

PROFITABLE INVESTMENT OPPORTUNITIES IN TIMOR-LESTE

Timor-Leste is blessed with natural resources and has come a long way in recent years from the challenges of the past. It now provides excellent opportunities for investors in a range of sectors to help us continue to grow our young nation. The government provides a favourable tax environment and support system to enable ease of investment in the country.

Timor-Leste has made significant investments to support emerging investment opportunities by building critical infrastructure (roads, airports, water, electricity, telecommunications and other facilities) and creating a skilled work force. There are plans in place to further develop existing infrastructure, presenting opportunities for investment.

The Government of Timor-Leste encourages national and international investment in a range of productive and growing sectors.

Agriculture

There are opportunities for investment in agricultural development and processing for the local market in a number of primary products. Over 64% of working adults in Timor-Leste work in agriculture, creating the potential for sizable growth, diversification, transformation and investment. Domestic (import substitution) and export commodities and supply chains suitable for development and ultimately export include coffee, rice, corn, beans, carrots, cassava, cinnamon, clove, potatoes, nutmeg, taro, konjac and organic horticulture (fruit, vegetable, cashew, cocoa, coconut oil, and vanilla).

The agricultural potential of Timor-Leste can be seen in the current production and export of coffee. Coffee is a profitable investment area, performing well in domestic and international markets and is the primary non-oil export from Timor-Leste. The World Bank is leading the Road Climate Resilience Project to provide better access to the coffee producing regions on the Dili-Ainaro corridor. The industry body, Timor-Leste Coffee Association, works to improve quality standards and strengthen the brand of Timorese coffee. The coffee industry has the potential for further growth in agriculture production and processing, generating returns to investors.

The Government of Timor-Leste supports investors by distributing production inputs to farmers including high quality seeds, training, and farming equipment. The irrigation Infrastructure Fund projects are supporting food production, improving distribution and food security. Irrigation projects have been completed in Raibere, Oebaba, Carauln, Bebui and Cassameta. There are seven ongoing irrigation projects.

Livestock

There is potential to invest in livestock including beef and poultry, to significantly increase the productivity of this sector while making worthwhile returns. Investors can benefit from the strong local demand for product by investing in production and processing for the local market with the potential to export.

Locally produced and distributed hen eggs are a rapidly growing sector, with an established local market. Happy Farm (9000 eggs per day) and Grasia Farm (5600 eggs per day) are successful egg production operations servicing the local market. As the local demand

for chicken meat and eggs is growing, there is space to welcome additional operations and investment in this sector.

Having introduced quality certificates, vaccinations and updated animal husbandry practices, Timor-Leste is now a member of the World Organisation for Animal Health. As a member, Timor-Leste is now better equipped to address bio-security and animal health issues. The Bio-Safety Level II Veterinary Diagnostic Laboratory is the product of cooperation between the Government of Timor-Leste, FAO and Australian Aid. This training and research center for technicians and veterinarians provides animal diagnostic services.

Forestry

Timor-Leste has a unique approach to community based forestry management, put in practice in Municipal of Manufahi, Viqueque, Covalima, Lautem, Liquiça, and Oecuse. Sustainable cultivation methods are applied to: bamboo, sandalwood, mahogany, teak, ptecarpus indicus (rosewood), candlenut, and cassia siamea.

The Bamboo Institute of Timor-Leste was established by UNIDO in collaboration with the Government of Timor-Leste to promote the development of a sustainable bamboo industry, increase the number of plantations, and contribute to expanding the manufacturing base by value-addition to the raw material.

In 2017, the Government of Timor-Leste established a 100 hectare sandalwood plantation in Atabae, expected to generate USD 160 million at harvest in 30 years. There is capacity and desire to sustainably develop the forestry industry with investment to meet the growing local demand, whilst being sensitive to environmental needs.

Fishing and aquaculture

Timor-Leste is surrounded world-renowned marine resources. Fishing licenses are available to off-shore foreign operators to fish for export in the exclusive economic zone. Private sector investment has introduced prawn, grouper, and sea-cucumber farming for export markets. Many individual, small-scale operators catch a range of fish including tilapia, milkfish, grouper, shrimp, seaweed and crabs.

Fishery hatcheries have been established in Ermera as part of Timor-Leste's National Aquaculture Development Strategy. The Ermera hatchery has the capacity to produce up to 5 million fish fry per year.

The New Zealand Aid Programme funded Partnership for Aquaculture Development in Timor-Leste is helping develop the fish farming industry, providing training, planning, feed supply systems and access to market. There are further opportunities for development and investment in fisheries.

