TradeInvest Timor-Leste

Investment and Export Promotion Agency. I.P

MONITORING REPORT

Assess Investment Commitments, Evaluate Economic Contributions and Review Tax Exemptions for IC & DB holders (2016-2024)

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(2016-2024)

By

TradeInvest Timor-Leste, MOP, MCI, MAPF, SERVE, Tax Authority, Custom Authority, Tourism, DNTP, ANLA and IGT

Acknowledgment

On behalf of TradeInvest Timor-Leste (TITL), we extend our sincere gratitude to the many entities whose steadfast support has been invaluable to the success of our operations. In particular, we would like to offer special recognition to the Business Registration and Verification Services (SERVE), Tax Authority - (MoF), Custom Authority – (MoF), General Labor Inspector (GLI), National Directorate of Construction Permits – (MOP), General Directorate of Commerce and Industry - (MCI), General Directorate of Tourism, the National Authority for Environment Licensing - (ANLA), National Regulation Directorate for Water and Sanitation (DNRAS)-MOP, the National Regulation Directorate for Electricity (DNRE)-MOP and General Directorate of Livestock - (MAPF). Their cooperation and collaborative efforts have played a significant role in the accomplishment of our initiatives.

We also wish to convey our heartfelt appreciation to our diligent monitoring team, whose tireless dedication in the field was essential to the successful execution of our objectives. Their unwavering commitment and meticulous attention to detail were key to the success of our monitoring activities.

Finally, we offer our sincere thanks to all the directors and advisors from the relevant ministries. Their expert guidance and support were instrumental in securing the necessary funding for the monitoring activity, ensuring its smooth and successful implementation.

TradeInvest Timor-Leste

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
SERVE	Business Registration and Verification Services
TA	Tax Authority
CA	Customs Authority
MoP	Ministry of Public Works
MCI	Ministry of Commerce and Industry
NAEL	National Agency for environment Licensing
NRWS	The National Regulation for Water and Sanitation
NRE	The National Regulation for Electricity
GDT	General Directorate of Tourism
MAPF	Ministry of Agriculture, Livestock, Fisheries and Forestry
PIL	Private Investment Law
GD	Government Decree
DDI	Domestic 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
$	Dollar
%	Percentage

EXECUTIVE SUMMARY

The Directorate of Investment Promotion (DIP), in collaboration with relevant institutions such as TradeInvest Timor-Leste, plays a pivotal role in monitoring investment activities to ensure that the government's investment policies and incentives achieve their intended outcomes. Annual monitoring activities are carried out to track the realization of investments, validate investor commitments, and assess the economic impact, including job creation, revenue generation, and the effectiveness of tax exemptions.

In 2024, TradeInvest Timor-Leste with key stakeholders, monitored 30 companies that received 10 Investment Certificates (IC) and 20 Declarations of Benefits (DB) from the government between 2016 and 2024. However, five companies failed to submit their questionnaires. The monitoring process aims to verify assess investment commitments, evaluate economic contributions and review tax exemptions.

The investments monitored by TradeInvest Timor-Leste and other stakeholders yielded the following outcomes:

a. Companies collectively invested US$ 43.1 million during the year, contributing to the overall capital inflows into the country and supporting key sectors.

b. These companies reported US$ 74.05 million in gross revenue, illustrating the scale of their operations and economic impact within Timor-Leste.

c. The total net income generated by these businesses amounted to US$ 31.2 million, reflecting the profitability and growth potential of these investments.

d. The investments resulted in the creation of 1,791 direct jobs, providing employment opportunities in various sectors.

e. An additional 3,835 indirect jobs were created, benefitting local suppliers, service providers, and other businesses indirectly linked to the investment projects.

f. The companies enjoyed US$ 297.2 thousand in tax exemptions which are designed to encourage investments in key sectors. These tax holidays are a crucial component of the government's strategy to attract both foreign and domestic investments, especially in strategic sectors such as manufacturing, agriculture, and tourism.

The monitoring process undertaken by the Directorate of Investment Promotion and other stakeholders provides valuable data that helps assess the effectiveness of investment incentives and their contribution to the national economy. In 2024, the investments monitored resulted in significant economic returns, including substantial revenue generation, job creation, and continued fiscal support through tax exemptions.

Future monitoring efforts will continue to focus on ensuring that investments meet their promised targets, contribute to job creation, and drive economic development, ultimately supporting Timor-Leste's growth aspirations and fiscal health.

TradeInvest Timor-Leste

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I. Introduction

Welcome to the comprehensive monitoring report from the Directorate of Investment Promotion of TradeInvest Timor-Leste and key relevant stakeholders. This report provides a detailed analysis of both national (DDI) and international (FDI) private sector investments that have been awarded Investment Certificates (IC), Declarations of Benefits (DoB), and Special Investment Agreements (SIA) between 2016 and 2024.

At TradeInvest Timor-Leste and other stakeholders, we are deeply committed to promoting economic growth and development through strategic investment facilitation. This report stands as a reflection of that commitment, showcasing our dedication to transparency, effective oversight, and the continuous evolution of Timor-Leste's investment landscape.

The report presents an extensive examination of the private sector investments both local and foreign highlighting a wide array of industries and initiatives that have received formal recognition and support from our agency. It aims to provide a thorough analysis of the performance, trends, challenges, and opportunities that have defined these sectors over the past seven years.

