

# 5 Reasons to Invest in Timor-Leste

TradeInvest Timor-Leste

July 2024



# 5 Reasons to invest in Timor-Leste

## ➤ 1. Young & emerging economy with monetary stability & attractive investment opportunities

Despite its size, Timor-Leste achieved rapid growth, reaching 3.9% in 2022 outpacing East Asia and Pacific (3,4%) and World (3,0%). Its projected growth for 2024 (3,5%) also surpasses the World (2,4%)

## ➤ 2. Strategic export platform

Preferential market access to +2bn people in 56 countries with world class port infrastructure

## ➤ 3. Competitive labor cost with a young and vibrant working force

2<sup>nd</sup> most competitive salary in Southeast Asia (US\$115/month), with 66% of its population under 30 years old surpassing East Asia & Pacific (40%) & World average (49%)

## ➤ 4. Competitive tax regime with attractive investment incentives

Lowest tax regime in Southeast Asia (10% income tax), with incentives such as full tax exception up to 10 years, legal stability agreements, and land leasing agreements

## ➤ 5. Democratic and peaceful country

2<sup>nd</sup> most democratic and 4<sup>th</sup> best in political stability & absence of violence in Southeast Asia





# Content

1. Who we are?
2. Dynamic & growing economy
3. Connectivity & market access
4. Operational costs
5. Tax regime & incentives
6. Workforce, human capital & SDGs





# Who we are?





# TradeInvest Timor-Leste (TITL)

Investment & Export Promotion Agency: Non-profit public institution, offering free professional & confidential services to investors & exporters



1



Market analysis & tailored information



2



Institutional & commercial linkages (agendas)



3



Soft-landing support



4



Tax incentives certificates



# Priority sectors with investment opportunities



## Sustainable Tourism

- **Accommodation:** High-end luxury and budget hotels (business - ecolodges)
- **Tour operator** (wholesaler)
- **Hospitality:** Restaurants, bars and Spas
- **Ecotourism:** Scuba diving & snorkel, Whales & dolphins' observation, Hiking-trekking, Birdwatching, and Historic sites & traditional cultural heritage

## Agribusiness

- **Crops:** Coffee, vanilla, coconut (oil), black pepper, candlenut, cloves & konjac
- **Fisheries:** Aquaculture (inland and coastal), coastal fisheries, fish processing and cold chain & seaweed
- **Livestock:** Beef processing, live cattle & milk preparations
- **Forestry:** Sandalwood, bamboo & teak
- **Animal feed**

## Light manufacturing

- **Food & drinks**
- **Garment**
- **Furniture**
- **Construction materials**

# Timor-Leste at a glance



2<sup>nd</sup> newest country in the world after its independence in 2002 (from Indonesia - former Portuguese colony)



Semi-presidential republic with capital Dili



Half island nation in Southeast Asia with 14,900Km<sup>2</sup> of territory, 783Km of coastline and 72,000Km<sup>2</sup> of exclusive economic zone water



1,3m inhabitants (+75% under 35 years)



American Dollars as currency



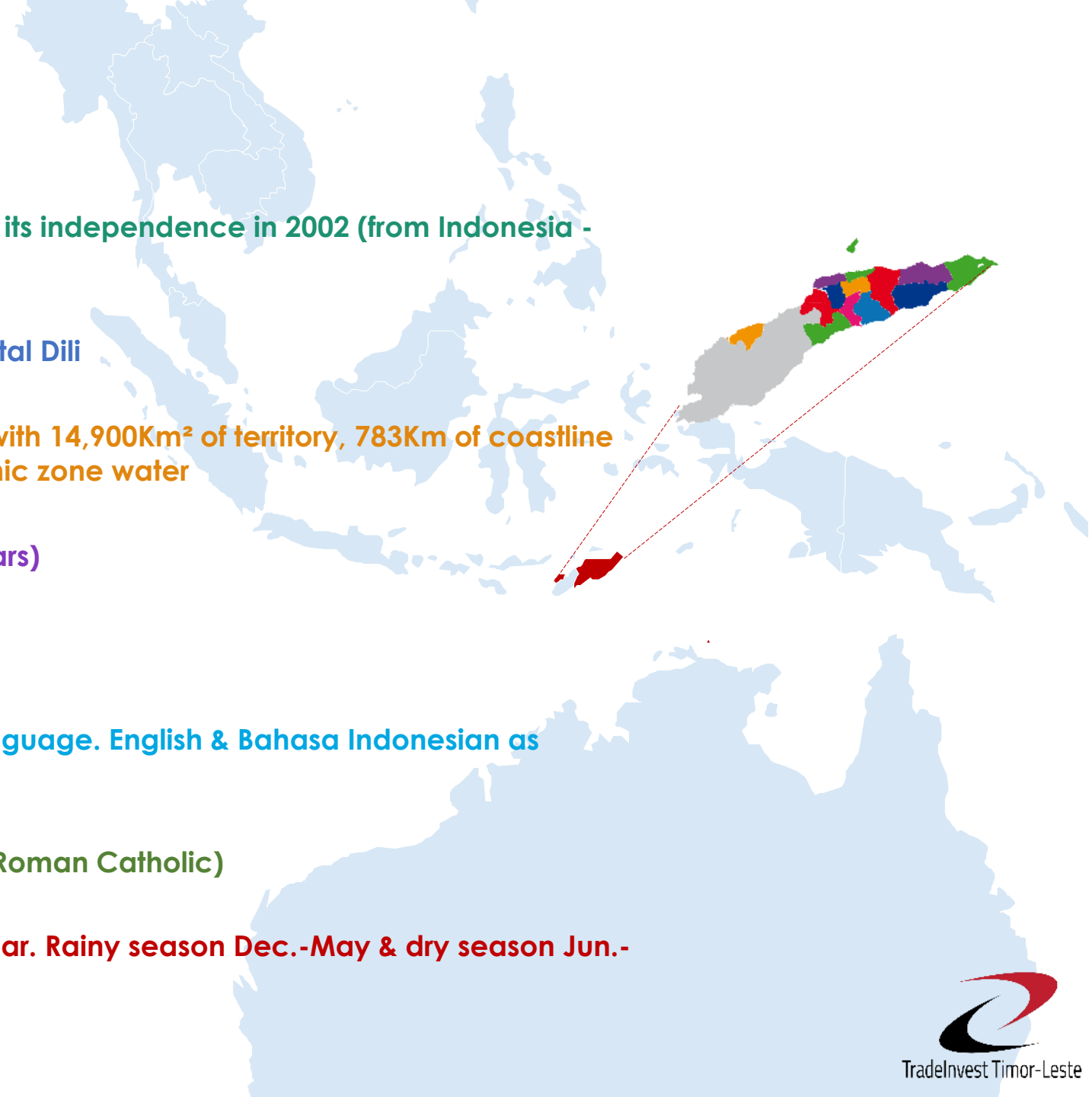
Portuguese and Tetum as official language. English & Bahasa Indonesian as working languages



Christian dominant religion (mainly Roman Catholic)



Tropical climate (hot & humid) all year. Rainy season Dec.-May & dry season Jun.-Nov.







# Dynamic & growing economy

© Dino I Photo



# Timor-Leste, young and emerging economy

Performing above some of its competitors



**1.3 Mn inhabitants 2022**

2<sup>nd</sup> largest population among Asia & Pacific Small Island States

**4.9% Unemployment\*\*  
2022**

Lower than the World (5.8%) & Least Developed Countries (5.5%)

**7.0% Inflation 2022**

Lower than World (8.3%) and Pacific Small Island States (8.2%)

**3.9% GDP growth 2022**

Faster than East Asia & Pacific (3.4%) and the World (3.0%) average rate

**3.5% GDP growth forecast 2024**

Above the World rate (2.4%)

**4.3% GDP growth forecast 2025**

Above the World rate (2.7%)

**US\$ 2,358 GDP Percapita 2022**

Higher than Least Developed Economies (US\$1,259), Ranking TL as a Lower Middle-income Country\*



\*TL is still a LDC country enjoying the benefits such as market access and international cooperation.

\*\*Low unemployment rate is linked to low access to labor market in TL and high informality (77%).

Source: The World Bank Database (<https://databank.worldbank.org/source/world-development-indicators#>) – ADB (<https://www.adb.org/countries/timor-leste/economy>)





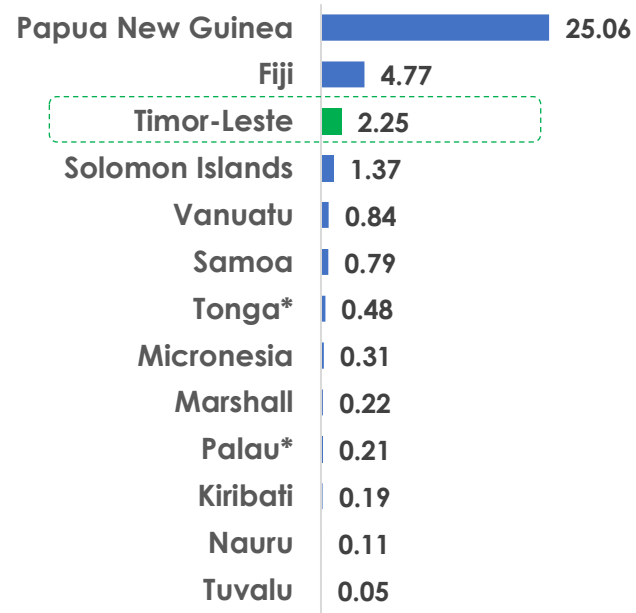
# Performing above some of its competitors