Opportunities exist to significantly improve the productivity of this sector whilst remaining ecologically sustainable. Fishing and fish farming provides an exciting opportunity to investors to build and develop an emerging industry from the ground up.

Processing industry

The Government of Timor-Leste supports the development of processing and manufacturing industries. Areas for growth include: food production for the domestic and export markets; construction material including cement, marble and ceramics; and small-scale manufacturing industries of apparel, value-added timber products, salt and mineral water.

Recognizing the positive investment environment in Timor-Leste, Heineken set up a multi-beverage plant in Hera. The factory produces up to 30 million litres of the Heineken range of beers and PepsiCo soft drinks annually. The plant was constructed on time and budget, and services a rapidly growing market.

The Government of Timor-Leste has signed a Special Investment Agreement with TL Cement, an Australian privately owned company. TL Cement will build a large-scale cement-manufacturing facility in Baucau. The project will provide training and employment for 650 people, and feed local and international markets with cement clinker base. The environmental impact assessment has been submitted to the Government of Timor-Leste for its approval.

Tourism

Timor-Leste's natural beauty, cultural heritage, and rich history lends itself to the development of the country as a new and emerging tourist destination. The potential in this sector is broad: opportunities exist in developing cultural, nature-based ecotourism, and adventure tourism. The Government of Timor-Leste's tourism policy, *Growing Tourism to 2030 – Creating a sense of national identity*, recognises the importance of tourism to the future prosperity of the nation and sets the intention to develop the sector in a manner that is sustainable for the environment, economy and society.

The Government of Timor-Leste and The Asia Foundation developed an official tourism website, www.timorleste.tl, and created the *Explore the Undiscovered* campaign and national branding to reposition foreign travellers' perspectives of the country and encourage them to visit.

Hilton has partnered with the Lay Group and worked with TradelInvest to agree investment benefits for the development of the Hilton Dili Palm Springs Hotel. Construction of the hotel is advanced, and Hilton anticipates welcoming guests in 2019.

The Government of Timor-Leste is supporting the design and construction of tourist infrastructure at hot water springs in Marobo and Atauro, and development of Lake Maubara.

Infrastructure

Investment opportunities are supported by existing rural and urban infrastructure and projects under construction. There are opportunities to further develop strategic infrastructure with private investment. The Government of Timor-Leste created an Infrastructure Fund in 2011. This fund finances infrastructure projects to support sustainable economic growth: electricity grids, roads, bridges, water supply, ports, irrigation systems, hospitals, schools and universities. From inception to 2016 USD 3.55 billion has been approved and allocated to programs including Public Private Partnerships.

Roads and bridges: International standards are applied to the expansion, improvement and maintenance of the national (urban and rural) road system including approximately 450 bridges. The Road Program funded by the Infrastructure Fund is to support the transportation of goods and services, and provide connectivity between districts to centres of economic activities. There are Public Private Partnership opportunities in further development of the road transport network across the country.

Water transport: Progress has been made in increasing the capacity of ports. The USD 490 million construction of the Tibar Port is soon to commence via a Public Private Partnership. Dredging and rehabilitation of the Naval Base Sea Port at Hera is complete. Further port projects yet to commence include development of Suai Port, rehabilitation of Dili Port, and upgrade to ports in Com, Atauro, Oecussi and Vemase.

Air transport: The upgrade and expansion projects of Presidente Nicolau Lobato International Airport, and regional airports at Suai, and Oecussi are at the implementation stage. Feasibility studies for municipal airports are in progress. Improvements have been made in the management and safety of air transport. Direct flights link Dili to Darwin, Denpasar and Singapore.

Telecommunications: Multinational companies from Portugal, Vietnam and Indonesia operate a modern and competitive telecommunication network across the country. Ongoing projects include expanding service uptake of O3b Medium Earth Orbit satellites for telecommunications and data, and expanding internet coverage with the National Connectivity Project.

Water and sanitation: A regulatory body for the management of drinking water resources and basic sanitation has been established. Since 2011, infrastructure projects have been completed in drainage, rehabilitation of water supply, and master development of Dili drainage and sanitation system. There are PPP opportunities for investment, including the Dili Water Supply System Project.

Electricity: Electricity generation, transmission and distribution has been improved across the country, with up to 80% of the population covered by the grid. The Timor-Leste Infrastructure Fund supported Hera and Betana power stations, Comoro Diesel Generating Power Station, and substations. Solar power station at Hera and wind farms in Larigotu and Bobonaro have been completed and connected to the national grid.