



**TradeInvest Timor-Leste**  
Investment and Export Promotion Agency. I. P.

# MONITORING REPORT

**Investment Certificate, Declaration of Benefits and  
Special Investment Agreement  
2016 - 2022**

## **REPORT**

# **Investment Certificate and Declaration of Benefits and Special Investment Agreement Monitoring**

**(2016-2022)**

**By:**

**TradeInvest, BRVS, Customs Authority, Tax Authority  
and NAEL**

## PREFACE



TradeInvest Timor-Leste (TITL) is an autonomous government agency operating to promote, facilitate, and monitor private investments and exports to drive national economic growth and development.

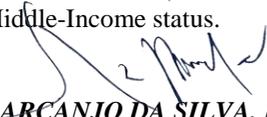
It is our effort to implement TITL's mandate of investment promotion that includes: issuing Investment Certificate, Declaration of Benefits, and negotiating special investment agreement in Timor-Leste. We have continued to spearhead the provision of advisory services as well as facilitating and offering aftercare services to the business community and guiding policy formulation. This Investment Abstract for monitoring activity Year 2016-2022 gives an outlay of the licensed investments, planned employment, and their distribution by region, source country, and sector. It also details the trend of the data and gives comparison in each year.

From 2016 to 2022 TradeInvest Timor-Leste received 112 business plans of the companies. TITL together with technical committee from various line ministries approved 39 business plans composed by 41% National Direct Investment (NDI), 44% Foreign Direct Investment (FDI), and 15% Joint Venture (JV) with a total of \$ 1,871,503,581.48 in capital investments. From the total amount of capital investments, the execution of the 39 companies within the country has reached \$ 447,186,139.63 so far. These companies have also enjoyed tax exemption during 6 years and 6 months, which worth \$ 10,214,641.34, based on private investment law.

The status report, which is quite positive, despite the tightness in the national and regional economy, details both domestic and foreign investment trends. I am glad to note that domestic and foreign investments contribute significantly to job creations in the country. A vibrant domestic economy is a precursor to attracting foreign investment, hence greater focus of TITL on private investment countrywide. This is an on-going effort to improve Timor-Leste's investment climate.

On behalf of the TITL, I commit to giving oversight to the implementation of the Strategic Plan which is a prerequisite to attracting more private investors and continuing to support and facilitate current investment in order to implement the project with environment friendly. A significant part of that plan provides for support to the private sector in terms of encouraging investors to invest in productive sectors.

I thank the Investment Promotion Directorate team and technical team from relevant institutions for their effort towards investment promotion and facilitation, job creation; plus, their contribution to economic development of the nation. TITL is also grateful to the investors for their investments, which are geared towards economic growth of Timor-Leste to achieve the Middle-Income status.

  
**Eng. ARCANJO DA SILVA, M. Agr. Econ.**  
***Executive Director***  
***TradeInvest Timor-Leste***

## **ACKNOWLEDGEMENT**

On behalf of TradeInvest Timor-Leste we would like to acknowledge the following parties for their valuable support:

- Cabinet of Coordinating Minister for Economic Affairs
- Business Registration and Verification Services (BRVS)
- Customs Authority
- Tax Authority
- National Agency for environment Licensing (NAEL)

Particularly thanks to our monitoring team, which spent most of their time in the field. Finally, our thanks go to all directors and advisers from the relevant ministries. The monitoring activity was funding by each department.

## **MONITORING TEAM AND ENUMERATORS**

<b>Name</b>	<b>Position</b>	<b>Division</b>	<b>Institution</b>
Ezaquiel da Costa Babo	Director	DPI	TradeInvest
Silverio Freitas	Manager	DPI	TradeInvest
Miguel Nunes	Manager	DPI	TradeInvest
Gabriela Yuliana Domingos	Technical Support	DPI	TradeInvest
Flora Mendes	Secretary of ED	CoED	TradeInvest
Epifanio Fernandes	Technical Support	DPI	TradeInvest
Elias G. Boavida Soares	Technical Support	DREM	TradeInvest
Aquelino Barros	Driver	DAF	TradeInvest
Jeronica Maria Fernandes	Technical Officer	SERVE	SERVE
Gil Mendonca	Technical Officer	SERVE	SERVE
Pascoela Natalia	Technical Officer	SERVE	SERVE
Mariano Antonio Baba	Driver	SERVE	SERVE
Anacleto Alves Henrique	Driver	SERVE	SERVE
Manuel A. de F. Cardoso	Driver	SERVE	SERVE
Nicodemos dos Reis Pereira	Accounting Annalist	Tax Authority	MoF
Mario da C. A. Correia	Officer	Tax Authority	MoF
Carlos Borges	Driver	Tax Authority	MoF
Jose M. da Silva Koli	Head of Department	Customs Authority	MoF
Vital da Silva	Officer	Customs Authority	MoF
Januario da C. Monteiro	Officer	Customs Authority	MoF

## TERMS AND ABBREVIATIONS

TITL	TradeInvest Timor-Leste
DIP	Directorate of Investment Promotion
DEP	Directorate of Export Promotion
DERM	Directorate of External Relation and Marketing
DAF	Directorate of Administration and Finance
CAIPE	Comissão de Avaliação do Investimento Privado e Exportação
BRVS	Business Registration and Verification Services
TA	Tax Authority
CA	Customs Authority
NAEL	National Agency for environment Licensing
PIL	Private Investment Law
GD	Government Decree
NDI	National Direct Investor
FDI	Foreign Direct Investor
JV	Joint Venture
IC	Investor Certificate
DB	Declaration of Benefits
SIA	Special Investment Agreement
Lda	Single Shareholder Company with limited liability
ROI	Return of Investment
S. A	Joint Stock Company
USA	United States of America
USD	United States Currency
YoY	Year on Year
Yr	Year
\$	Dollar
%	Percentage

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## **I. Introduction**

TradeInvest Timor-Leste (TITL) was created by Decree Law No. 45/2015 30th of December, as a public institution under the Coordinating Minister for Economic Affairs, which focuses on diversifying the country's economy by promoting, facilitating, and monitoring private investment and export. TITL has undergone a strategic review and identified its mission to make it easier for potential investors and exporters to do business in the country.

The Directorate of Investment Promotion (DIP) at TradeInvest has primary tasks to promote, facilitate, monitor, advocate, and conduct research on private investments as well as to issue Declaration of Benefits and sign Special Investment Agreement with investors, which enable them to have access to tax incentives in the time period when they invest in productive sectors such as: Agriculture, Fishery, Livestock, Forestry, Processing Industry, and Tourism under Private Investment Law No. 15/2017 and Government Decree No. 2/2018 (procedures and regulations for private investments).

TITL has developed a strategic plan 2018 - 2021 to create an attractive investment climate. The Government of Timor-Leste provides incentives to National Direct Investment (NDI) and Foreign Direct Investment (FDI), which engage in projects that contribute to sustainable economic growth, job creation, diversification of income, build resilient infrastructure, and socio-economic development with respect to natural environment protection.

In 2019, TradeInvest Timor-Leste conducted monitoring activity with the key relevant departments to assess and measure the effective performance of Investment Certificate (IC), Declaration of Benefits (DoB) and Special Investment Agreement (SIA) holders on the ground. The objective was to analyze which of the promised investments materialized and to estimate the number of subsidies that were given in form of tax benefits.

## **II. Objectives**

Followings are the objective of this activity:

- a. To measure the effectiveness of investor certificate, Declaration of Benefits and Special Investment Agreement during the period 2016 – 2022.
- b. To find out the progress and development on the investment projects that TradeInvest facilitated.
- c. To cross-check actual investment, prepare data for projections on gross income and net income as well as tax gap.
- d. To build and enhance positive long-term relationships between the government of Timor-Leste through TradeInvest with Investors.

## **III. Scope and Limitation**

1. The monitoring program was conducted only with recipients of Investor Certificate, Declaration of Benefits and Special Investment Agreement for the period 2016 – 2022.
2. The program utilized both qualitative and quantitative approach to obtain deep and relevant information for the investment projects.
3. The report focused only in the investment progress through the active years of the projects which went from year 1 (project beginning) up to year 6 (project implementation and outcome).