Drawing on rich datasets, rigorous assessments, and insightful interpretations, this monitoring report does not simply reflect on past achievements. It also serves as a roadmap, offering valuable guidance for our stakeholders, investors, and policymakers as we continue to shape the future of Timor-Leste's investment ecosystem.

As you explore the findings of this report, we invite you to consider the nuanced insights and analyses that underpin our evaluation of these dynamic sectors. Your engagement and feedback are critical as we work towards further enhancing our approach and ensuring sustainable growth within the nation's economy.

We would also like to extend our heartfelt gratitude to all stakeholders and contributors whose support and collaboration have been integral to the development of this report. Your continued commitment to the prosperity of Timor-Leste through strategic investments is greatly appreciated.

II. Key Performance Indicators (KPIs) analysis

The outlined KPIs examine crucial aspects of investment performance, tracking its nuances across geographical, financial, and sectoral dimensions. Each indicator provides a unique perspective, enabling a comprehensive assessment of investment effectiveness, financial outcomes, sectoral contributions, and employment trends. This thorough analysis aims to highlight trends, patterns, and potential areas for optimization within the investment framework. Let's explore the specifics of these KPIs:

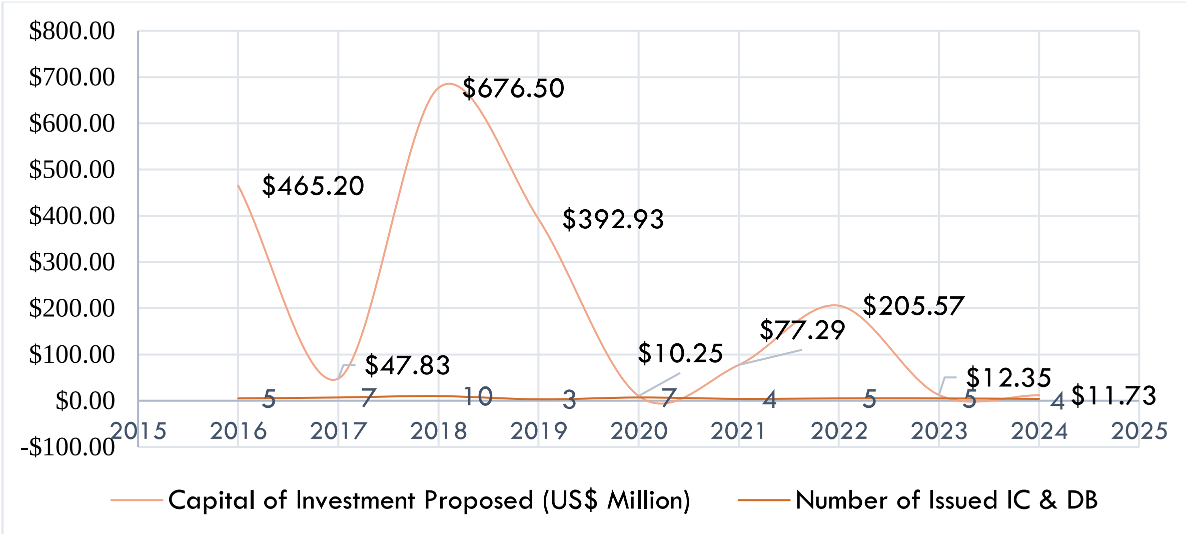
1. Investment Trends
2. Investment by Location
3. Investment by Country of Origin
4. Investment by Type
5. Executed vs proposed capital of investments
6. Analyzing current investment value vs return on investment (ROI)
7. Comparative analysis on present investment values and tax exemptions
8. Overview on actual investment and direct and indirect job creations per sector

This comprehensive array of KPIs is designed to offer a nuanced understanding of the investment landscape, fostering informed decision-making and strategic planning in the context of financial growth and sectoral development. Let's now delve deeper into the analysis of each KPI to extract valuable insights and trends.

III. Data Analysis and Trends

3.1 Investment Trends

The graph exhibits high volatility in annual capital investment, marked by sharp fluctuations, indicating unstable or unpredictable investment trends.