## GDP Size & Growth

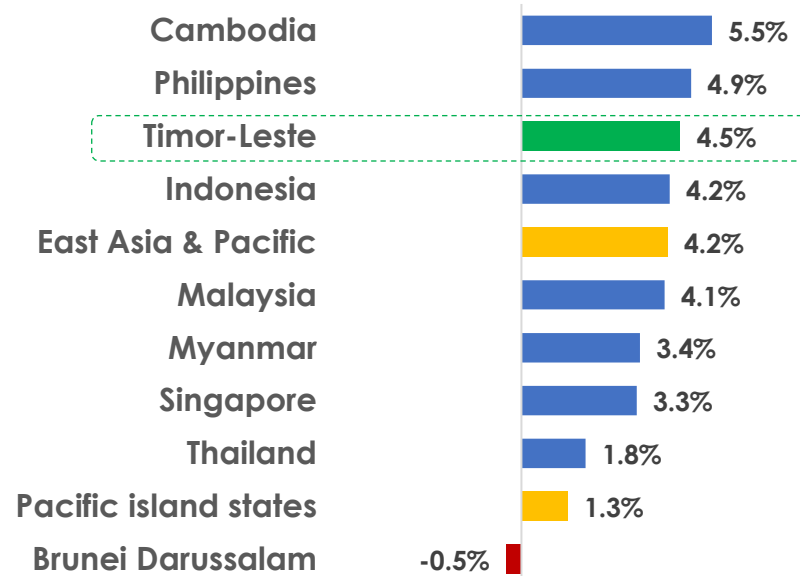


- **Regional leader:** 3<sup>rd</sup> largest economy among the Pacific Islands with a GDP reaching over US\$2 billion
- **Dynamic performance:** Over the past 10 years Timor-Leste achieved an annual average growth rate of 4.5% exceeding East Asia & Pacific (4.2%) and the Pacific Island States (1.3%) average

Pacific Islands Developing States  
GDP Size, 2022 (US\$ Billion)



Southeast Asia & Pacific Average GDP  
Growth, 2012-2022 (%)



Note: Values at US\$ constant prices 2015

\*Figures correspond to 2021

Source: The World Bank Database (<https://databank.worldbank.org/source/world-development-indicators#>)



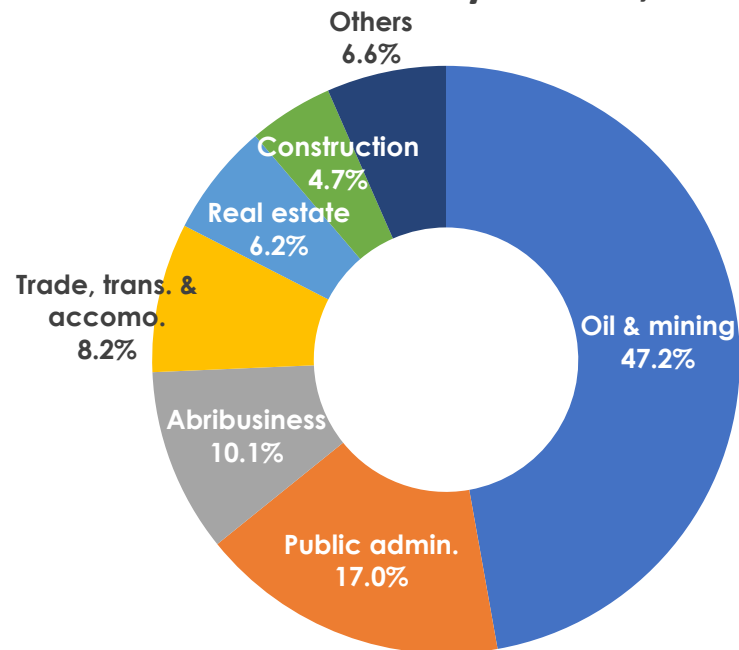


# Young economy in process of diversification



- **High dependency on commodities and public spending:** Despite of its growth, Oil and mining and Public administration collectively contribute to over 60% of the GDP
- **Need for economic diversification:** In recent years, overall growth has been driven primarily by revenues from extractive industries. Timor-Leste now faces the challenge of diversifying its economy with a focus on private sector development

Timor-Leste GDP by sectors, 2022

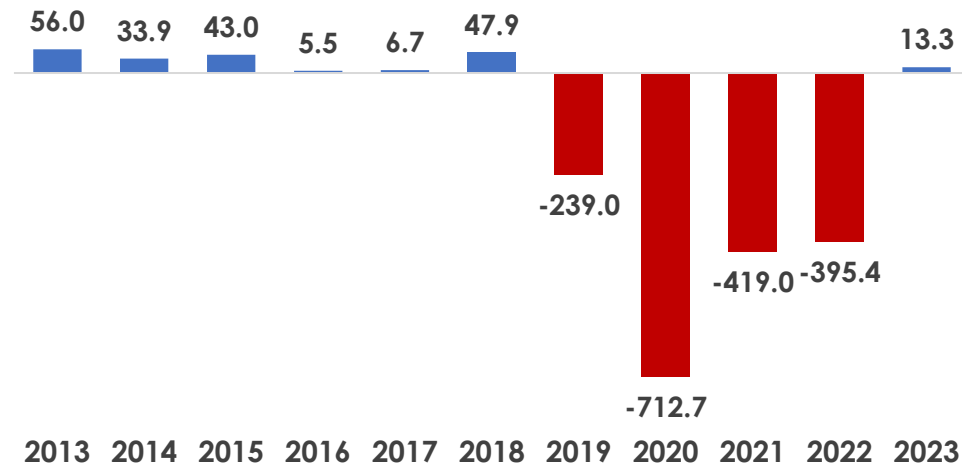




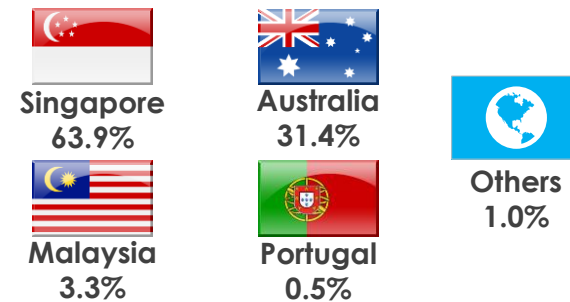
# Foreign Direct Investment (FDI) in Timor-Leste

- Dynamic growth:** Despite a cyclical trend and significant disinvestment between 2019 and 2022 due to the impact of COVID-19, Timor-Leste showed a recovery in 2023, reaching US\$13.3 million
- Top investors:** Singapore, Australia and Malaysia outstand as top 3 source of investment in TL, accounting over 98% of the flows
- Leading recipient sectors:** Tourism, Construction materials and Real estate emerge as the top 3 sectors receiving FDI in TL, accounting for over 80% of the flows

Inwards FDI flows in Timor-Leste, 2013-2023 (US\$ Million)



FDI by country of origin\*, 2016-2023



FDI by Sector\*, 2016-2023



\*Note: Country of origin & Recipient sectors flows are based on investment projects with a valid Declaration of Benefits (tax incentive certificate) issued by TradeInvest Timor-Leste. These figures do not include infrastructure nor oil, gas & mining, which represent a major share of FDI flows into the country. Source: UNCTAD Stat based on Balance of Payments – TradeInvest Timor-Leste



# Some Successful investment Stories



## Heineken Timor - 2016

- Singapore
- Beverages (brewery) - US\$45Mn
  - 112 direct & 112 indirect jobs
- Production plant for Bintang, Tiger, ABC, and Liurai



## Timor Marina Square – 2021

- Singapore
- Tourism/Real estate - US\$ 50 Mn
- 255 direct and Indirect jobs
- Hotel, apartments and office space



## Palm Spring Hotel, 2021

- Timor-Leste
- Tourism – US\$ 34.5m
- 218 direct & indirect jobs
- 5 Start Hotel



## Caixa Geral do Depositos 2017

- Portugal
- Banking - US\$4.7Mn
- 150 direct jobs
- Banking operations across the country providing deposit, credit, ATM Card services



## Compas - 2020

- Australia
- Tourism - US\$2Mn
- 28 direct & 30 indirect jobs
- Accommodation ecologic & tourist activities



## Consorcio Austim Beverage - 2017

- China - Australia
- Beverages (water) - US\$3Mn
- 57 direct jobs
- Production plant for drinking water to supply local and export market.





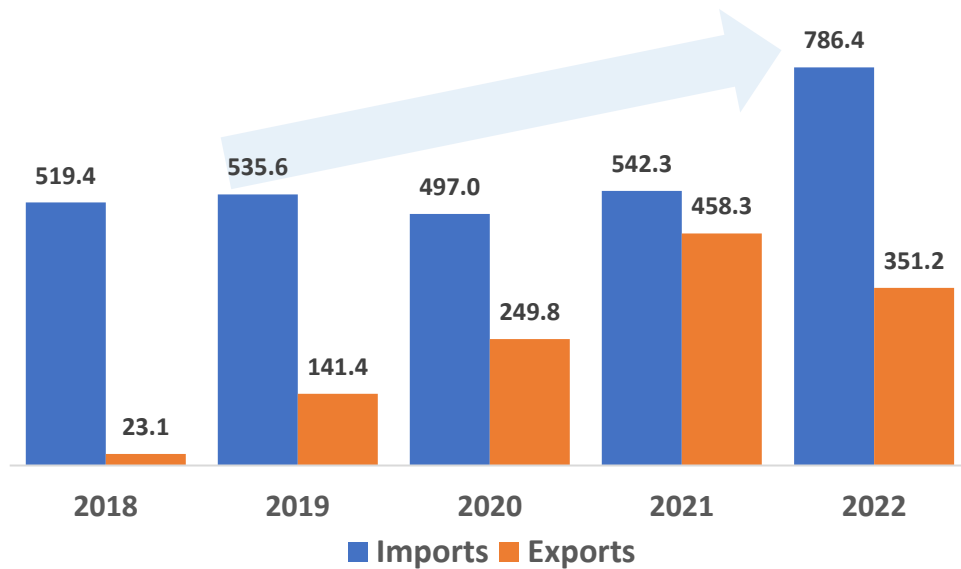
# Exports multiplied by 15 & import by 2