## **IV. Timeline**

The following are the process of 2022 IC monitoring program:

1. June 06<sup>th</sup>: Delivery of notification letters along with questionnaire to selected investors by Trade Invest.
2. June 20<sup>th</sup> – 24<sup>th</sup>: Reaching out to investor, follow up and coordinate the physical visit.
3. July 01<sup>st</sup>: Meeting and follow the arrangement for the physical visit with relevant ministries.
4. July 04<sup>th</sup> – 27<sup>th</sup>: Physical visit to the investment site.
5. August 01<sup>st</sup> – 19<sup>th</sup>: Submission of questionnaires.
6. August 22<sup>nd</sup> – 31<sup>st</sup>: Compiling the questionnaires.
7. September, Release of the 2022's monitoring report.

TradeInvest team organized the on-site visit based on investors' availability and assured that all the questionnaires were successfully delivered and filled up by all investors.

## **V. Stakeholders**

The 2022 monitoring team was composed by technical officers from relevant institutions such as:

- a. TradeInvest (Team leader)
- b. Cabinet of Coordinating Minister for Economic Affairs
- c. SERVE
- d. Tax Authority
- e. Custom Authority
- f. National Agency for Environmental Licensing

## **VI. Methodology**

The team applied the quantitative and qualitative approach during the monitoring process. The respondents of the survey were international and national investors that have had received Certificates of Investment, Declaration of Benefits and Special Investment Agreement from 2016 to 2022.

### **6.1 Questionnaire**

Single questionnaire was designed for both local and international investors (printed in 3 languages: Portuguese, English and Tetum) that aims to collect quantitative information related to annual income, number of employments, number of intangible and tangible assets, salaries of employees, and type of investment and other relevant information that are crucial for the development of the monitoring report. The questions were framed based on discussions with all technical officers and reflected the current follow up progress on the investment projects.

### **6.2 On-site visit & Interview**

Site visits and interviews were carried out from third-week of June to the last-week of July 2022. They were continued until the first and second week of August for those who postponed to be interviewed during the month of June and July. The site visit was conducted with the investors (owners) and their management staff to collect qualitative information about issues and challenges that have affected their growth in Timor-Leste.

### **6.3 Information Material**

Questionnaire, checklist, and site visit form as well as copy of certificate of investment were prepared by TradeInvest investment promotion department. The on-site visit form was then filled by TradeInvest staffs during the monitoring activity in the field. The purpose of this form was to verify and confirm the information provided in the business plan with the actual situation of the investment project.

The information on the investment progress, employment numbers, issues and taxes were collected through questionnaires filled and submitted by the investors.

## **VII. Respondents**

The respondents of the monitoring survey were investors who had received Investment Certificates (12), Declaration Benefits (18) and signed Special Investment Agreements (3).

Following the list of companies that responded the questionnaire:

- 1 Acelda, Unip. Lda
- 2 Agropro Corporation, Lda
- 3 Caixa Geral de Deposito, S.A.
- 4 Central Moris, Unip. Lda
- 5 Cladotia Fu, Unip. Lda
- 6 Compass Boat Charter & Diverse, Unip. Lda
- 7 Comve, Lda
- 8 Consorcio Austem Beverage, S.A.
- 9 Dili Vanili HMN, Lda
- 10 Dos Santos Agropec, Unip. Lda
- 11 Funan Santalum, Unip. Lda
- 12 Fung Ao Seu, Lda
- 13 Gota Bebidas & Alimentos, Lda
- 14 Happy Farm, Lda
- 15 Heineken Timor, S.A.
- 16 Kaebauk Investimeno & Financas, S.A.
- 17 Keshavarz Great Timor, Unip. Lda
- 18 L&O, Unip. Lda
- 19 Leste Food & Beverage, S.A.
- 20 Palm Spring Hotel, Lda
- 21 Pan Union Corporation, Lda

- 22 Pelican Paradise Group Limited
- 23 Pelican Elior Hotel Unipessoal, Lda
- 24 Pelican Adara Reserve Unipessoal, Lda
- 25 Pelican Ahava Apartment Unipessoal, Lda
- 26 Stamford Medical, Lda
- 27 The Circular Water Company, Lda
- 28 Timor Marine Square, S.A.
- 29 Timor Port, S.A.
- 30 TL Cement, S.A.

## **VIII. Budget Allocation**

To achieve the activity objectives, a total budget of US\$ 5,065.00 was approved by the Executive Director of TradeInvest Timor-Leste. The budget was executed 92%.

### **8.1 Physical visit and final report**

TradeInvest was responsible to distribute the questionnaires prior to commencing the physical visit along with government officers from relevant institutions in June 2022. After collecting the necessary data from the questionnaires, it will use in the analysis and draft in a suitable format by the TradeInvest team for the Executive Director review before its final submission to the Minister of Coordinating Economic Affairs and relevant institutions.

### **8.2 Physical visit**

Once scheduled, TradeInvest team and relevant institution officers including cabinet of minister, conducted monitoring activities to complete the questionnaire. During the visit, TradeInvest assisted investors that were struggling fulfilling the questionnaire as well as to clarify unresolved issues that investors faced on the ground.

### **8.3 Reaching Out to the Investors**

As it was mentioned before, TradeInvest reached out to investor that held Investor Certificate, Declaration of Benefits and Special Investment Agreement. First the team thanked and briefed the investors about the phone call, followed by investor's identification number confirmation. Finally, the team informed the investor the date to conduct the site visit and interview in the field.

## **IX. Analysis and Findings**

Based on the ISIC Rev. 4, following the different types of industry categories: Agriculture, forestry and fishing; Mining and quarrying; Manufacturing; Electricity, gas, steam and air conditioning supply; Water supply, sewage; Construction; Wholesale and retail trade; Transportation and storage; Tourism (accommodation and food services); Information and communication; Financial and insurance activities; Real estate activities; Professional, scientific and technical activities; Administrative and support services activities; Public administration and defense, compulsory social security; Education; Human health and social work activities; Entertainment and recreation, arts; Other service activities; Activities of households as employers, undifferentiated goods and service producing activities of households for own use and activities of extraterritorial organisations and bodies.

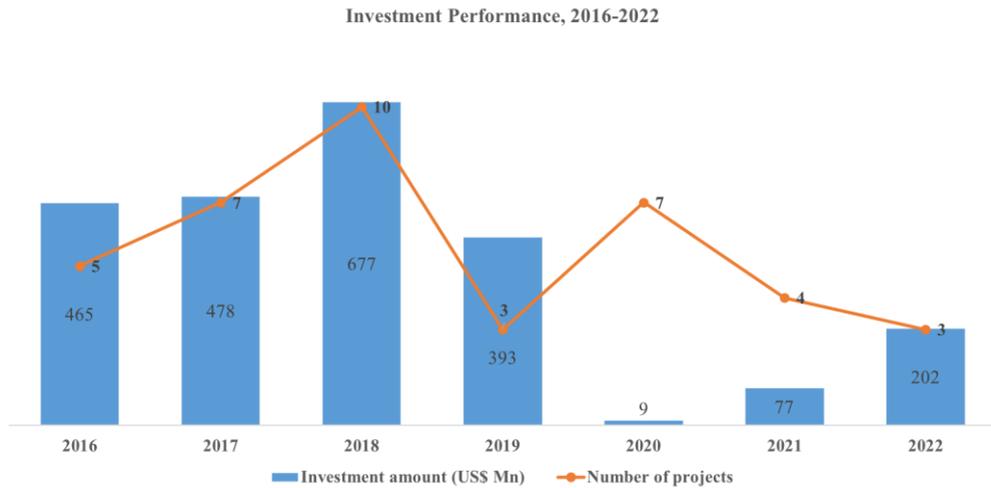
From the industries mentioned above, around 70% received either local or foreign investment, meanwhile the following activities are yet to be explored:

1. Professional, scientific and technical Activities
2. Education
3. Activities of households as employers, undifferentiated goods and services producing activities of households for own use
4. Activities of extraterritorial organizations and bodies
5. Administrative and support service activities, water supply, sewage, waste management and remediation activities.

### **9.1 Investment Overview**

#### **9.1.1 Investment performance**

The following graph reflects the total investment flows and number of projects from 2016 to 2022. The data presents year to year accumulated investment value and number of beneficiaries of Investment Certificates.