Graph 1: Annual capital of proposed investment and number of issued IC & DB

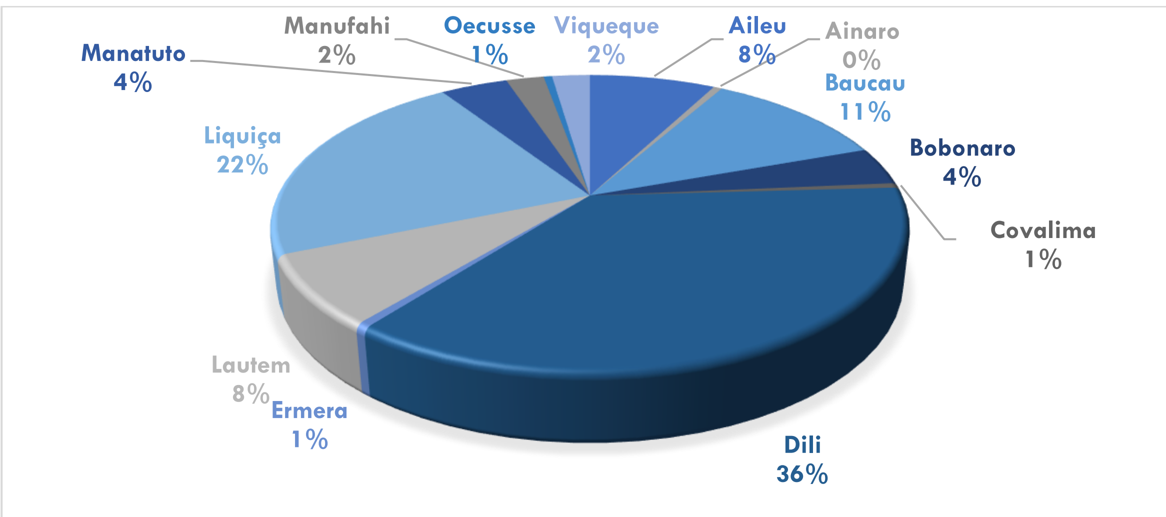
Between 2016 and 2024, Timor-Leste's investment landscape experienced considerable fluctuations, characterized by periods of both growth and volatility. A particularly notable milestone occurred in 2018, when proposed capital investments peaked at $676.50 million. This spike came just before the approval of the Special Investment Agreement (SIA), setting the stage for more dynamic investment trends in the years that followed.

The approval of the SIA (Strategic Investment Agreement) in 2022 between the República Democrática de Timor-Leste (RDTL) and Pelican Paradise Group Limited represented a pivotal moment in the nation's investment landscape. This agreement, supported by the introduction of the Current Private Investment Law, facilitated the issuance of three Declarations of Benefits (DBs) for Pelican Paradise's subsidiary, corresponding to the first phase of their project. These DBs were tied to an ambitious investment of US$ 205.57 million, which included the development of a 5-star hotel, apartments, and reforestation initiatives, marking a major contribution to the national investment portfolio.

The government had already approved a large-scale investment plan for a seaport in 2019, valued at $392.9 million, reflecting the positive market reaction to the newly established legal framework. However, from that point onward, the levels of investment became increasingly erratic, with significant year-on-year fluctuations. This volatility in capital inflows stood in contrast to the consistent number of new investment projects, suggesting a disconnect between the amount of capital flowing into the country and the number of projects initiated. The fluctuations in capital investment, while the frequency of new ventures remained relatively stable, highlighted the unpredictability of the nation's investment environment despite the legal reforms aimed at fostering economic growth.

3.2 Investment by Location

The graph illustrates the distribution of investments in Timor-Leste's municipalities, showing not only the total number of projects but also the amount of capital allocated to each one. This gives insight into where resources are being directed across the regions.



Graph 2: Geographically Distribution

The graph provides a clear picture of the distribution of investments across Timor-Leste's municipalities, revealing significant regional disparities. Dili, the capital city, stands out with 36% of the total investment, which is the highest share. This is followed by Liquiça at 22% and Baucau at 11%. These regions are clearly receiving the most attention from investors, which is likely due to their better-developed infrastructure, including transportation, utilities, and access to services. The established infrastructure in Dili, Liquiça, and Baucau plays a crucial role in attracting investment, making them more favorable locations for businesses to operate, expand, and generate economic activity.

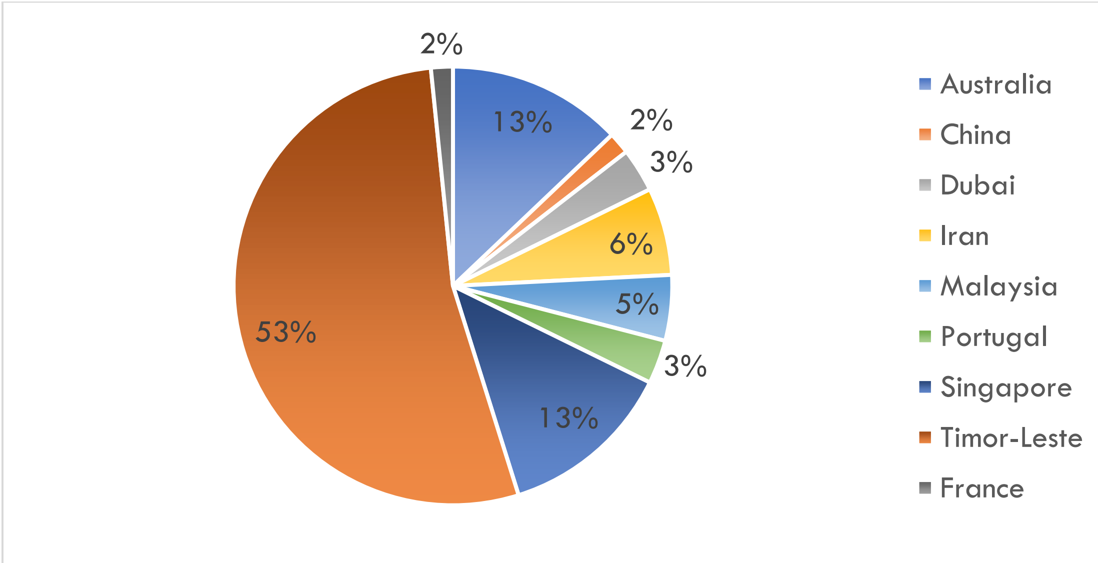
On the other hand, some districts like Ainaro, Covalima, Ermera, and Oecusse have much lower investment levels, ranging from 1% to 4%. The lack of investment in these regions can be attributed to various factors such as inadequate infrastructure, limited access to markets, or challenges in business climate. These obstacles prevent these districts from attracting the same level of investment as Dili, Liquiça, and Baucau. To address this imbalance, it is essential for the government and relevant authorities to identify and resolve the barriers to investment in these regions. Improvements could include upgrading infrastructure, offering incentives to investors, and creating an environment that encourages business development in these less-invested areas.