## Exports & imports of goods

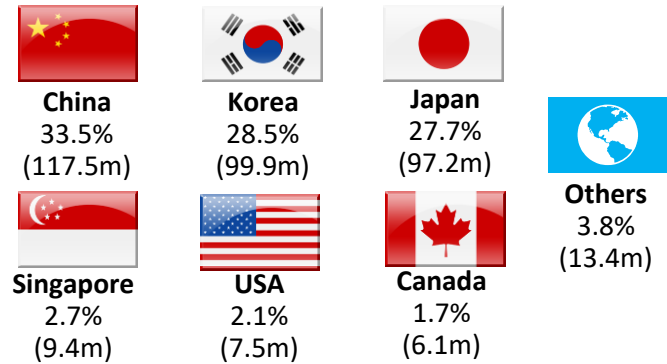


International trade of goods in TL,  
2018-2022 (US\$ Million)

CAGR: Expo. 97% / Impo 11%



### Exports by country of destination, 2022



### Imports by country of origin, 2022



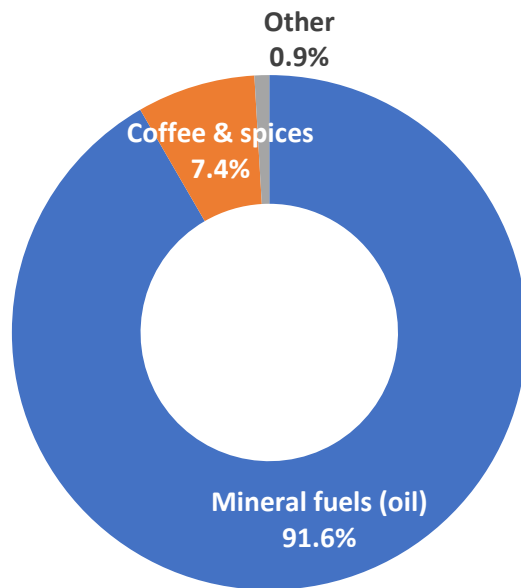


# Primary sector is the main component of its exports

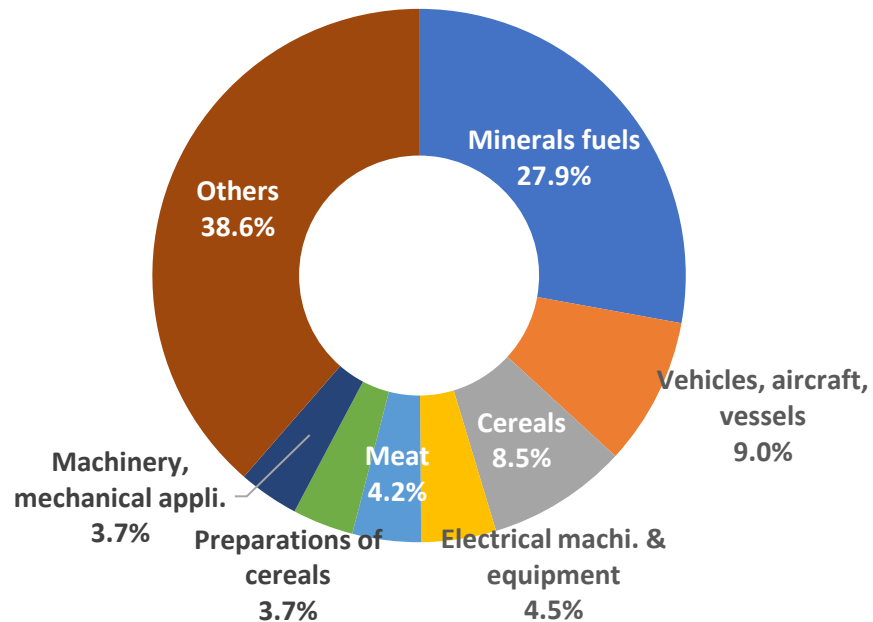
## Exports & imports of goods



Exports by products (HS2), 2022



Imports by products (HS2), 2022



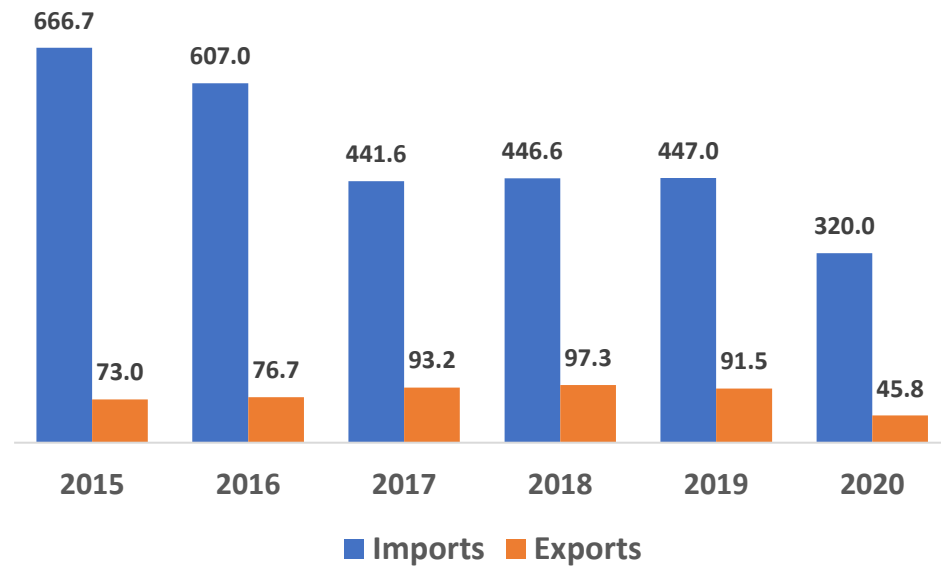


# Flows and services in Timor-Leste

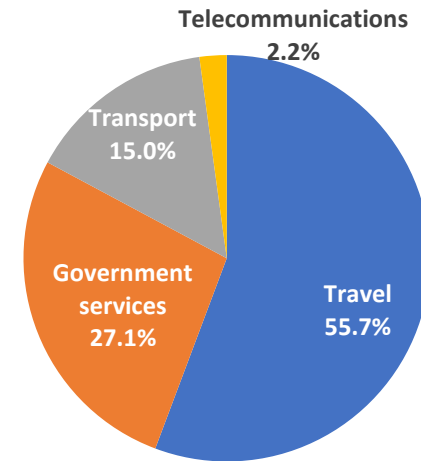
## Exports & imports of services



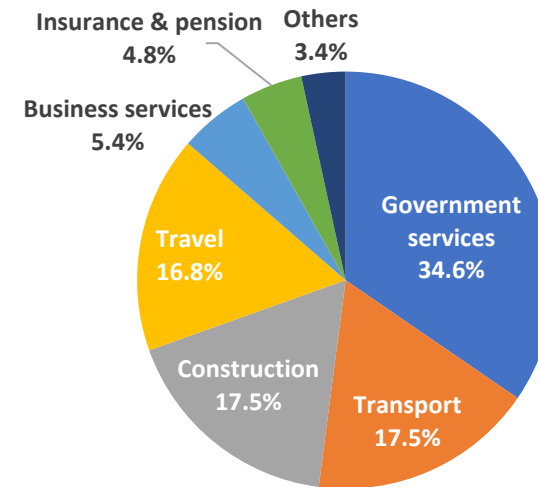
International trade of services in TL, 2015-2020 (US\$ Million)



Exports by services, 2020



Imports by services, 2020



No available figures for 2021

Governmental services: Anything related to diplomatic activities, public consultancy and international cooperation activities.

Source: TradeMap







# Dynamic & developing sector

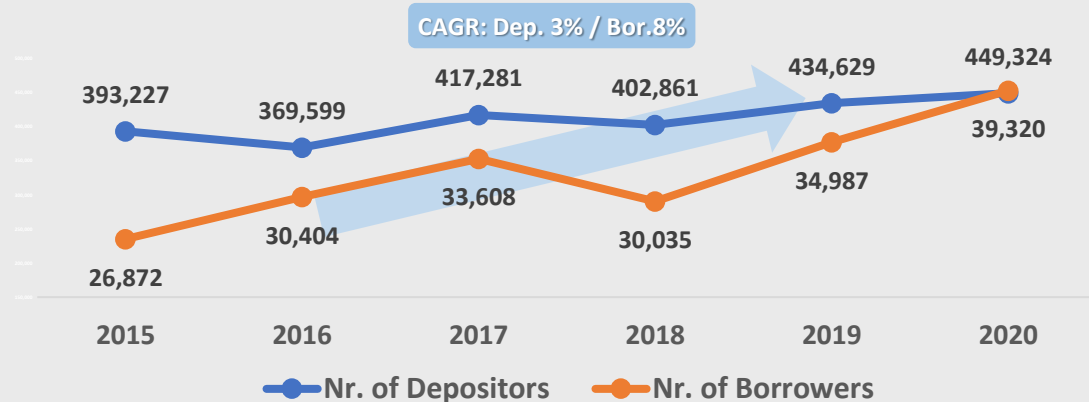
## Financial system growth



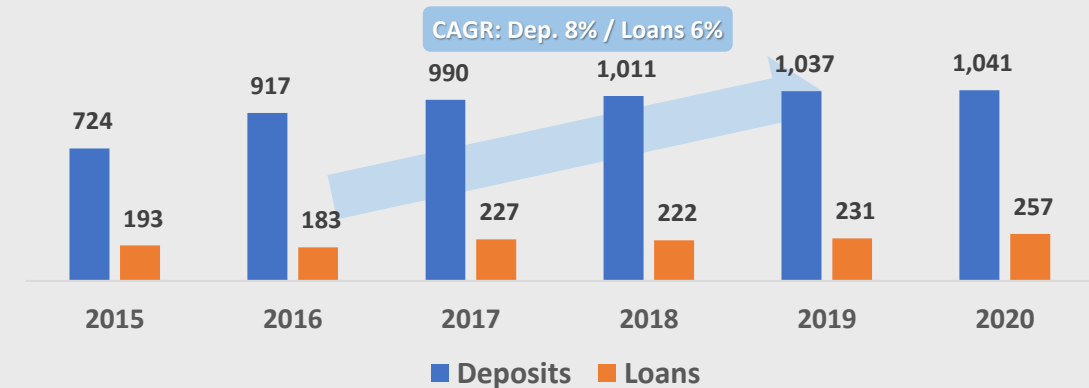
### Main players in financial sector

<p><b>Commercial Banks (5)</b></p> 	<p><b>Insurance Companies (3)</b></p> 
<p><b>Monetary authority</b></p> 	<p><b>Other Players</b></p> <ul style="list-style-type: none"> <li>• Money transfer operators: 9</li> <li>• Foreign exchange dealers: 9</li> <li>• Microfinance institutions: 2</li> </ul>