*Graph 1. Investment performance*

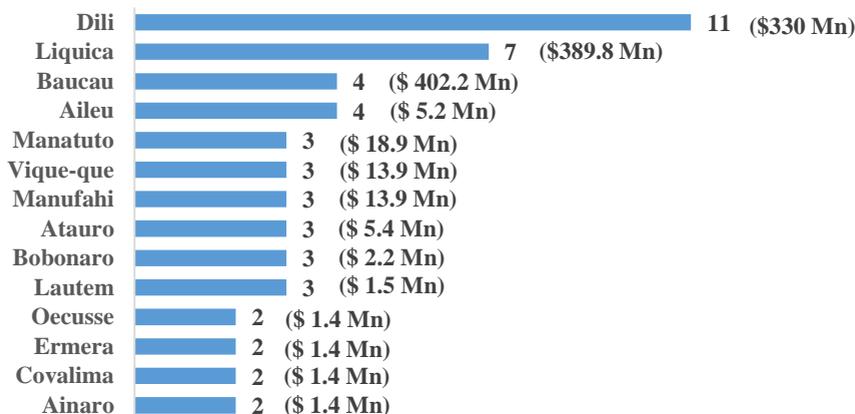
From the graph above, we see that the investment performance increased since 2016 until it peaks in the year of 2018, and decreased gradually from there. The highest performance was in 2018 with a total investment of \$ 677 million with 10 different projects that were driven by the subsidiary companies under Pelican Paradise Group Limited. However, the highest performance in 2018 did not translate in the implementation due to lack of both Special Investment Agreement and Land Lease Agreement, which later were signed in 2022.

In 2020, the investment capital fell drastically to a single million digit, given high number of projects, partly due to the ongoing political uncertainty and COVID-19 pandemic, which in turn affected the private investment climate in the country.

### **9.1.2 Investment by Location**

The following graph shows the investment distribution in Timor-Leste by municipalities based on number of projects and investment capital.

**Investment in TL by locations, 2016-2022  
(Nr. of Projects & Investment amount \$ Mn)**



*Graph 2. Investment distribution by location*

Dili Municipality holds most of the investment projects (11) equivalent to 21% share, with a total investment amount of \$ 330 million where majority of its capital derived from Heineken, Timor Marina Square, and Pelican Paradise Group.

Second destination is Liquiça Municipality with 7 projects equivalent to 13%, share with total investment amount of \$ 389.8 million where majority of the capital comes from Timor Port.

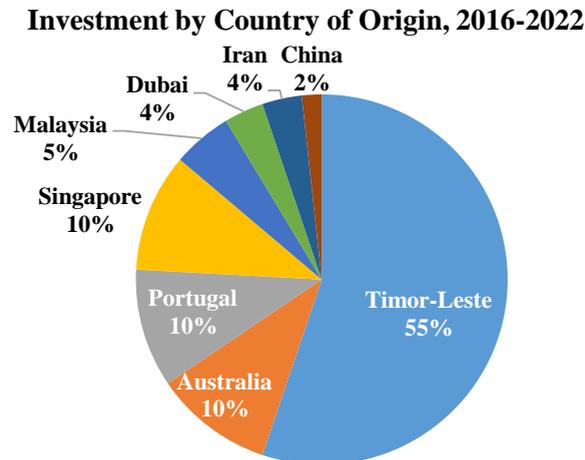
Third investment destination holds by Baucau and Aileu municipalities with 4 projects each (8%) share with mixed investments valued at \$ 407 million in various investment areas such as agriculture and industry.

Fourth investment destination holds by Manatuto, Manufahi, Vique-que, Atauro, Bobonaro and Lautem Municipalities with 3 projects per each municipality share (6%) and mixed investment value at \$ 56 million in various investment.

Lastly, fifth destination holds by Ainaro, Covalima, Ermera, and Oecusse municipalities with 2 projects each (4%) share with the total investment amount of \$ 5.7 million in various sectors. In these municipalities Finance sector is the main recipient. Considering the lack of investment, promoting investment in these regions is crucial to boost the economic.

### 9.1.3 Investment by Country of Origin

The following graph reflects the investment composition according to country of origin.



*Graph 3. Investment area by country of origin*

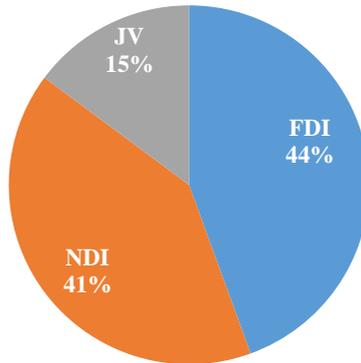
Timor-Leste makes up 55% of the total investment composition as the country of origin, which consists of NDIs and JVs. Its followed by Australia, Portugal and Singapore each makes up 10%, while investments from Malaysia 5%, Dubai and Iran 4% and China 2%.

This is to show that Timor-Leste’s investors dominated the investment activities in the country, and further promotional activities from the government through TradeInvest Timor-Leste are imperative to attract more foreign investments into the country. The companies participating in Joint Ventures are mostly from China and Malaysia.

### 9.1.4 Investment by Type

The following graph reflects the type of an investment made in Timor-Leste during the fiscal years 2016 – 2022.

### Flows by type of Investment, 2016-2022

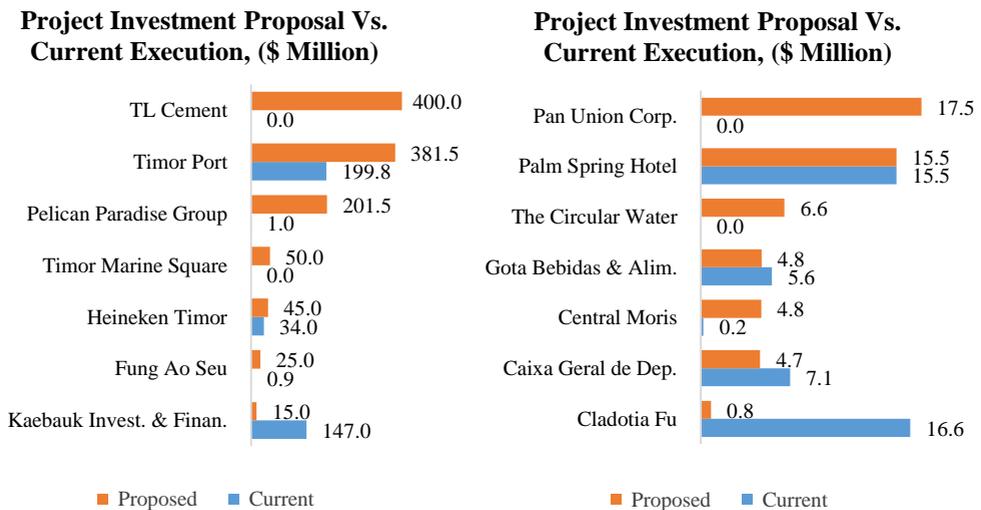


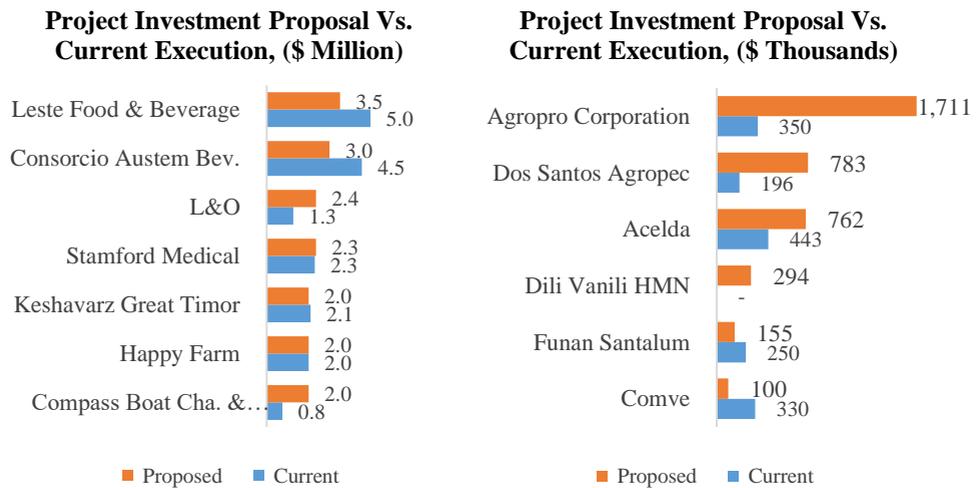
Graph 4. Type of investment  
 FDI: Foreign Direct Investment  
 NDI: National Direct Investment  
 JV: Joint Ventures

FDI makes up 44% of the investment within the country, which makes it the main type of investment. NDI with makes up the second largest type of investment with 41% composition, and followed JV with 15% of composition.