Investment in other regions like Lautem (8%) and Aileu (8%) is moderate, while Bobonaro stands at 4%. Although these regions have some investment, there is still a need for greater focus and targeted policies to foster investment and economic growth. The potential for investment in these regions exists, but unlocking it will require strategic efforts to improve infrastructure, create a supportive business environment, and offer incentives to attract investors.

Ultimately, prioritizing investment in these underdeveloped districts is vital for achieving a more balanced and sustainable economic growth model. Spreading investment more evenly across the country will help diversify the economy, reduce regional inequalities, and support long-term development. This approach is essential for creating jobs, enhancing local economies, and improving the overall standard of living in Timor-Leste.

3.3 Investment by Country of Origin

The graph presented offers an overview of the composition of investments, categorized by their respective countries of origin



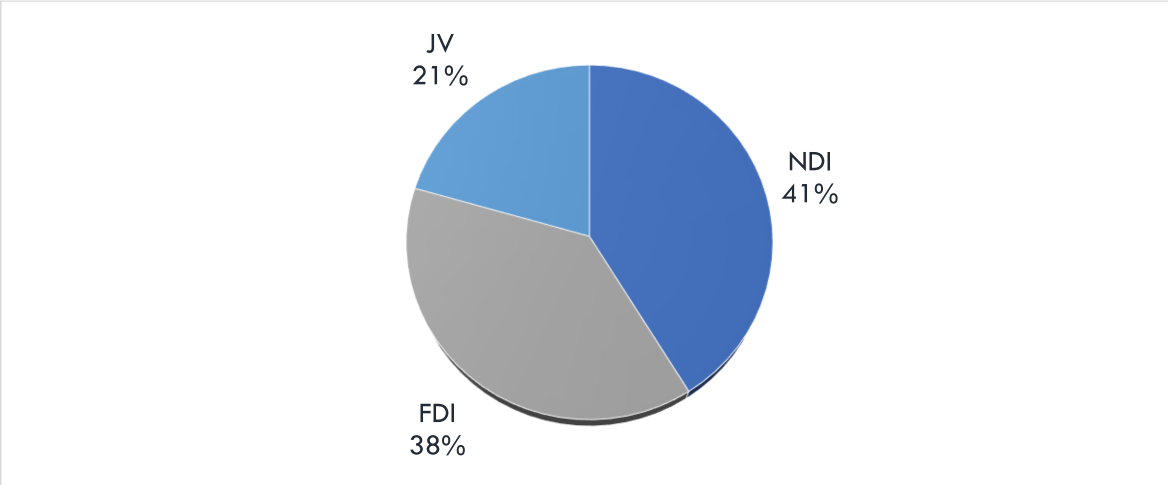
Graph 3: By Country of origin

The graph indicates that Timor-Leste is the largest source of investment, holding a dominant 53% share, which highlights its central role in the country's economic development. Australia and Singapore are also key investors, each contributing 13%, reflecting their strong interest in Timor-Leste's growth. Other countries with moderate investment include Iran at 6% and Malaysia at 5%, showing further international engagement in the region.

At the lower end of the scale, Portugal and Dubai each account for 3%, while France and China contribute 2%, pointing to a more limited but still significant level of foreign investment. Timor-Leste's investment strategy is particularly focused on sectors like agriculture and livestock, aiming to reinforce its leadership in these areas and stimulate economic growth. These efforts play a crucial role in attracting and maintaining foreign interest, supporting the nation's ongoing economic development.

3.4 Investment by Type

The provided graph delineates the various types of investments made in Timor-Leste across the fiscal years from 2016 to 2024.