Number of depositors & borrowers in commercial banking in TL, 2015-2020



Amount of deposits and loans in commercial banking in TL, 2015-2020 (US\$ Mn)



Note: Fewer than one in six economically active adults in Timor-Leste actively uses financial services.  
 Source: IMF (<https://data.imf.org/?sk=E5DCAB7E-A5CA-4892-AGEA-598B5463A34C&sid=1460043522778>)





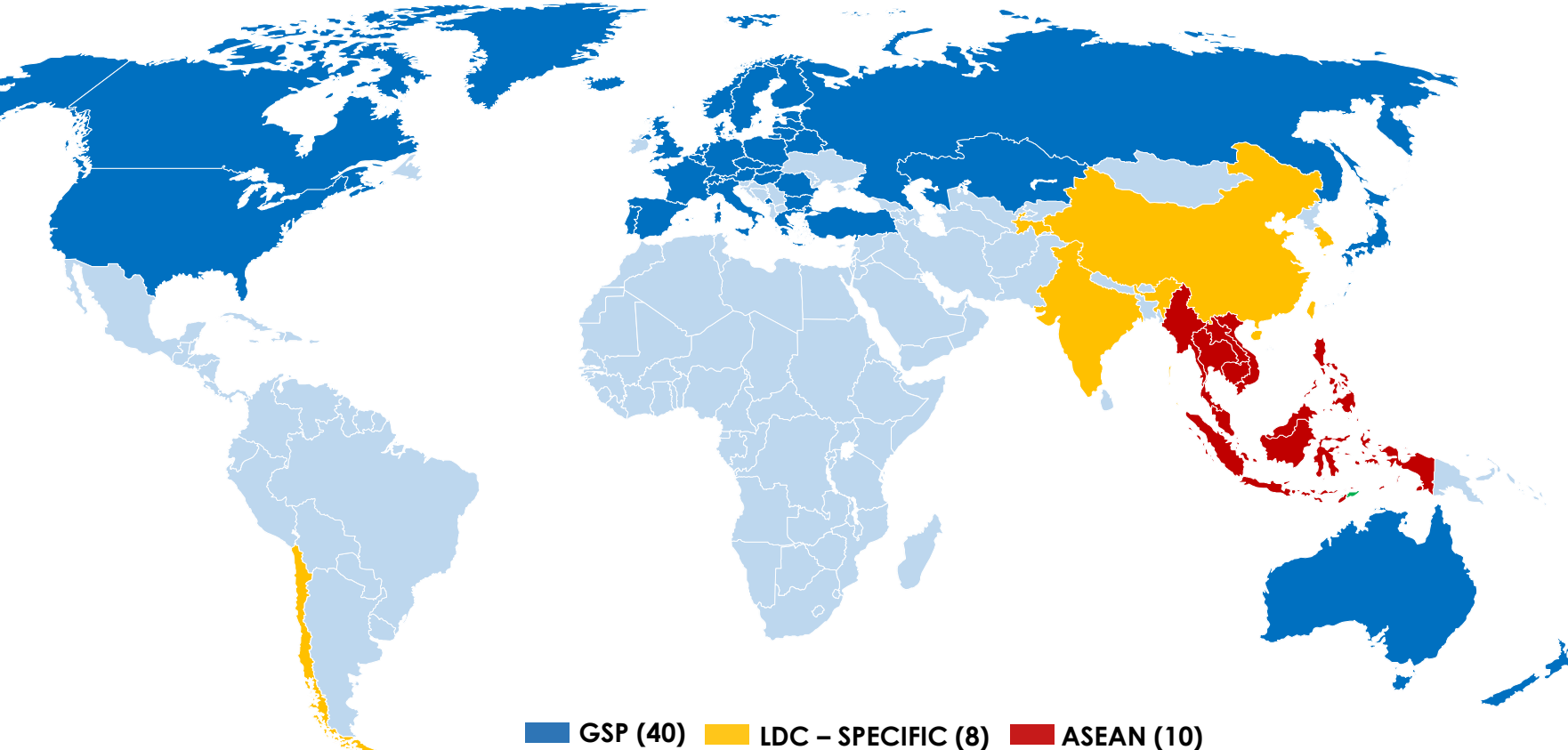
3

Strategic connectivity  
with preferential  
market access



# Solid international integration & institutionalality

Export platform with preferential market access to +2bn people in 58 countries



## International Organization memberships



International Monetary Fund



WTO  
World Trade Organization\*



World Bank Group



CPLP



Asian Development Bank

Community of Portuguese Language Countries



Asian Infrastructure Investment Bank



g7+



Association of Southeast Asian Nations

**GSP (Generalized System of Preferences - UNCTAD):** 40 countries grant duty-free and quota-free market access for exports of Least Developed Countries (LDCs).

**LDC-Specific:** 8 countries grant duty-free and quota-free market access for exports of Least Developed Countries (LDCs).

**ASEAN (Association of Southeast Asian Nations):** 10 countries. TL filing membership application in 2011. It is still in the process of acceptance. Currently it is an observer with no vote.

**WTO:** Joining process began in 2015 and in 2016 became an observer.

**CPLP:** Full-fledged member. It is a political cooperation group that also fosters market integration for more than 250 million consumers in 4 continents.

**g7+:** Intergovernmental organization uniting countries with active or recent conflict and fragility. It has 20 member countries from Asia, the Pacific, Africa and the Caribbean. HQ in TL.

Source: ADB – TradeInvest Timor Leste = UNCTAD (<https://unctad.org/topic/trade-agreements/generalized-system-of-preferences> - <https://gsp.unctad.org/home> - <http://ptadb.wto.org/default.aspx>)



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# Strategic location connecting 2 continents

+25 direct flights per week from 3 destinations



## Domestic flights

-  **9 airports:** Atauro, Baucau, Dili, Fuliro, Maliana, Oecusse, Suai, Viqueque, & Manufahi.
-  **4 international airports\*:** Dili, Baucau, Oecusse, & Suai.
-  **2 Domestic flights carriers:** Mission Aviation Fellowship - MAF (Australia), & ZIIPS.
-  **5 Routes:** Dili-Atauro; Dili-Baucau; Dili-Maliana, Dili-Suai, Dili-Oecusse.

\*Currently only Dili (International Airport President Nicolau Lobato) host regular international flights.

Note: The airport is operated by ANATL (Airports and Air Navigation of Timor-Leste). Flights are limited to daylight hours (no light). The maximum size aircrafts capable of landing are B737 & equivalent (short runway).

Source: <https://www.flightconnections.com/> - TITL - World Bank

# World class port infrastructure

## Maritime shipping connectivity



### Shipping companies:




### Tibar Port (2022)

- Deep see port
- **US\$490** Million - PPP
- **2** Berths, **2** cranes and **5** rubber tired gantry cranes
- **630m** (2,017ft) Wharf pier
- **15m** (49ft) Draught
- **29ha** (72 acres) Container yard
- **350K** TEU annually
- **+750K** Annual containers capacity