#### 9.1.5 Investment proposed amount Vs. Current investment

The following graph shows the initial proposed investment amount compared to the current investment by project. In most of the cases, the current investments amount is below than initial investment proposals.





Graph 5. Investment proposed amount Vs Current investment

This figure can also be read by investment categories: National Direct Investments (NDI), Foreign Direct Investments (FDI) and Joint Ventures (JV).

FDI is represented by: 1) Caixa Geral de Deposito, S.A. in the financial services sector where the original proposal was \$ 4.7 million and current investment is \$ 7.1 million; and 2). Leste Food & Beverage, S.A. in the industry sector where the original proposal was \$ 3.5 million and the current investment is \$ 4,9 million.

JV is represented by: 1) Consortio Austem Beverage, S.A. in the Industry sector where the original proposal was \$ 3 million and current investment is \$ 4.5 million.

Although in several cases the current investment amount is below the initial proposals, few projects cannot be asessed due to the lack of data during the monitoring period.

Finally, for the period of analysis (2016-2022) it is possible to conclude that in total the investment timeline is lagging behind schedule. Currently there is only \$ 447.2 million invested compared to the initial proposal of \$ 1,193.7 million.

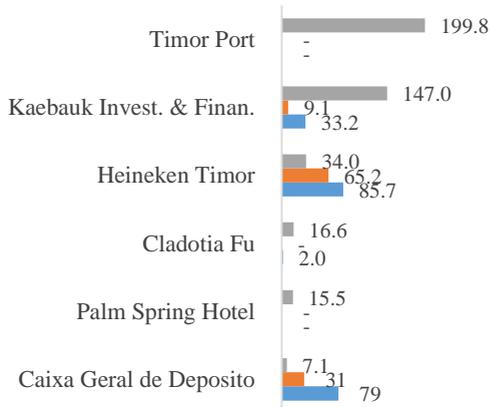
### 9.1.6 Current investment amount Vs. Investment return (ROI)

The following graph reflects the current investment value associated to its gross and net income.

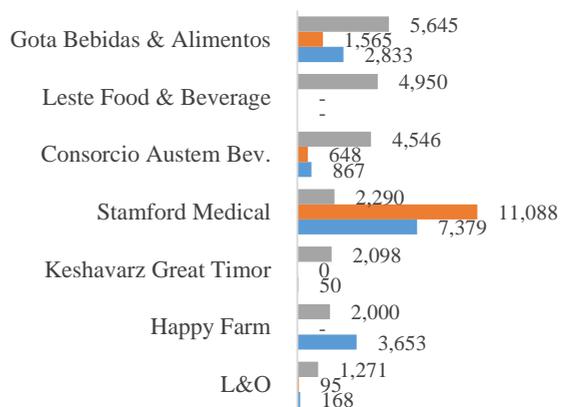
The current investment reached a total value of \$ 447.2 million, in which the majority of investment derived from Timor Port, Heineken Timor, Caixa Geral de Deposito, Kaebauk Investment, Palm Spring Hotel, Cladotia Fu and Stamford Medical. These companies show higher return on their gross and net income compared to their investment, proving that there is a higher demand for their products in the current market since their inception.

On the other hand, projects such as Acelda, Consorcio Austem Beverage, Comve, Dos Santos, L&O, and Gota Bebidas are likely to experience a similar pattern on high return of gross income soon.

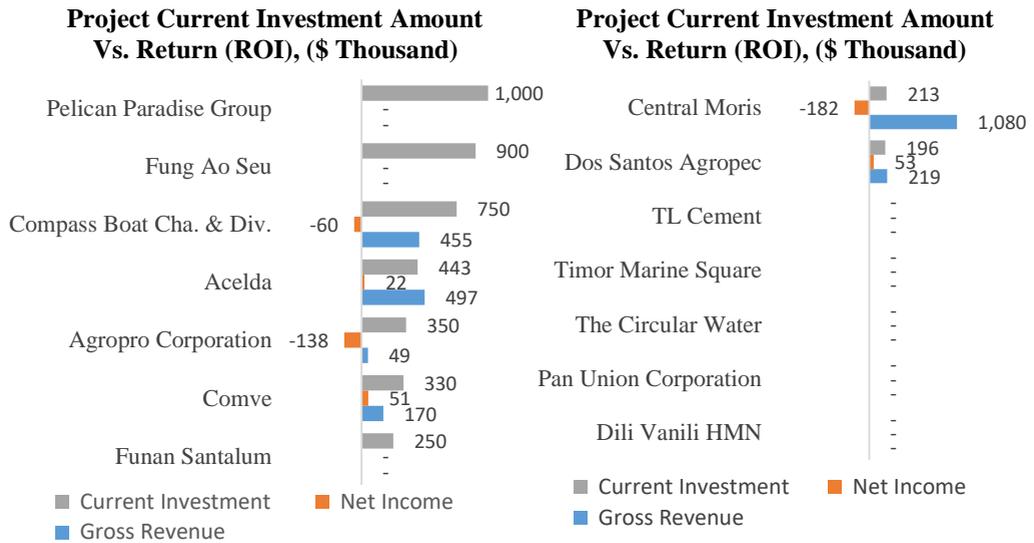
**Project Current Investment Amount Vs. Return (ROI), (\$ Million)**



**Project Current Investment Amount Vs. Return (ROI), (\$ Thousand)**



■ Current Investment ■ Net Income ■ Gross Revenue ■ Current Investment ■ Net Income ■ Gross Revenue



Graph 6. Investment amount Vs Return of Investment

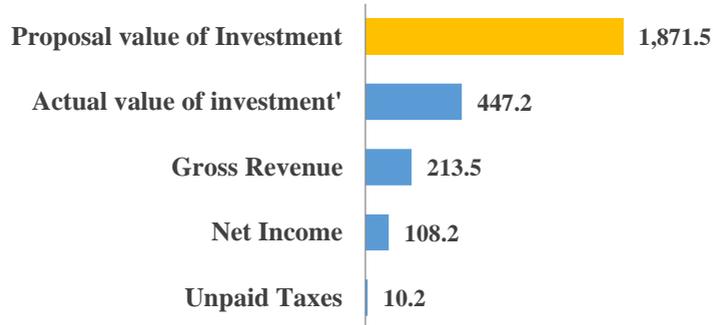
It is important to highlight that companies such as Agropro Corporation, Central Moris and Compass Boat Charter & Diverse experienced losses in their gross and net income. It could be explained by impact of Covid-19 period on their businesses.

Finally, some company refused to provide their gross and net income data either because didn't feel conformable or because they have not commenced their operation yet. These are companies such as: Fung Ao Seu, Keshavarz, Leste Food & Beverage, Pelican Paradise Group Limited, The Circular Water, Timor Marina Square, etc.

### 9.1.7 Current investment amount Vs. Fiscal incentives (unpaid taxes)

The following graph reflects the current investment value associated with the fiscal incentives.