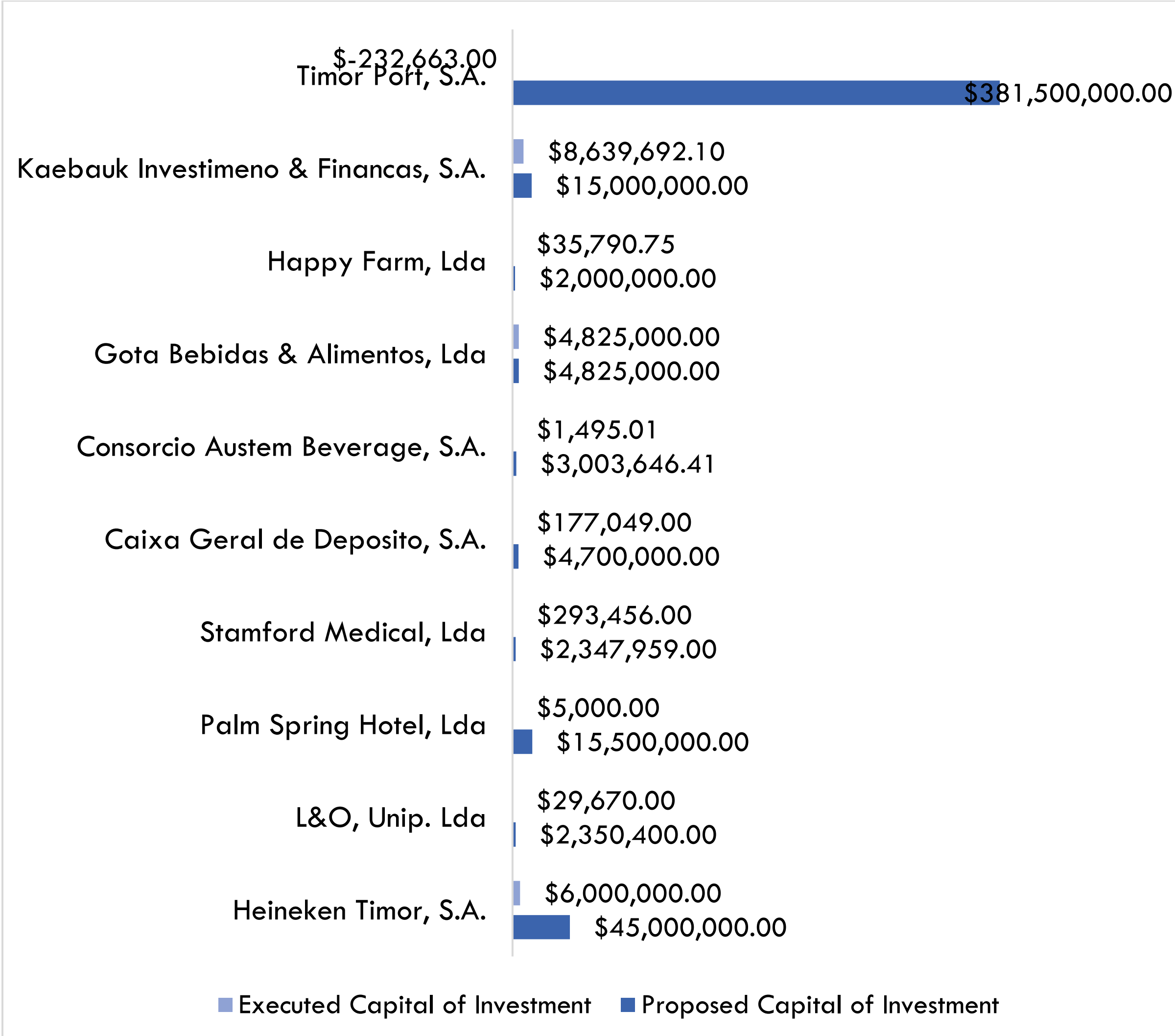
Graph 4: Type of Investment

The pie chart depicting investment by type reveals that Domestic Direct Investment (DDI) accounts for the largest share at 41%, indicating a strong reliance on local sources of funding and a clear focus on fostering domestic economic growth. Foreign Direct Investment (FDI) follows closely with 38%, demonstrating a significant external investment presence in the region. Joint ventures (JVs) make up a smaller but still noteworthy portion at 21%.

The dominance of DDI suggests that the environment is particularly favorable for local investors compared to foreign investments and joint ventures. The presence of FDI highlights its importance in the country's investment landscape, with streamlined procedures making it easier for foreign investors to participate. While the share of JVs is smaller, the emphasis on collaborative partnerships remains crucial for future growth, emphasizing the need to nurture joint ventures in the years to come.

3.5 Proposed and Executed Capital of Investments

The graph compares executed capital with proposed capital, showing progress and potential gaps of investment executions per company.