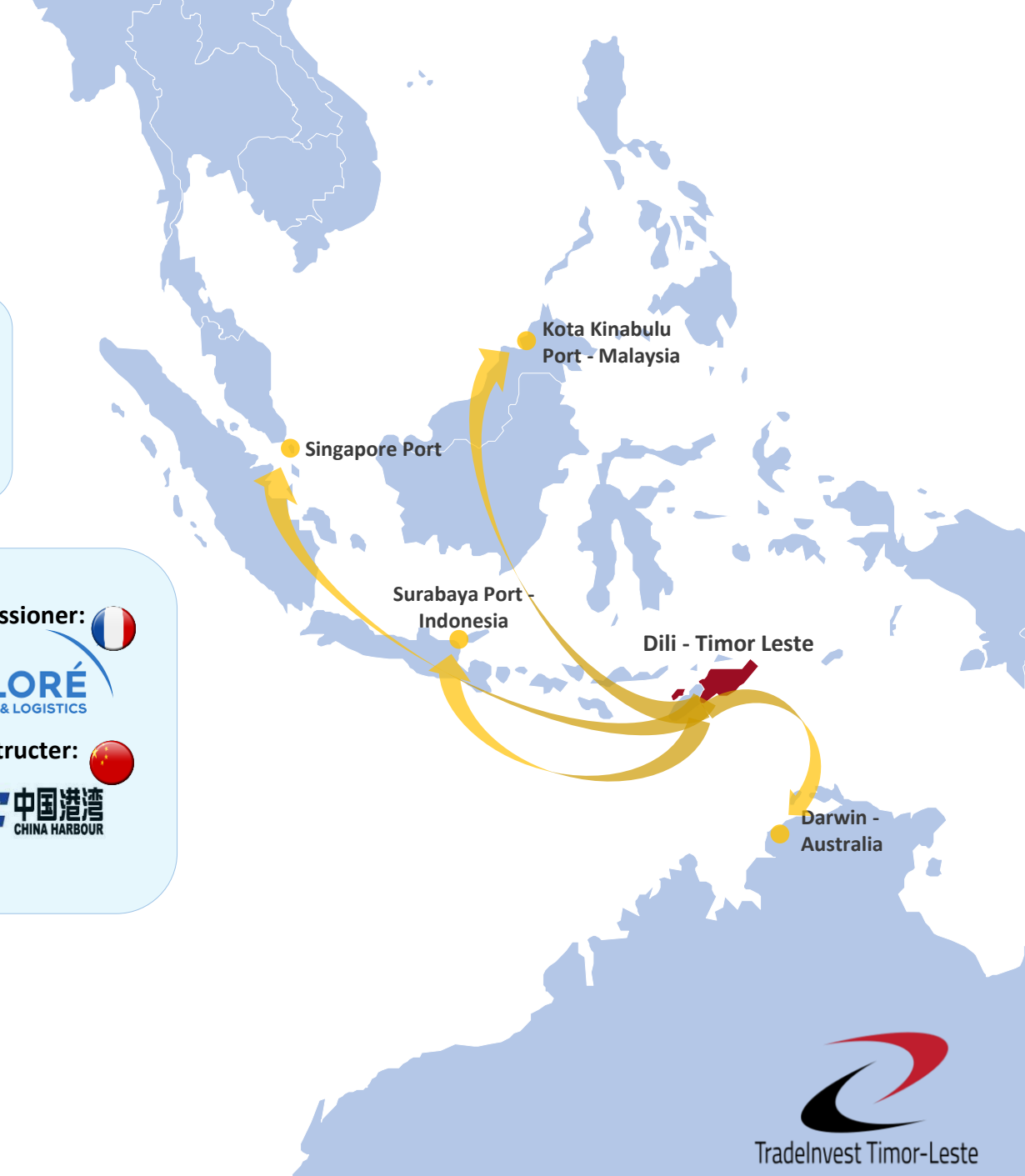


Concessioner: 

**BOLLORE**  
TRANSPORT & LOGISTICS

Constructor: 

**HEC** 中国港湾  
CHINA HARBOUR







5

## Friendly business environment with solid legal framework

- Tax incentives
- Tax regime benchmark
- Sectors to invest

# Solid and stable legal framework for investors



## Investments regulation

- 🏠 State duty to promote national & foreign investment: Constitution Article 140.
- 🏠 Private Investment Law: Law 15/2017.
- 🏠 Regulation of Private Investment Law: Governmental Decree 2/2018.
- 🏠 International commercial & investment disputes arbitration resolution (New York Convention): Voluntary Arbitration Law No. 6/2021.

## Investors rights (9)

- 🏠 Free initiative.
- 🏠 Equal treatment of national & foreign.
- 🏠 Free transfer of funds abroad.
- 🏠 Employment of foreign for qualified workers.
- 🏠 Access to courts and dispute settlements.
- 🏠 Respect for previously signed international agreements or incentives packages.

## Restricted activities

- 🏠 Public communication service & media.
- 🏠 Passenger land transport.
- 🏠 Air transport.
- 🏠 Gambling & other recreational activities.
- 🏠 Insurance.

## Forbidden activities

- 🏠 In environmental protected areas.
- 🏠 Related to offensive of traditional customs.
- 🏠 Postal & courier services.
- 🏠 Funeral service.

Note: As a complement to the investment regulation, the Company Act should be taken into consideration. It is established by Law Nr. 10/2017, Decree Law Nr. 16/2017 on Business Registration, and Decree Law Nr. 34/2017 on Economic Activities (licensing).

Source: TradeInvest Timor-Leste



# One of the most attractive tax incentives in the region



## Land Leasing Agreements

- 🏠 50 years contract to lease land state property.
- 🏠 Renewable for 25 years up to 100.
- 🏠 Free leasing costs up to 10 years.

## Declaration of Benefits (tax exemptions)

- 🏠 100% exemption in Income & Service tax.
- 🏠 100% exemption on Custom duties & Sales tax for capital goods & equipment used in the project.

## Special Investment Agreement

- 🏠 Legal agreement between investor & government to set a permanent legal framework applying to project.
- 🏠 Up to 50 years stability.

## Working visas

A minimum of five business visas for qualified employees with directing or technical functions.



**Location & time benefits:** Up to 5 years in Dili in administrative posts of Cristo Rei, Dom Aleixo, Na'i Feto and Vera Cruz (zone A). Up to 8 years outside urban area of Dili (zone B). Up to 10 years for special zones Oe-Cusse Ambeno and Atauro (zone C).



**Application procedure** through TradeInvest Timor-Leste. Up to 18 working days for Declaration of Benefits & 35 days for Special Investment Agreements.



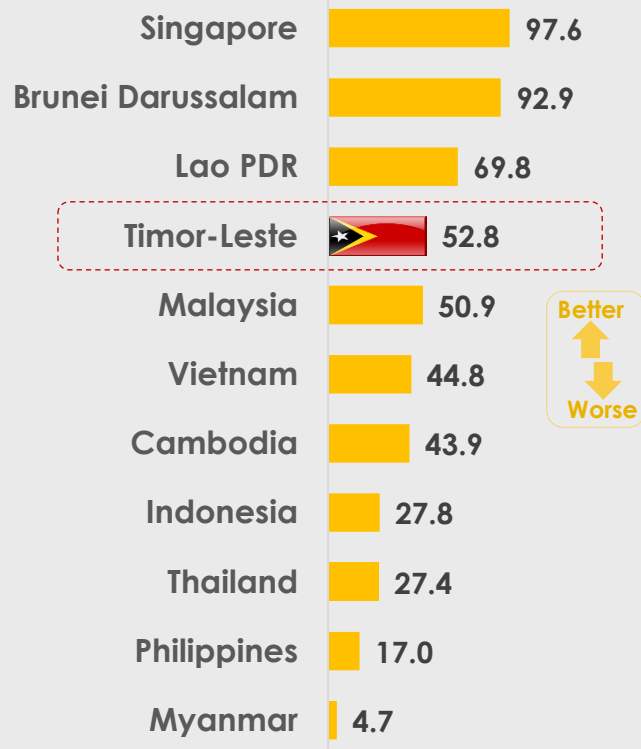
**Investment amount** of at least \$500K. It must be executed within 1 year counted from the issue of the Declaration of Benefits. If not, it shall be revoked.

# Timor-Leste: Stable & democratic country in Southeast Asia

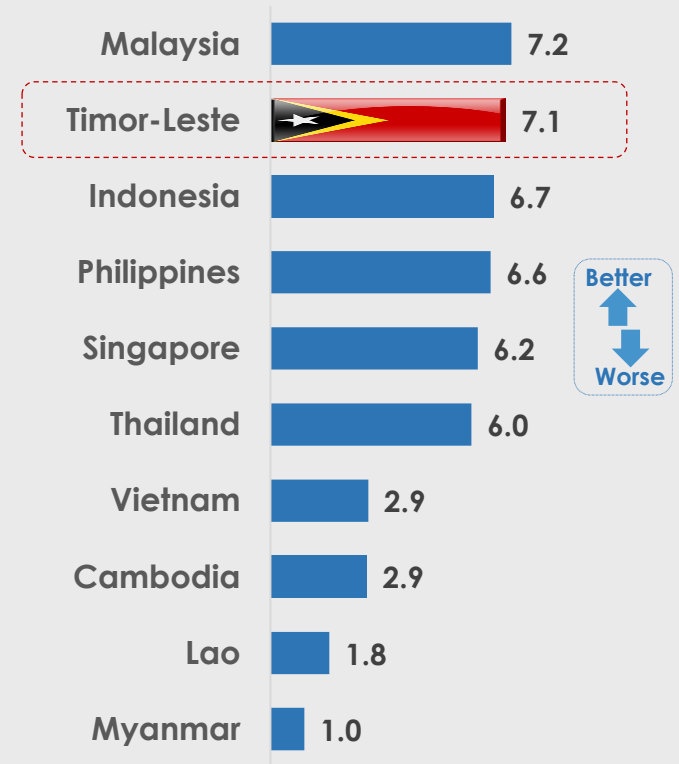
## Perception Vs Reality



### Political Stability & Absence of Violence Index in Southeast Asia, 2021 (Rank)



### Democracy Index in Southeast Asia, 2021 (Score)



Score: From 0 (lowest) to 10 (highest).  
 The Democracy Index is based on five categories: electoral process and pluralism, functioning of government, political participation, political culture, and civil liberties.  
 Source: Economist Intelligence Unit (EIU)

Rank: From 0 (lowest) to 100 (highest).  
 Political Stability and Absence of Violence/Terrorism measures perceptions of the likelihood of political instability and/or politically-motivated violence, including terrorism.  
 Source: The World Bank Database



A large offshore oil rig is shown in the ocean under a blue sky with scattered clouds. The rig is a complex of metal structures, including a tall derrick and various platforms. A large red number '4' is overlaid on the rig.