**Investments and Taxation, 2016-2022  
(\$ Million)**



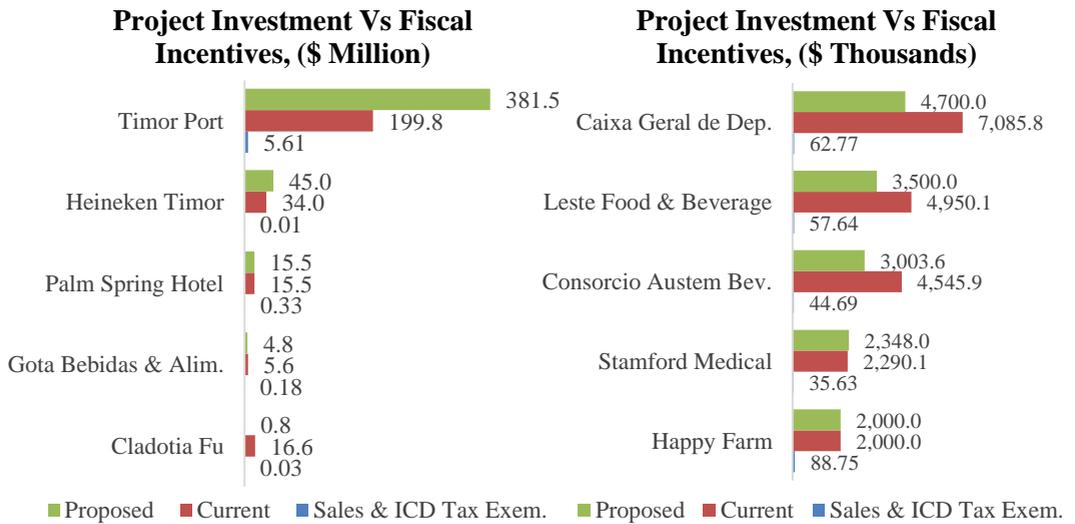
*Graph 7.1. Investment amount Vs fiscal incentives*

The total fiscal incentives value (unpaid taxes) since 2016 to 2022 is \$ 10,214,641. This number is a sum of \$ 3,588,341 of income taxes plus and \$ 6,626,300 of sales tax and import custom duties.

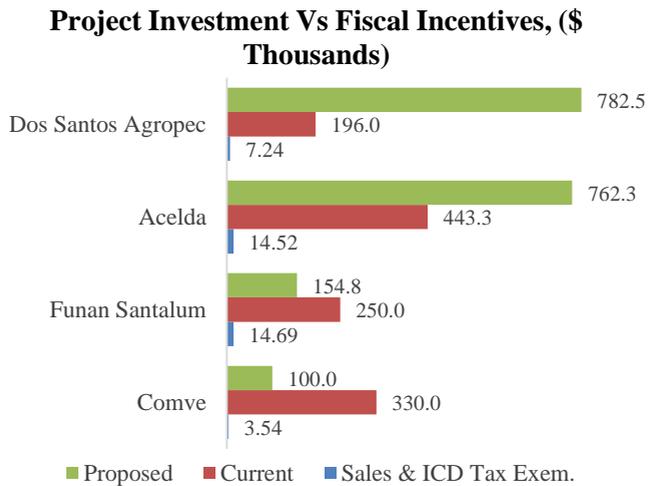
The sales and import custom duties taxes are dominated by Timor Port, S.A. with total value of \$ 5,607,798, followed by Palm Spring Hotel with \$ 332,678. These figures correspond to the construction phase of International Tibar port and Five Star Hilton Hotel.

Similar pattern is also seen in Gota Bebidas & Alimentos with \$ 181,117 and Heineken Timor with \$ 143,455. These investments are mostly in the operational phase where raw material imports play a major role for the production and packaging of their products in Timor-Leste.

Furthermore, companies such as Caixa Geral Deposito, Cladotia Fu, Comve, Consocio Austem Beverage, Dos Santos, Funan Santalum, Happy Farm, Leste Food, Stamford and Acelda shared medium proportion with a total value of \$ 361,251.



Graph 7.2. Project investment amount Vs fiscal incentives

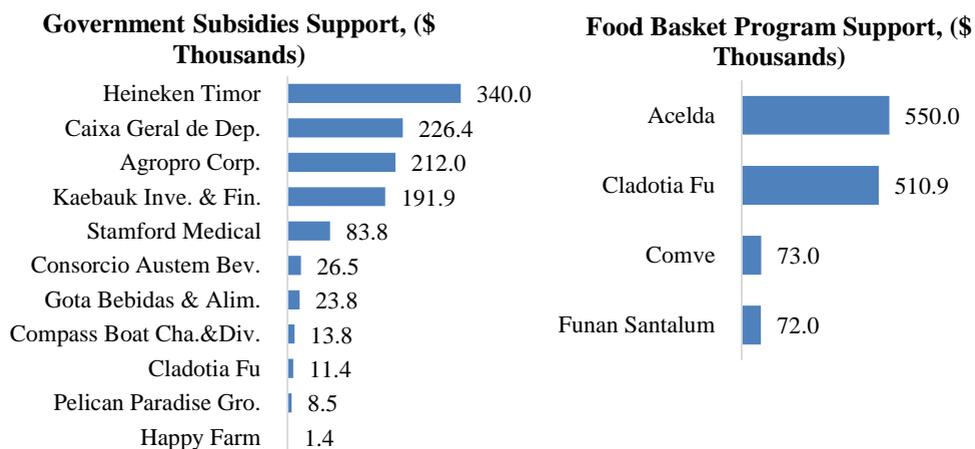


However, companies like Agropro Corporation, Central Moris, Compass Boat Charter, Kaebauk Investimento and L&O, have not yet used their benefit yet for free import taxes, either because they get their supplies from local markets or are not familiar with the procedure.

### 9.1.8 Economic Recovering program during COVID-19 Pandemic

The following graph shows the economic recovering program during COVID-19 pandemic from 2020 to 2021.

The government assigned subsidies to eleven (11) companies holding an Investor Certificate during COVID-19 pandemic, with a total value of \$ 1,139,570 are government also assigned subsidies to four (4) companies participated in the Food Basket Program, with a total value of \$ 1,205,850. Combining both subsidies, the Timorese government allocated a total value of \$ 2,345,420 for an economic recovery program, supporting fifteen (15) companies.



Graph 8. Economic recovery program support to companies during the COVID -19 Pandemic

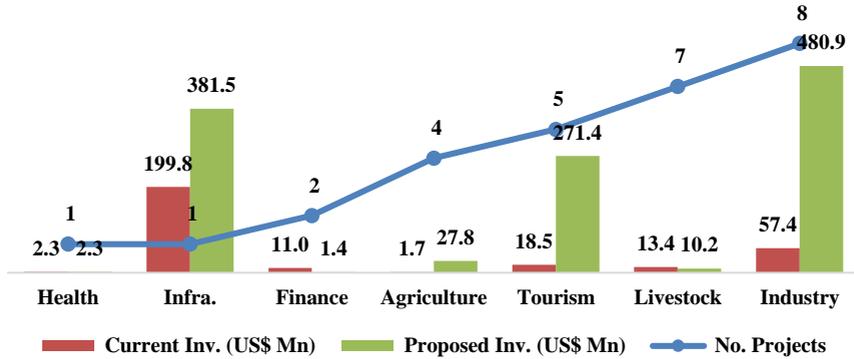
### 9.1.9 Investments by Sector

The following graph presents figures regarding economy sectors.

Industry sector highlights as the main recipient of investment in terms of number of projects eight (8) and proposed investment (\$ 480,9 million) but as second in terms of current investment (\$ 57,4 million).

In second position there is Livestock sector with 7 projects but a low investment value of \$10.2 million and a current investment of \$ 13.4 million.

### Investments by Sectors, 2016-2022



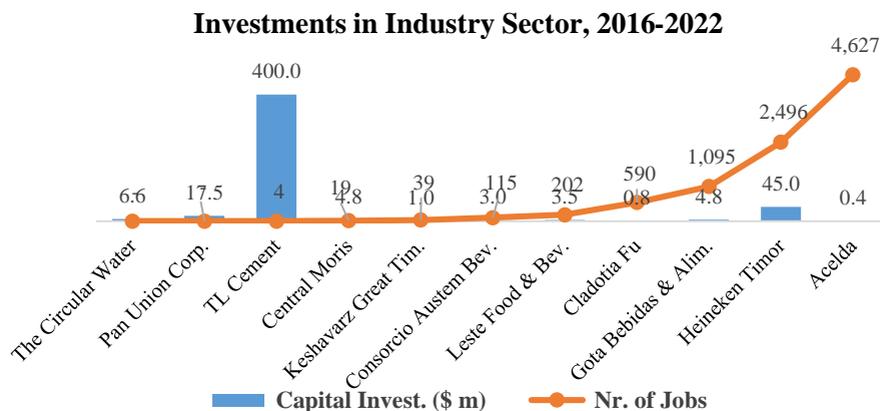
Graph 9. Investment flows by sector

Follow by Tourism and Agriculture with 5 and 4 projects respectively and current investments of \$18.5 million and \$ 27.8 million.

Although Finance and Health rank quite low in terms of projects (2 and 1), these are the only sectors where current investment surpasses the proposed investment amount. Finally, there is Infrastructure with the lowest number of projects (1 along with Health) but the highest current investment with a total of \$199.8 million.