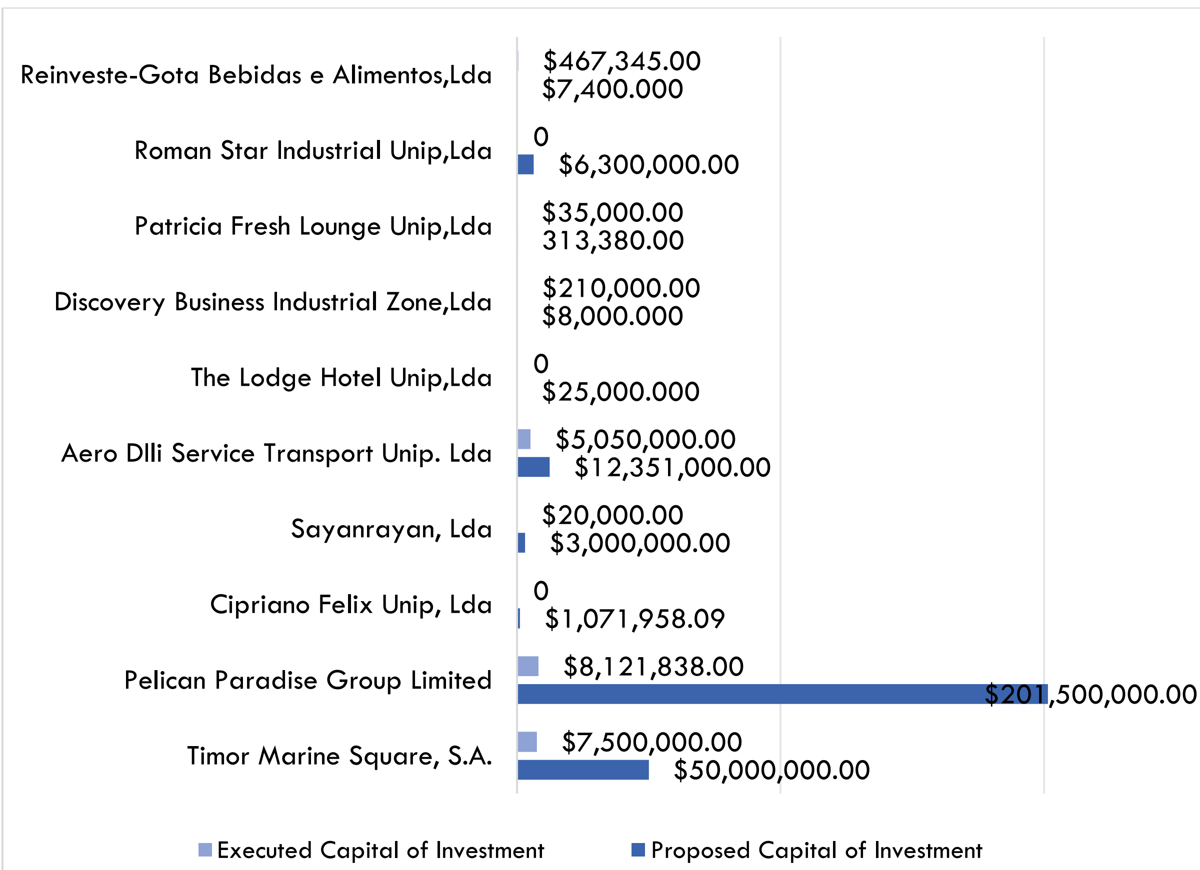
Graph 5. Capital of investment proposed vs Executed capital of investment

The graph above provides a comparison of the capital investment execution of several companies in 2024. It highlights that Kaebauk Investment & Finanças, S.A executed the largest capital investment, amounting to US$ 8.6 million, making it the leader among the companies listed. This suggests that Kaebauk has either a larger scale of operations or a more aggressive investment strategy compared to the others.

Following Kaebauk, Heineken Timor, S.A. executed US$ 6 million in capital investment, positioning it as the second-largest investor in the year. As a major player in the beverage industry, this level of investment could indicate significant expansion plans, modernization efforts, or the introduction of new products or facilities in Timor-Leste.

Gota Bebidas & Alimentos, Lda executed US$ 4.8 million, placing it third in terms of capital execution. Given that this company operates in the water processing industry sector, it could be focusing on increasing production capacity or exploring new markets within the country.

In contrast, other companies also executed investments, but the amounts were typically smaller than the values mentioned above. While these companies did follow through on their investment plans, many of them only executed a portion of the total proposed capital investment approved by the government of Timor-Leste. This could be due to various factors such as changes in market conditions, operational challenges, or delayed project timelines.



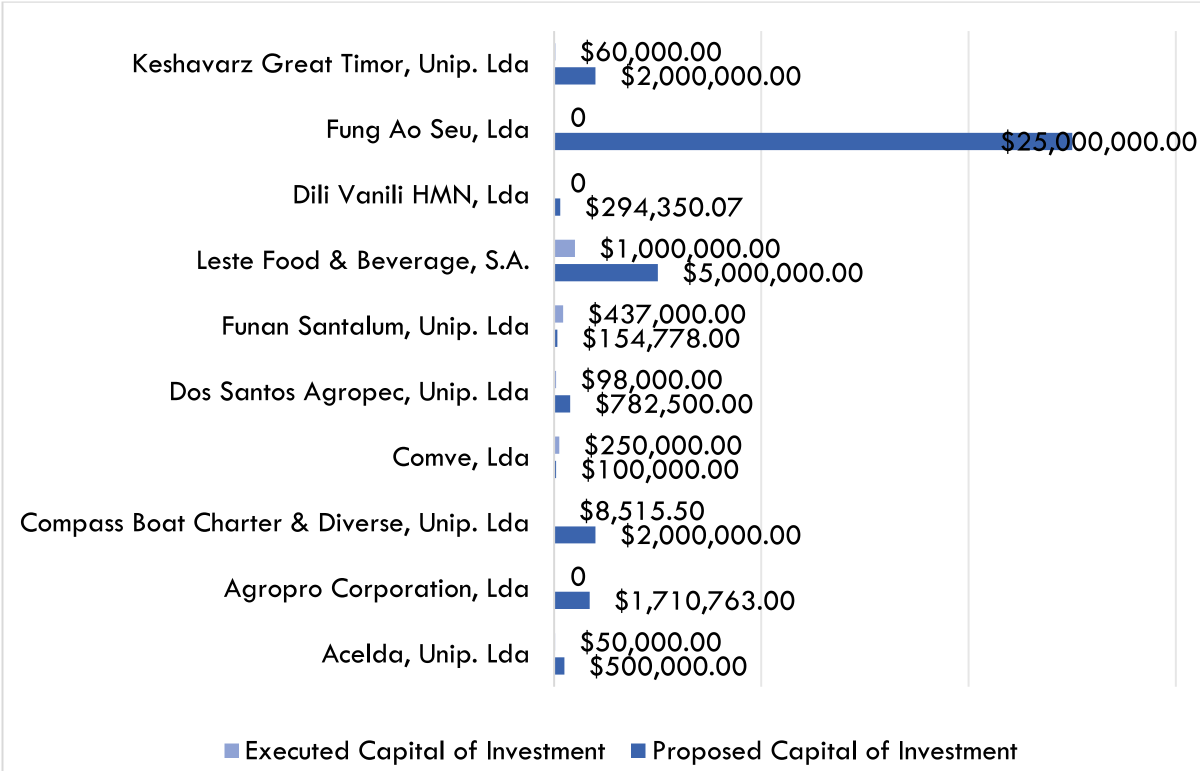
Graph 6. Proposed vs Executed capital of investmenst