# 4

## Competitive operational costs & labor force

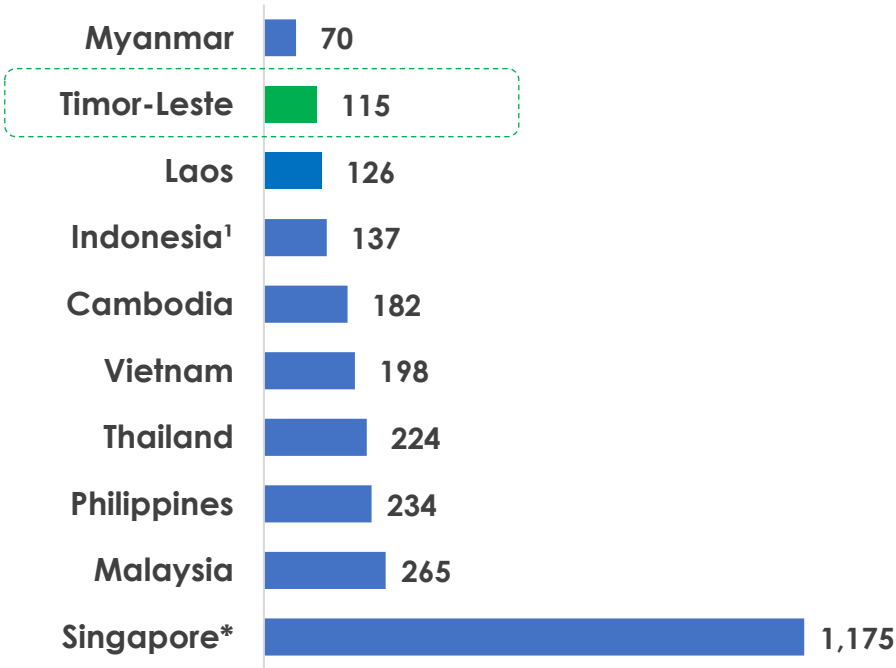
- Salaries & labor regime
- Utilities
- Real estate



# Competitive salary in Southeast Asia

- 🏠 **2<sup>nd</sup> most competitive salary** in Southeast Asia with a monthly minimum wage of US\$115
- 🏠 **Friendly and business-oriented labour regime**, fostering the creation of new employment

Monthly Minimum Wage in Southeast Asia, 2023 (US\$/Month)\*



**US\$ 115/month**  
Monthly minimum wage

- 10% social security rate: 6% employer & 4% employee
- 13 salaries per year
- US\$280/month average salary



\*Values may change according to exchange rate fluctuations. These figures are only for reference.  
Note: Salaries do not include mandatory social benefits  
Source: <https://countryeconomy.com/national-minimum-wage/> / <https://tradingeconomics.com/country-list/minimum-wages?continent=asia>  
/ <http://www.salaryexplorer.com/> - <https://taxsummaries.pwc.com/new-zealand/corporate/other-taxes>

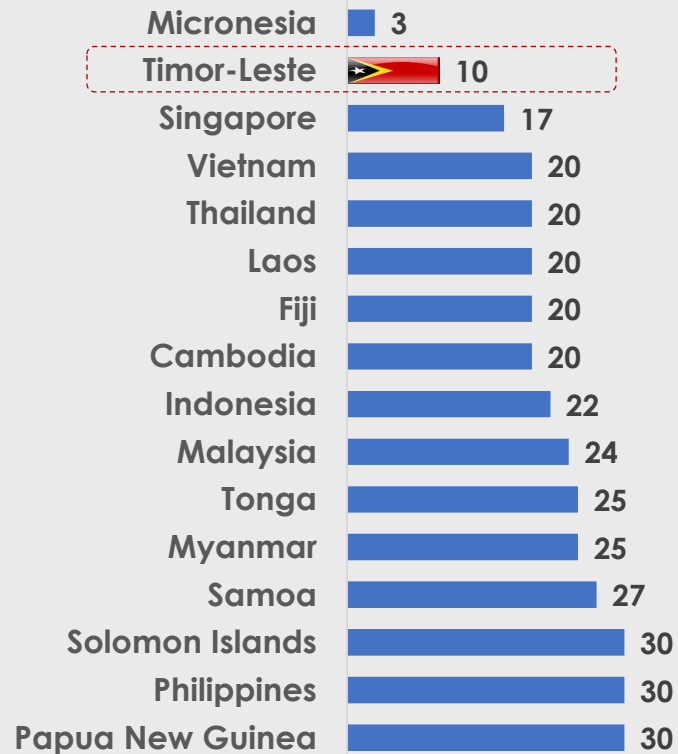


# Second lowest tax regime in Southeast Asia & Pacific

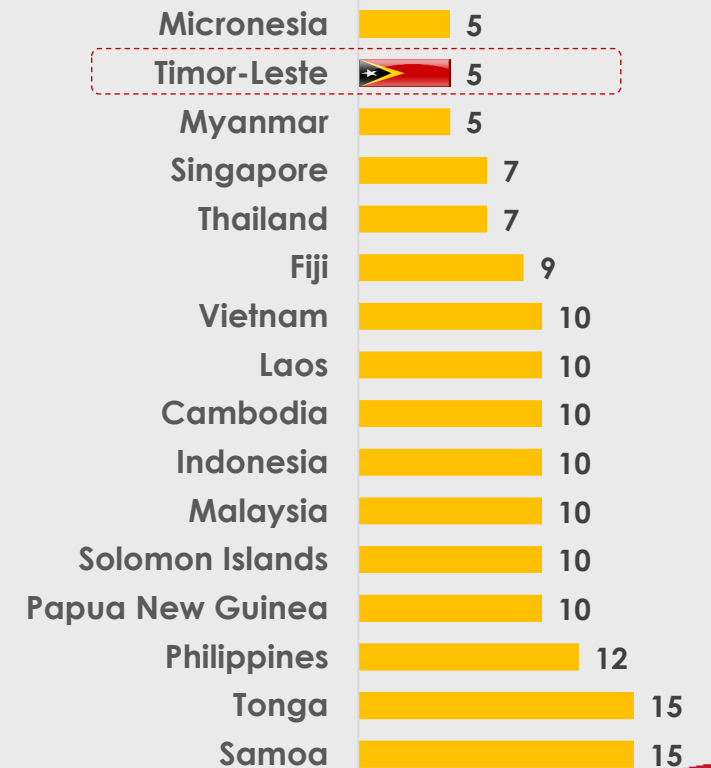
## Timor-Leste tax regime comparison



### Corporate income tax rate in Southeast Asia & Pacific, 2022 (%)



### Sales tax rate in Southeast Asia & Pacific, 2022 (%)



Note: income may vary according to the company size revenues and sales tax according to the products.

Source: TradingEconomy (<https://tradingeconomics.com/country-list/sales-tax-rate>)



TradeInvest Timor-Leste

# Utility costs to run your operation

Several infra projects are taking place to make us more competitive (data cable, renewable energy, water & sanitation)



## WATER & SEWAGE

**85.5%** Drinking water services access\*

**56.8%** Sanitation services coverage\*

## TARIFF

**Industry & commercial:**  
US\$0.6m<sup>3</sup>



## ELECTRICITY

**96.1%** Total access to electricity\*

## TARIFF

**Industry & commercial:**

- 1 to 1,000kWh/month: US\$0.12kWh
- 1,002 to 3,600kWh/month: US\$0.2kWh
- Over 3,600 kWh: US\$0.24kWh



## INTERNET

**29.1%** Population using internet

**104.5** Mobile cellular subscribers per 100 people

## TARIFF

**Average Speed:**

- Download 5.34Mbps
- Upload 6.74Mbps

**Average price:**

US\$1.2 – 1.8 per GBps

**telemor**



Note: Tariffs subject to change due to current fiscal reform.

\*People using basic drinking water services (urban 96.5% - rural 80.5%); Basic sanitation services (urban 73.6% & rural 49.1%); Access to electricity coverage (urban 100% - rural 94.4%) (year 2020 – World Bank).

**Water tariffs:** Established in 2004 jointly by Ministry of Public Works and Ministry of Finance on Ministerial Diploma 1/2004. Never revised again. (PAD Dili Water Supply Project 2022)

**Electricity tariffs:** Government Resolution No.33/2010. Power Plants: Hera (120MW) & Betano (135MW).

**Internet:** Rates may vary according to provider and type of package.





# Young and vibrant labour market



1.3M

**Timorese population**  
Largest in the Pacific Islands

60%

Of the population is part of the labour force

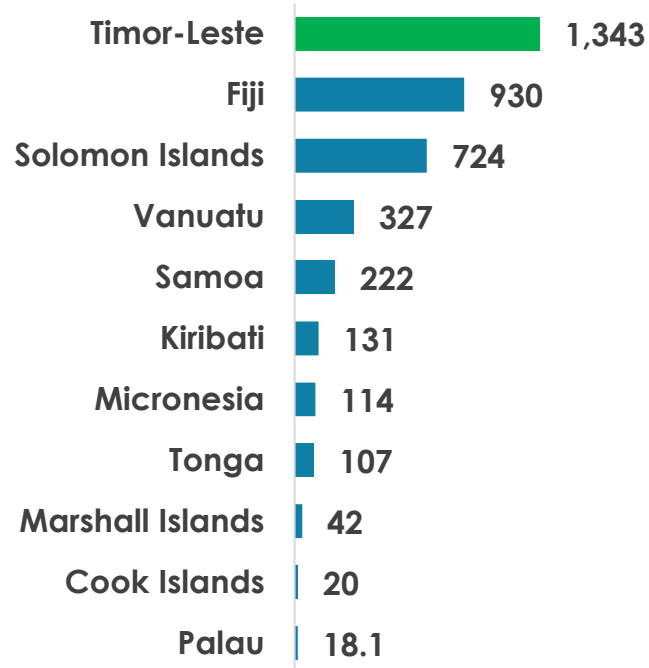
66%

Of the population is below 30 years old  
Surpassing East Asia & Pacific (40%) & World (49%)