#### 9.1.10 Investment in Industry Sector

The following graph reflects the investment value and direct and indirect job creation by companies in Industry sector.



Graph 10. Investment in Industry sector

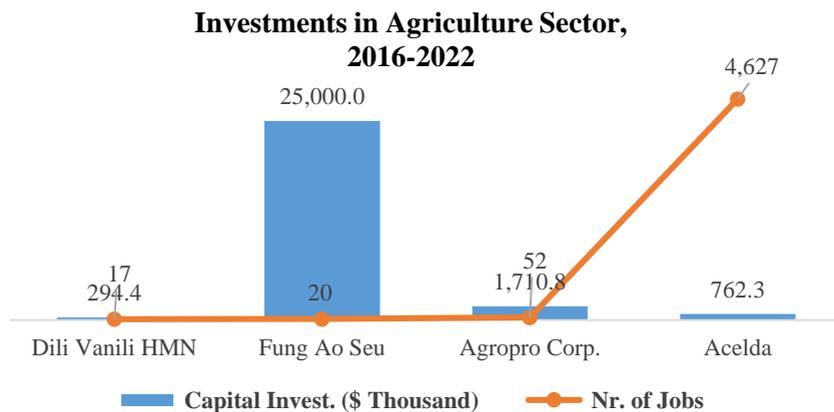
Currently there are 11 companies investing in the Industry sector creating a total number of 9,187 jobs (direct and indirect). Acelda, Heineken and Gota bebidas & Alimentos are leading companies in terms of the jobs creation. In the other hand, the current invested value is \$67.2 million compared to an initial investment proposal which was \$487.4 million.

Furthermore, Pan Union and TL Cement have not created any jobs due to the fact that the land lease agreement with the Ministry of Justice is not yet in place and decompensating process for private land acquisitions still in on-going. Finally, The Circular Water Company has not yet started its operation since attribution of its Declaration of Benefits.

### 9.1.11 Investment in Agriculture Sector

The following graph reflects the investment value and direct and indirect job creation by companies in Agriculture sector.

Currently there are 4 companies investing in Agriculture sector creating a total number of 4,716 jobs (direct and indirect). Acelda is the leading company followed by Agrocorp Corporation in terms of the jobs creation. Companies like Dili Vanili HMN and Fung Ao Seu also contribute job creation even though the investment period still less than one-year investment. Finally, the current invested value is \$1.7 million compared to an initial investment proposal of \$27.8 million.



Graph 11. Investment in Agriculture sector

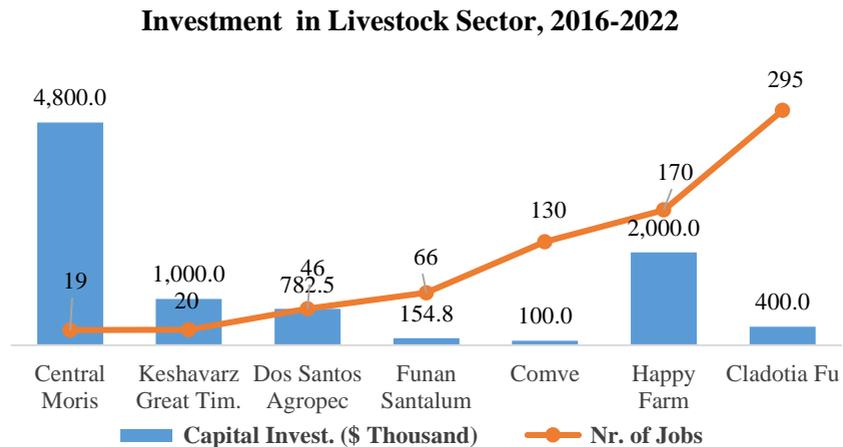
### 9.1.12 Investment in Livestock Sector

The following graph reflects the investment value and direct and indirect job creation by companies in Livestock sector.

Currently there are 7 companies investing in Livestock sector creating a total number of 746 jobs (direct and indirect). Cladotia Fu is the leading company followed by Happy Farm in terms of the jobs creation.

Even though, companies such as Comve, Dos Santos, Funan Santalum and Keshavarz represent low to medium jobs amounts, they play an important role due to its short period of investment (2020 to 2022).

Finally, the current invested value is \$12.3 million, surpassing the initial investment proposal of \$9.2 million.



Graph 12. Investment in livestock sector

### 9.1.13 Investment in Tourism Sector

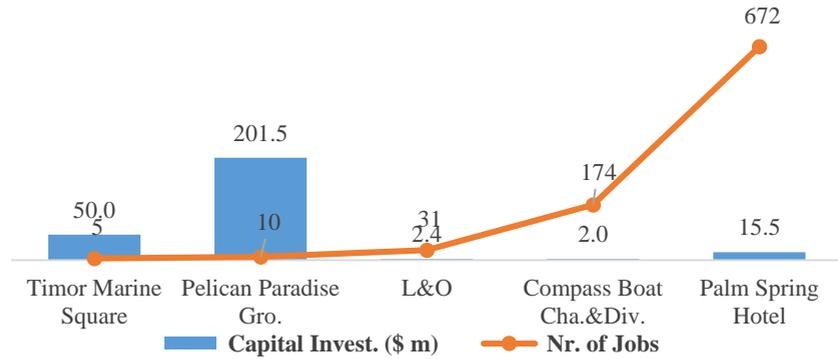
The following graph reflects the investment value and direct and indirect job creation by companies in Tourism sector.

Currently there are 5 companies investing in Tourism sector creating a total number of 892 jobs (direct and indirect). Palm Spring Hotel is the leading company followed by Compass Boat Charter in terms of the jobs creation. Meanwhile, Pelican paradise Group and Timor Marina Square have not

created any jobs yet due to the fact that both companies are still in procurement processes.

Finally, the current invested value is \$ 18.5 million, compared to the initial investment proposal of \$ 271.4 million.

**Investment in Tourism Sector, 2016-2022**



*Graph 13. Investment in Tourism sector*

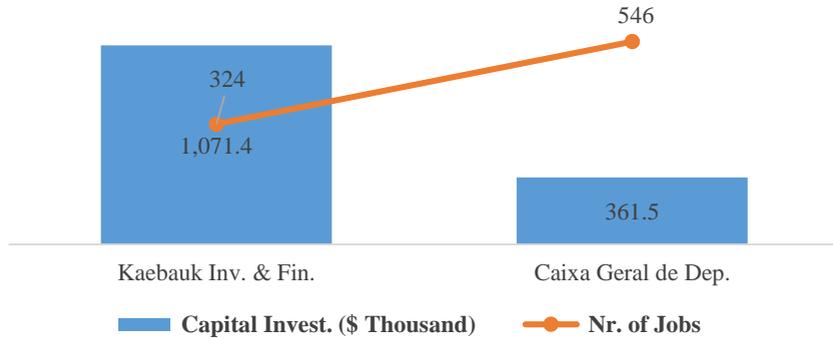
#### **9.1.14 Investment in Finance Services Sector**

The following graph reflects the investment value and direct and indirect job creation by companies in Finance sector.

Currently there are 2 companies investing in Finance sector creating a total number of 870 jobs (direct and indirect).

Finally, the current invested value is \$ 11,04 million, surpassing the initial investment proposal of \$ 1,432 million.

### Investment in Finance Sector, 2016-2022



Graph 14. Investment in Finance sector

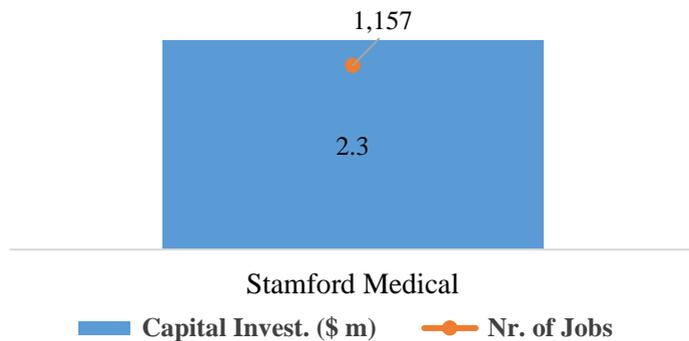
### 9.1.15 Investment in Health Sector

The following graph shows the investment value and direct and indirect job creation by companies in Health sector.