The illustration graphic above shows that Pelican Paradise Group Limited has initiated the execution of an investment capital amounting to US$ 8.1 million for its investment activities. However, the company plans to launch the main project once the government provides the necessary infrastructure, including electricity and water. This investment marks the beginning of the company's expansion efforts.

On the other hand, Timor Marina Square, S.A. and Aero Dili Service Transport stand out as businesses that are weathering fluctuations in investment trends across other sectors, showcasing resilience and confidence. Timor Marina Square has invested US$ 7.5 million this year and plans to invest up to US$ 50 million according to its business plan. This plan is centered on developing two high-rise buildings, which will include a hotel, apartments, and other amenities. Such a long-term growth plan underscores the company's optimism about the positive economic outlook for Timor-Leste.

Similarly, Aero Dili Service Transport's US$ 5.050 million investment in expanding its operations and infrastructure further exemplifies the ongoing dedication to growth in sectors critical to Timor-Leste's economic development. The consistent investment from these companies points to a promising future for particular industries, even when broader economic trends show volatility.

Meanwhile, other companies have also been executing investments, but at a reduced scale compared to the three aforementioned companies, suggesting a more cautious approach or limited project scope in 2024. The varying investment levels highlight the differences in the companies' strategies and their responses to the economic environment or project requirements in the current year.

