			
Casual labour			
Agriculture or fishing			
Registered business			
Small informal business e.g. kiosks			
Remittances			
Social transfer (idozu)			
Pension/ retirement			
Has no income			
Other (Please specify)			
Refused to answer			

Please complete the following table:

Does the house have a...	Yes	No	Unknown
TV			
Refrigerator			
Phone			
Bike			
Car			
Radio (<USD50)			
Expensive utensils (>USD50)			
Expensive utensils (>USD300)			
Electricity			
Other (Please specify)			
Refused to answer			

Please complete the following table:

Does the house have a...	Yes	No	Unknown
TV			
Refrigerator			
Phone			
Bike			
Car			
Radio (<USD50)			
Expensive utensils (>USD50)			
Expensive utensils (>USD300)			
Electricity			
Other (Please specify)			
Refused to answer			



Please complete the following table:

What is the quality of the	Low	Medium	High	Unknown
<b>Main source of drinking water</b> <ul style="list-style-type: none"> <li>high quality is private piped water or bottled water;</li> <li>middle quality is public tap or standpipe, tubewell or borehole, protected well or spring, or tanker truck;</li> <li>low quality is unprotected well or spring, cart with tank/drum, or surface water.</li> </ul>				
<b>Toilet facility usually used</b> <ul style="list-style-type: none"> <li>high quality is private flush toilet (or flush toilet if private unknown);</li> <li>middle quality is public toilet, ventilated/improved pit latrine, pit latrine with slab, or composting toilet;</li> <li>low quality is pit latrine without slab, open pit, bucket, hanging toilet or no toilet.</li> </ul>				
<b>Main floor material</b> <ul style="list-style-type: none"> <li>high quality is finished floor with parquet, carpet, tiles, linoleum, ceramic etc.;</li> <li>middle quality is cement, concrete, wood, bamboo etc.;</li> <li>low quality is none, earth, dung etc.</li> </ul>				
What is the number of...				
Number of rooms used for sleeping				

What characteristics make someone poor? Can you explain?

#### 4. Economic activity

For each economic activity that they engage with (i.e. employment, casual labour, informal self-employment, formal self-employment), please ask the following questions. If they do not work themselves, please ask about their spouse's work:

(Note whether this is them or their spouse)

(Note type of economic activity)

- What is your role?
- What company do you work for (if applicable)?
- Do you have a contract for this work?
- How did you search for and obtain the job?
- Why did you choose to do this work?
- What are the advantages of this work?
- What are the disadvantages?

#### 5. Pro-poor impact.

- Are you currently searching for new or different jobs?
- Why is that?
- What kind of jobs are you looking for?
- How are you searching for these jobs?
- What challenges do you face in searching for work?

## 6. Transfers

*For each type of transfer that they receive or their spouse receives (i.e. remittances, pensions, social transfer), please ask the following questions:*

(Note whether it is to them or their partner)

(Insert type of transfer)

- What is the source of this transfer?
- If remittances: Who sends it to you? Which city/country is it from?
- What is the advantage of this source of income?
- What are the disadvantages?
- What do you use this money for?

## 7. Migration and remittances

- Where were you born?
- If not in Dili, when did you move here?
- Why did you move to Dili?
- If employment: Did you have a job before you moved? Or did you search for a job once you got here?
- Do you support any family or friends back home?
- If so, how much do you send, and how often? What do they use the money for?

## 8. Migration and remittances

- What future do you want for yourself and your family?
- How do you think you might achieve that?
- What challenges do you see you might face?
- How do you meet unexpected expenses?

## 9. Pathways out of poverty

- Do you know anyone who you consider to have started in a similar position to yourself, and has become a lot wealthier?
- Could you tell me about their story?
- Are there any other ways that you think people like you can become wealthier? What are they?


*To conclude, ask if the interviewee has any other point they would like to touch upon or any questions to you.*





- Fiji: Garden City Business Park, Grantham Road, Suva, Fiji
- Timor-Leste: 2nd Street, Palm Business & Trade Centre, Surik Mas, Dili
- Pakistan: 95-E/1, Syed Shamshad Haider Road, Hali Road, Gulberg III, Lahore, Pakistan
- Sri Lanka: No. 349, 6/1, Lee Hedges Tower, Galle Road, Colombo 03, Sri Lanka
- Papua New Guinea: Level 6, PwC Haus, Harbour City, Port Moresby, Papua New Guinea

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