1.5%

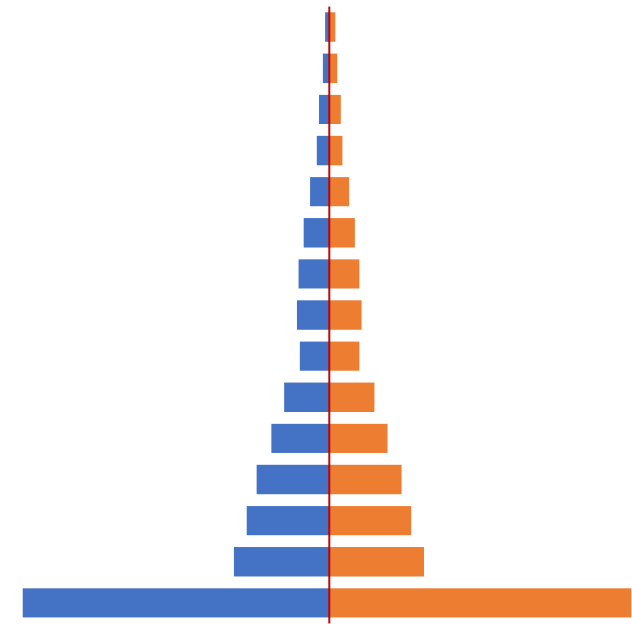
Avg. growth during last 5 years (2017/22)  
Surpassing East Asia & Pacific (0,5%) & World (1%)

Pacific Island States Population, 2022 (Thousands)



Population by age in Timor-Leste, 2021 (%)

Above 80  
75-79  
70-74  
65-69  
60-64  
55-59  
50-54  
45-49  
40-44  
35-39  
30-34  
25-29  
20-24  
15-19  
0-14



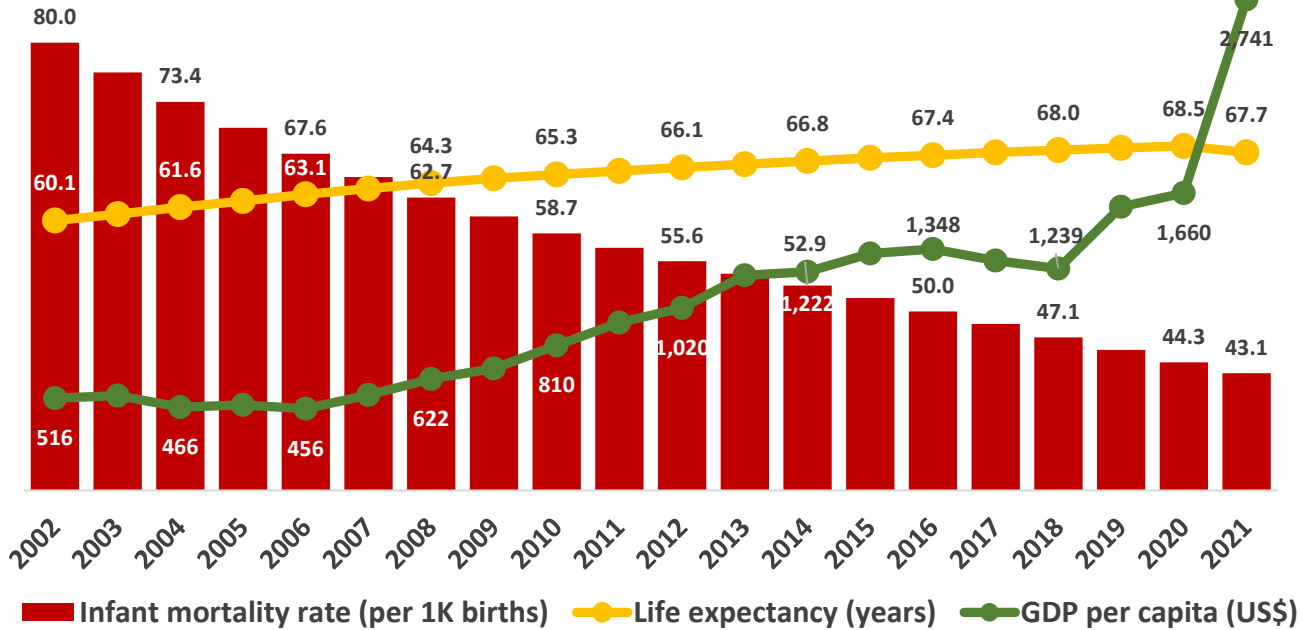
Female Male

# Constant social improvements

As income & life expectancy grow, mortality decreases



Infant mortality, Life expectancy and GDP percapita in TL, 2022-2021



**GDP per capita**  
Multiplied by 5 in 20 years

**Life expectancy**  
Increased in +7 years reaching 68 years old

**Child mortality**  
Reduced to half in 2

**Ranks as Medium**  
In Human Development Index 2022



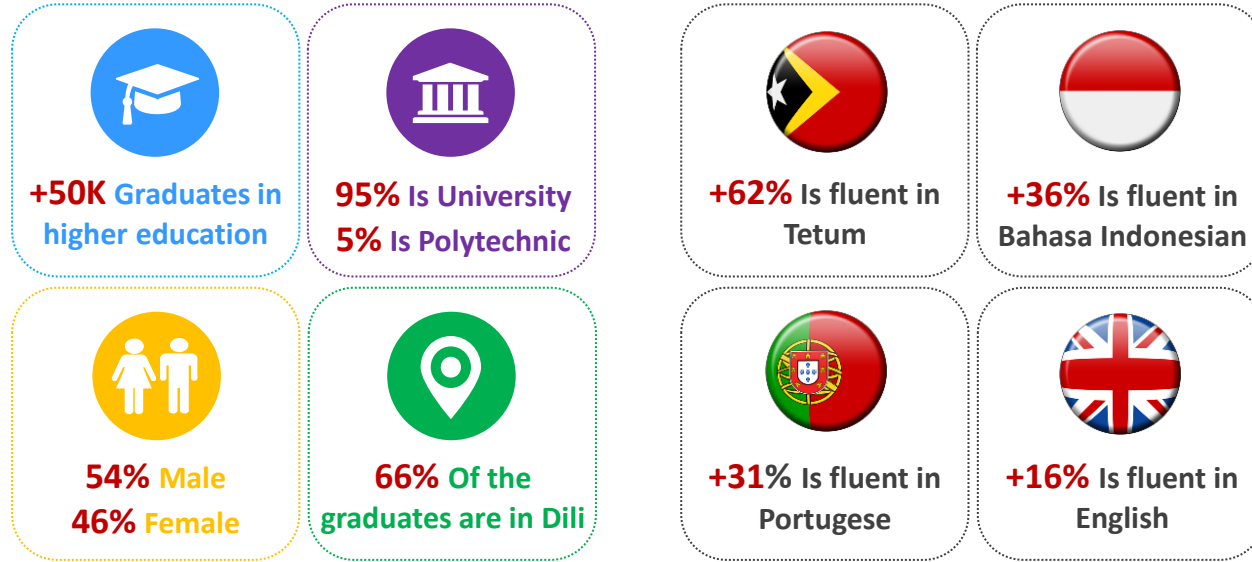
GDP Percapita 2022: \$2.358

Source: The World Bank Database- UNDP (<https://databank.worldbank.org/source/>)





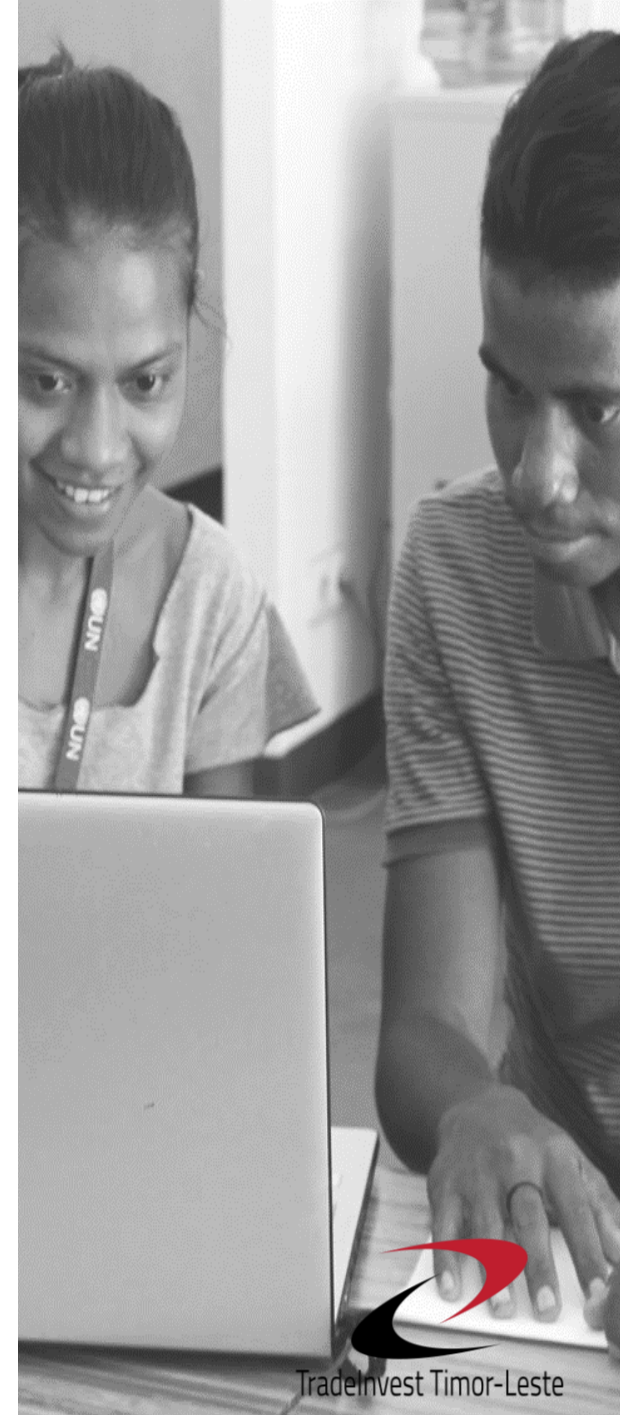
# Higher education & languages skills



## Higher Education Institutions in Timor-Leste



Note: On second quarter 2022 new educational census is taking place. Results are expected by early 2023  
Source: Timor-Leste Education Monograph 2015