Currently there is only one (1) company investing in Health sector creating a total number of 1,157 jobs (direct and indirect).

Finally, the current invested value is \$ 2.290 million, almost same value compared to the initial investment proposal of \$ 2.35 million.

### Investment in Health Sector, 2016-2022



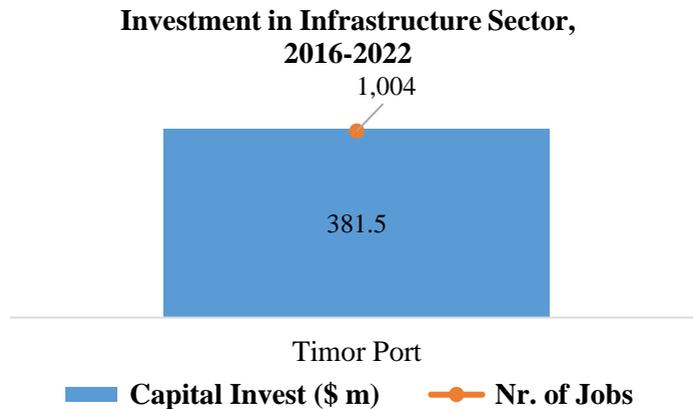
Graph 15. Investment in Health sector

### 9.1.16 Investment in Infrastructure Sector

The following graph shows the investment value and direct and indirect job creation by companies in Infrastructure sector.

Currently there is only one (1) company investing in Infrastructure sector creating a total number of 1,004 jobs (direct and indirect).

Finally, the current invested value is \$ 199.8 million, compared to the initial investment proposal of \$ 381.5 million.



Graph 16. Investment in Infrastructure sector

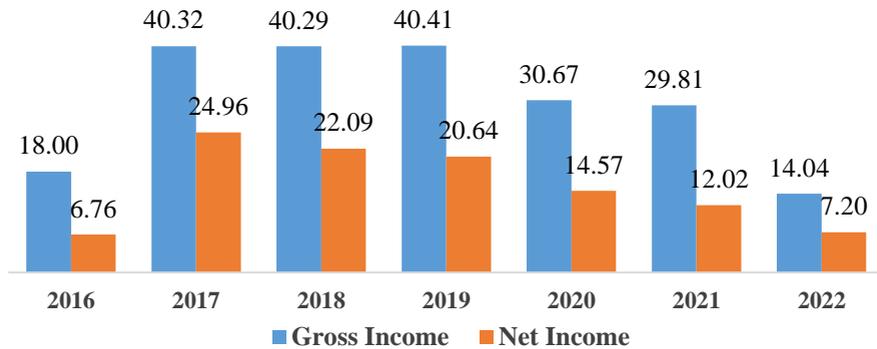
### 9.1.17 Yearly Gross Revenue Vs. Net Income

The following graph shows the evolution of gross revenue compared to net income.

The gross and net income showed a significant increase of 124% and 269% respectively between 2016 and 2017, nevertheless both suffer either stagnation or constant drop for the following years (2018 to 2022). It can be assumed that for the years 2018 and 2019 the companies were affected by the political turmoil in late 2017-18. Afterwards, the affecting factor was the COVID-19 pandemic.

It is important to highlight that some companies that refused to provide data due to lack of internal cashflow and internal changes of accounting staff.

### Gross Revenue Vs Net Income, 2016-2022

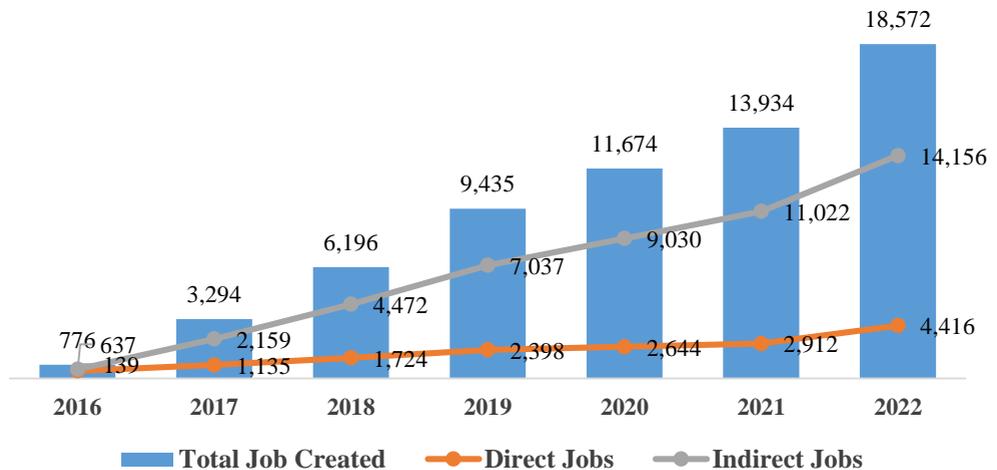


Graph 17. Gross revenue Vs Net income

### 9.1.18 Employment performance

The following graph shows the job creation performance by entire investment sectors in Timor-Leste during the fiscal year of 2016 - 2022.

### Employment Creation, 2016-2022



Graph 18. Employment creation

During the period 2016-2022 a total accumulated number of 18,572 jobs have been created. Currently indirect job shares 76% of the created employment with 14,156, followed by direct job with 24% left equivalent to 4,416.

In terms of gender distribution, the number of female workforces by each year is visible and steady, however, the number of male participations higher. Currently male workforce represents 72%, while female is still only 28%.

## **X. Issues and problems faced by investors**

Following the seven (7) main issues and problems faced by investors in Timor-Leste:

- 1) Complex bureaucracy including lack of coordination and communication between relevant departments affect the investment climate and hinder the implementation of projects.
- 2) Political uncertainty had affected the country's stability, thus, discourage new investments.
- 3) Overall, the companies' performances have been good, however, delay in payment from clients (public or private) have hindered companies business operations.
- 4) Complex bureaucracy of obtaining business visa has slowed down the investment operations.
- 5) Access to land is the main concern of the investors due to different administrative frameworks and bureaucracy.
- 6) High electricity prices have become one of the burdens to private investors.
- 7) Small number of skilled labors in the market is one of the biggest challenges in the country.
- 8) High travel costs have become a major constraint for private investors.

### **10.1 Issues and problems facing by investors in Details**

<b>Challenge/Problem</b>	<b>Suggestion</b>
1. Lack of communication between departments of the same Ministry. Companies spend a lot of time and money because each department requests the same documents.	Familiarization between departments to reach a better coordination. Implementation of "one stop shop" for investments.
2. Technical difficulties and expensive procedures to export products: request the	Establishment of independent/ autonomous laboratories in Timor-Leste.

<p>certification (MCIA) is too expensive, and there is no laboratory to certify and test the product.</p>	
<p>3. Lease of Land and Property Issues:</p> <ul style="list-style-type: none"> <li>• Difficulty in finding land to rent</li> <li>• Lease based from government is often occupied by squatters</li> <li>• Negotiating land lease extension takes a very long time</li> </ul>	<ul style="list-style-type: none"> <li>• Government has to accelerate the enactment of law and policies of land and property.</li> </ul>
<p>4. Business Visas &amp; Immigration Issues</p> <ul style="list-style-type: none"> <li>• Visa approval - Long process on working visa application due to bureaucracies</li> </ul>	<ul style="list-style-type: none"> <li>• Government and Parliament must maintain consistency when creating laws and policies and avoid contradictions with other laws.</li> <li>• Immigration office must review the process of obtaining working visa as well as review the documents requested and its relevance.</li> </ul>
<p>5. Local production of animal feeds</p> <ul style="list-style-type: none"> <li>• The restriction to import hybrid corn seeds has become an obstacle to produce local raw material of animal feed production.</li> <li>• The certification of animal feed local production has become an obstacle.</li> <li>• Maggot Black Soldier Flyer and Indigofera plantation</li> </ul>	<p>Government Timor-Leste through Ministry of Agriculture and Fishery should:</p> <ul style="list-style-type: none"> <li>• Work closely with investors to settle corn hybrid seeds issue because the local corn production has low yields of production compared to the hybrid corn.</li> <li>• Find an alternative to certify the local animal feed production.</li> <li>• Pay urgent attention to support the Maggot black soldier flyer and Indigofera as importation substitution of animal feeds.</li> </ul>

<p>6. Product Quality Certification Issues</p> <ul style="list-style-type: none"> <li>• The absence of laboratory in Timor-Leste to provide Quality Certification of local product for Exportation purpose is being obstacle for investors</li> </ul>	<p>As recently established Quality Control Institutions of Timor-Leste (IQTL), IQTL need proper facilitation to provide a quality certification as domestic and global market requirement.</p>
<p>7. Quarantine Issues</p> <ul style="list-style-type: none"> <li>• Too much bureaucracy</li> </ul>	<ul style="list-style-type: none"> <li>• The relevant office/ministry must review the process of obtaining export/import permit (specifically for products that need to be tested by the quarantine), as well as reviewing the documents required and its relevance.</li> </ul>

## 10.2 Issues and challenges of Joint Monitoring activities

Issues	Suggestions
<ul style="list-style-type: none"> <li>• Lack of participation of relevant ministries</li> </ul>	<ul style="list-style-type: none"> <li>• Participation of the key relevant ministries such as: SEFOPE, Immigration, Land &amp; Properties, is crucial to provide a successful monitoring and facilitation on the field.</li> </ul>
<ul style="list-style-type: none"> <li>• Some of the beneficiaries' companies don't understand how to access to the given benefits by Certificate of Investment and or Declaration of Benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Tax Authority need seek a proper alternative to decompensate the missed use of benefits as per private investment assigned for Investor Certificate and Declaration of Benefits holders</li> </ul>
<ul style="list-style-type: none"> <li>• Most of the companies didn't understand SERVE's rules and regulations to get business licenses for their branch office</li> </ul>	<ul style="list-style-type: none"> <li>• SERVE, I.P. must participate in every annual monitoring with TradeInvest to eliminate misinformation.</li> </ul>
<ul style="list-style-type: none"> <li>• Some companies don't have a proper accounting system to track</li> </ul>	<ul style="list-style-type: none"> <li>• TradeInvest Timor-Leste must establish a cooperation agreement</li> </ul>

<p>their cashflow. It leads to the lack of cooperation to provide investment data such as value of actual investment, gross revenue, net income, etc.</p>	<p>with the Tax Authority to access the official data of gross revenue, net income and other fiscal unpaid taxes of the companies.</p> <ul style="list-style-type: none"> <li>• TradeInvest should explore soft sanction to beneficiaries' companies that refuse to cooperate.</li> </ul>
<ul style="list-style-type: none"> <li>• Specific imported goods were not included in the monitoring questionnaire. It is crucial to guarantee the proper use of tax exempted goods</li> </ul>	<ul style="list-style-type: none"> <li>• TradeInvest should conduct an inspection during the monitoring activity for the tax exempted goods. Currently they are resold after getting tax exemption from ITEML.</li> </ul>
<ul style="list-style-type: none"> <li>• Lack of data during the monitoring period</li> </ul>	<ul style="list-style-type: none"> <li>• TradeInvest with key ministries need provide proper guidance for expired certificates.</li> <li>• Expired certificates will be considered for monitoring activities in the future?</li> <li>• TradeInvest with key ministries should create soft sanction for certificate beneficiaries companies that reject to cooperate with data.</li> </ul>

## **XI. Conclusion and Recommendation**

From the initial thirty (30) companies that acquired Investor Certificate and Declaration of Benefits, only twenty-two (22) still hold them and continue investing in the country. The other eight (8) lost the benefits. The total current capital invested by these companies for 2016-2022 is \$ 447.2 million, value that lags behind the proposed initial investment of \$ 1,871.5 million.

In terms of the distribution of investment at the municipal level, Dili holds the greatest investment with 21% of the composition, followed by Liquica with 13%. Other municipalities make up between 5% to 8% with different areas of

investments. Occasionally, municipalities of Ermera, Ainaro, Covalima and Oecusse hold 4%, of composition which derived from the financial services sector through Caixa Geral de Deposito and Kaebauk Investimentu & Finance.

In terms of type of investments, FDI composition surpasses both NDI and JV where their investment capital contribution is the highest (foreign direct investment makes up 44% of the composition). However, in terms of investments by country of origin, Timor-Leste's investors are more representative since it comprises 55% of the total composition.

In total thirty (30) companies were reviewed, with a total gross revenue of \$213.5 million and net income of \$108.2 million. Companies such as Timor Port, Heineken Timor, Caixa Geral de Deposito, Kaebauk Investment, Cladotia Fu, and Stamford Medical presented higher returns in their gross and net incomes, proving a higher demand for their services in the market. In the case of companies such as Acelda, Consorcio Austem Beverage, Comve, Dos Santos, L&O and Gota Bebidas, although their performances are lower, it is likely that they experience a similar trend soon.

In contrast, as a result of the COVID-19 pandemic some companies showed higher losses on their gross and net income. Companies such as Agropro Corporation, Central Moris and Compass Boat Charter & Diverse experienced losses up to \$137,755, \$ 182.420 and \$ 60.000 respectively.

For the period of the analysis the total fiscal incentives (unpaid taxes) was \$10.2 million, of which US\$3.5 million corresponds to income taxes and \$ 6.6 million corresponds to sales tax and import custom duties.

The sales and import custom duties taxes are dominated by Timor Port with a total value of \$ 5.6 million, followed by Palm Spring Hotel with \$ 332,677. These figures represent mostly the investments of the International Tibar port and Five Star Hilton Hotel construction.

It is important to highlight Timor Port as the project with the largest proposed investment of \$ 381.5 million, current investment amounted \$199.7 million and sales and import custom duties benefits. It is expected to be conclude by November of 2022.

Briefing down by sectors, Industry is the main recipient of investments with a proposed amount of \$ 480.8 million and a current amount of \$ 57.4 million. This followed by Livestock sector with a proposed investment of \$10.2 million and a current amount of \$13.4 million.

During the period of analysis, the total number of jobs creation was 18,572 by both national and international investors. From these, 4,416 corresponded to direct jobs and 14,156 to indirect jobs. It is expected that the number of job opportunities continue to grow once six projects commence their investment activities.

On the other hand, there are two companies facing issues: Pan Union which has not sign the land lease agreement with the government yet; and TL Cement which faces an internal financial problem and some administrative matters with the audit office.

Political and economic stability play significant role improving investment climate in Timor-Leste. In addition, investment flows continued to grow during the period of 2016 - 2022. It is best to consider several elements in that particular year that contribute to the rising of investments in Timor-Leste that can potentially attract more investments in the coming years.

Lack of participation by relevant departments continue to be one of the main barriers to foster investment. Most of the common issues that companies facing such as: land restrictions, business visas, tax incentives and absence of a laboratory to certify the quality of local products.

Finally, the lack of commitment and participation of some companies in the development of this monitoring activity, became an obstacle in getting accurate data. Some of the missing figures correspond to employment, gross revenue, net income, and unpaid taxes among others.

## **11.1 Recommendations**

Based on the data elaborated in this monitoring report and to overcome the previously listed challenges, it is necessary to create an effective communications and coordination mechanism among key relevant ministries (Land and Property Department, Immigration, Tax Authority, SEFOPE and TradeInvest). It is proposed to set a permanent monthly meeting to discuss and improve government facilitation procedures for investors. Following some subjects of discussion for the proposed committee:

- 1) Land: mapping (zoning), property and regulation clarity to the Ministry of Justice.
- 2) Business visas: simplify the visa application process for investors.
- 3) Skilled training: Facilitate and provide trainings for young population based on current demand of investors in subjects such as hospitality, language, and soft skills among others.
- 4) Active participation of relevant ministries with specific tasks to promote and facilitate investments in the country.
- 5) Clear guidance regarding how much time has to pass to still consider a company in the monitoring activity after its IC & DoB has expired.
- 6) Creation of soft sanctions or pressure mechanisms for those certificate beneficiaries who reject or fail to share the data for the monitoring report.
- 7) Technical cooperation between TradeInvest Timor-Leste and Tax Office to access the SIGtas application for the unpaid taxes data for the purpose of elaborating better monitoring report in the future.
- 8) Coordination with Customs Authority to validate data regarding exempted products that are being sold in the country after tax exempted through ITEML, during the time of the monitoring report.



**Tradeinvest Timor-Leste**  
Investment and Export Promotion Agency, I. P.