6

Environmental  
protection

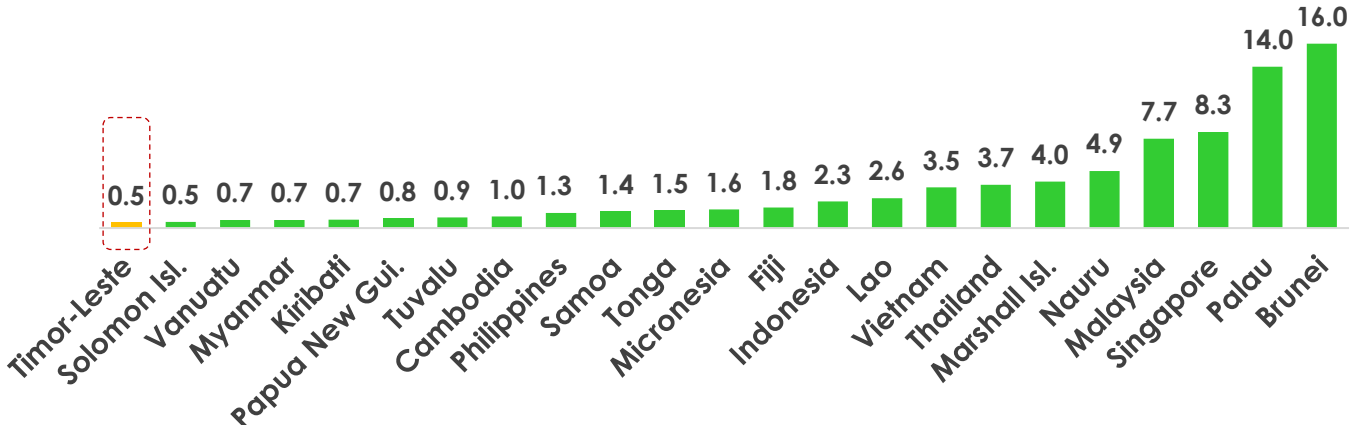


# Effectively commented with the environmental protection

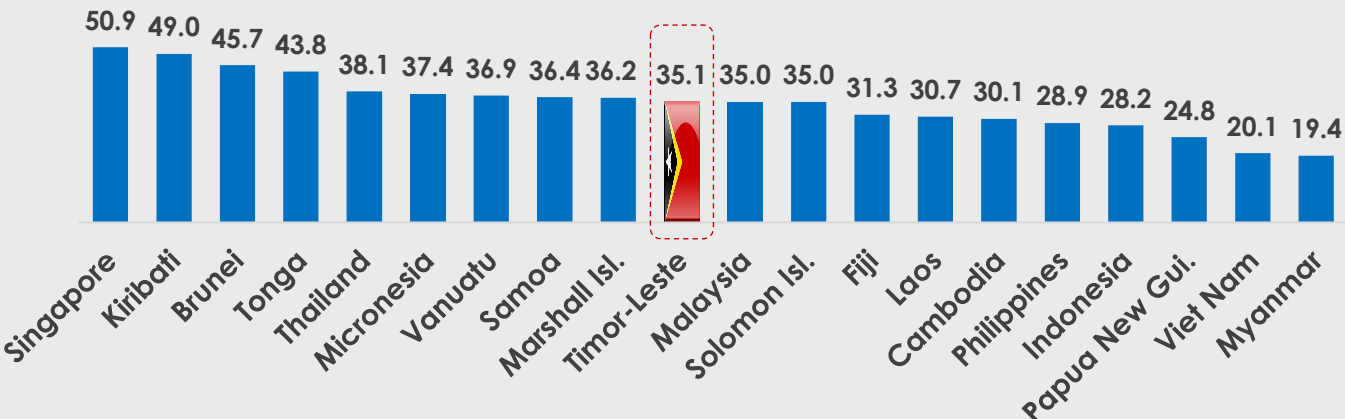
Lowest CO2 emissions & high score in environmental index in Asia & Pacific



CO2 emissions in Southeast Asia & Pacific, 2019 (Ton<sup>3</sup> per capita)



Environmental Performance Index in Southeast Asia & Pacific, 2022 (Score)



Source: The World Bank Database – Environmental Performance Index 2022 (Yale & Columbia universities)

# High commitment to Sustainable Development Goals (SDGs)



## Timor-Leste



- **Early adopter** of the 2030 SDGs agenda by publishing a **Road Map Implementation Plan** in 2017
  - It has **integrated** the SDGs with the **Country's Strategic Development Plan**
  - It is one of the few countries in Southeast Asia & Pacific with **Voluntary National Reviews of Implementation of SDGs (2019)**
    - **TradeInvest Timor-Leste** as the investment & export promotion agency is aligned with the **SDG #8** – Decent work and economic growth



### SDG 3 - Good health and well-being

Child mortality declined in half in 20 years



### SDG 4 - Quality education

Attendance rate at primary schools rose impressively from 65% to +92%



### SDG 5 - Gender equality

Women hold +35% of the parliamentary seats, one of the highest shares in the world and Asia & Pacific



### SDG 6 – Clean water and sanitation

Improvement after the destruction at restoration of independence reaching +30% of all households with access to safely managed sanitation (8% in 2010)



### SDG 8. Decent work and economic growth

The economy has grown considerably in the past 20 years



### SDG 9 – Industry, innovation and infrastructure

Large progress made in roads, electricity, schools, and health facilities proving access to quality public services



### SDG 16 - Peace, justice and strong institutions

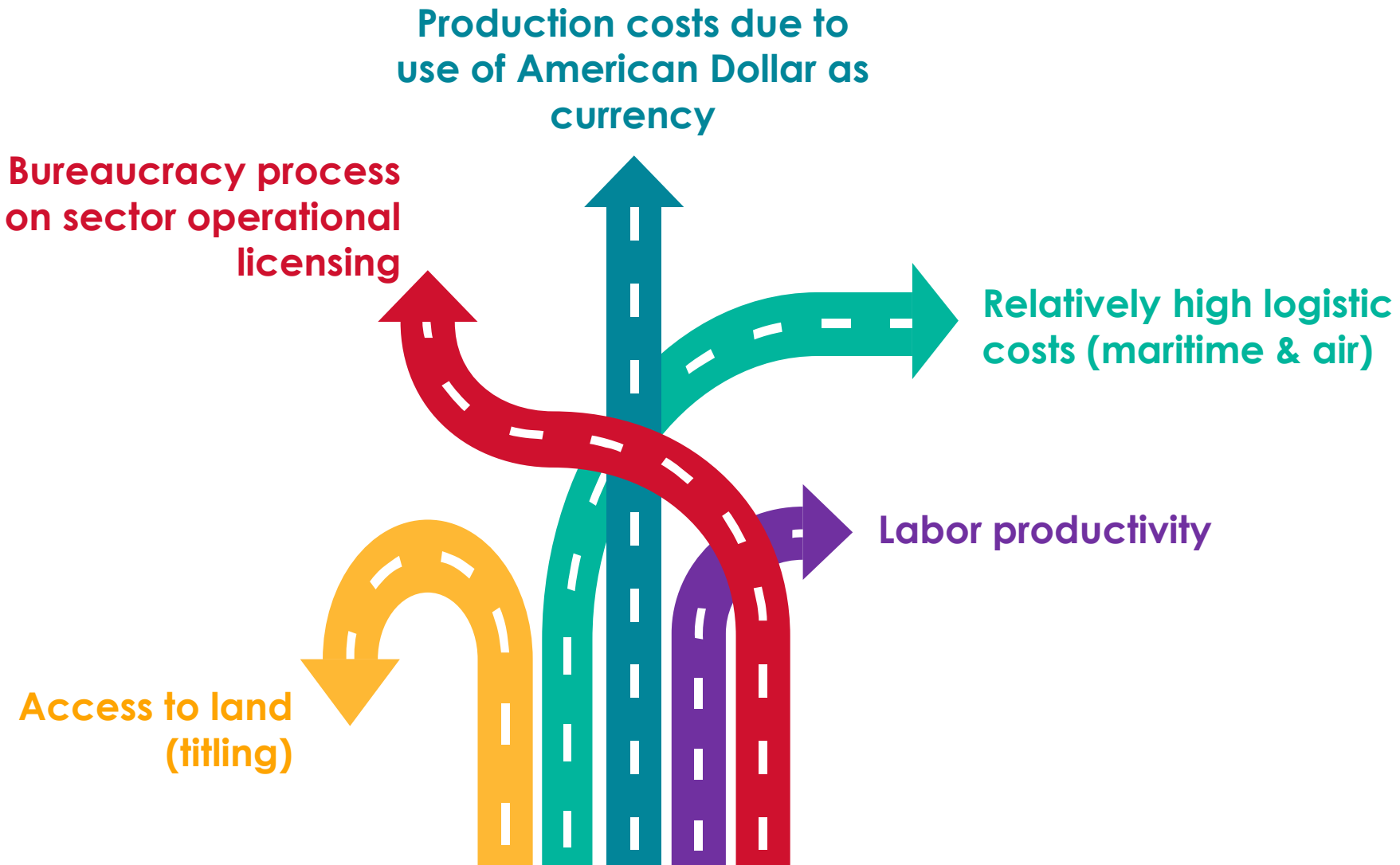
Democracy indicators are satisfactory and its post-conflict institutions are functioning



TradeInvest Timor-Leste



# Some challenges





# Thank you!

## *Obrigadu wa'in!*

**Arcanjo da Silva**  
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