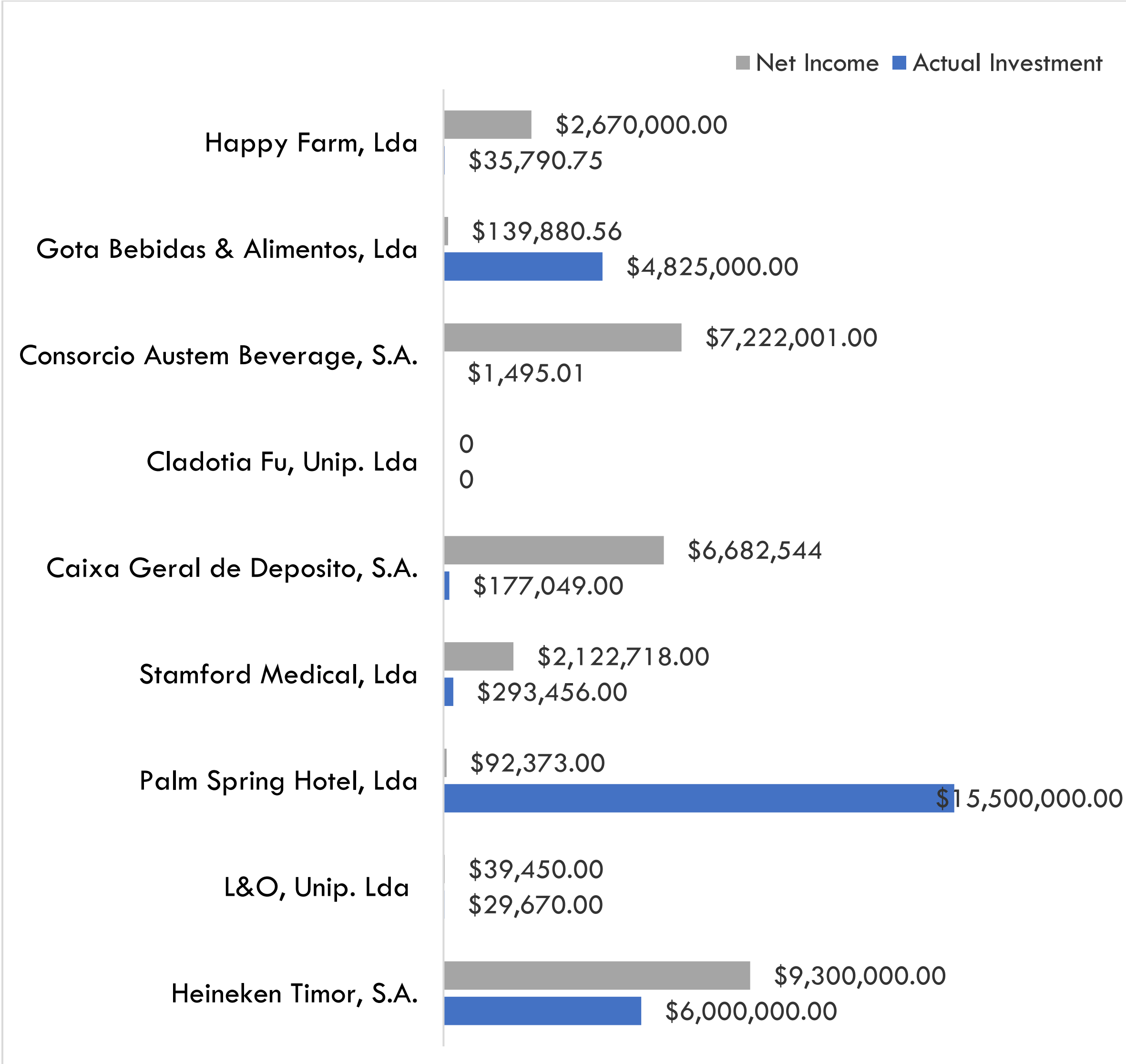


Graph 7. Proposed amount Vs Actual investment

This figure shows that Leste Food & Beverage, S.A. is also continuing to invest more capital, with US$ 1 million this year, to complete its water processing industry plant. In addition, Funan Santalum, Unip. Lda has invested US$ 437 thousand to complete its chicken hatchery plant. However, other companies have also executed their investment capital, but in much smaller amounts. They plan to invest more next year based on their business plans. More details on these investments will be available as the projects progress."

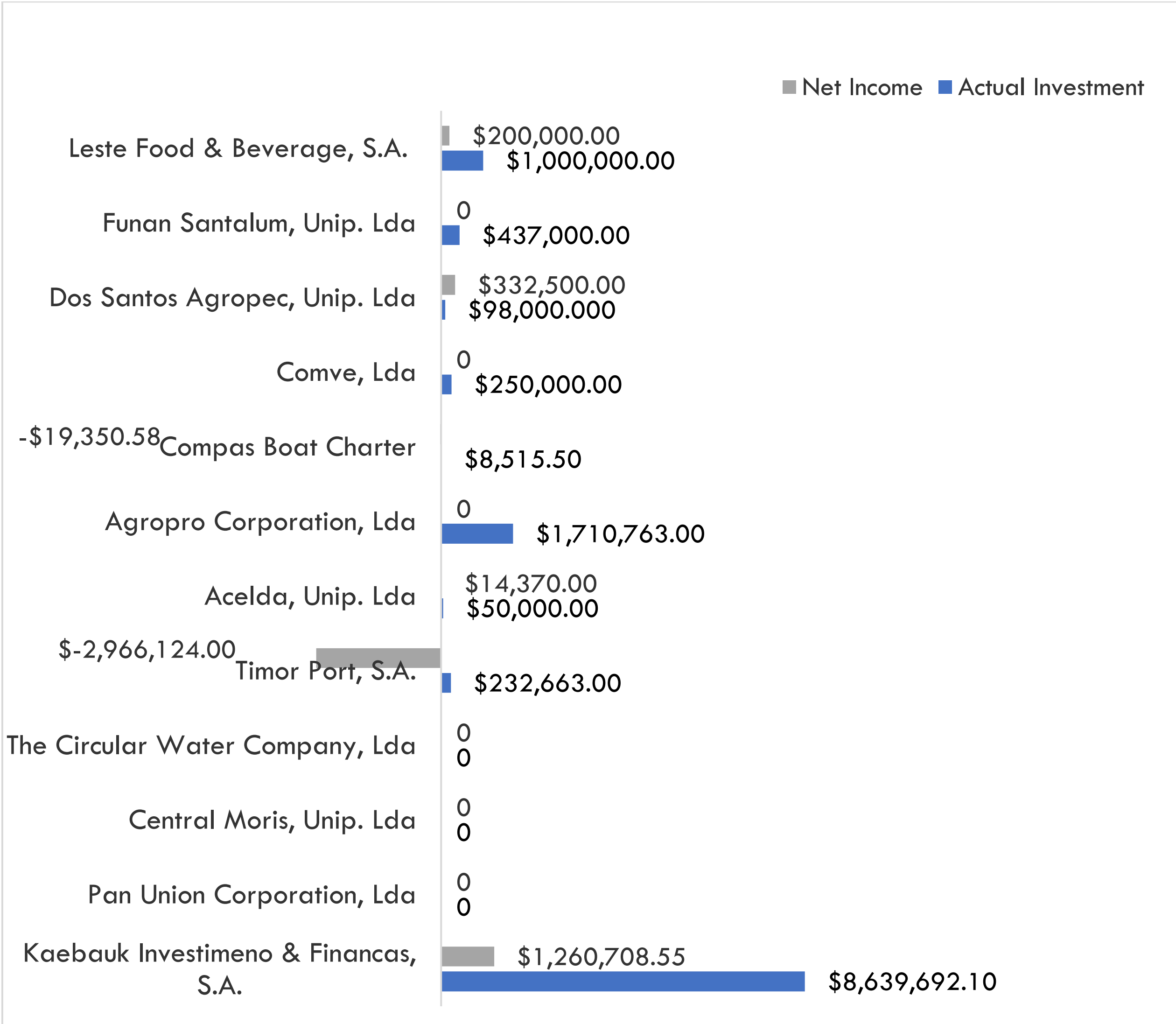
3.6 Analyzing Current Investment Values vs Return on Investment (ROI)

The graph provided offers insights into the present investment values alongside their respective gross and net incomes.



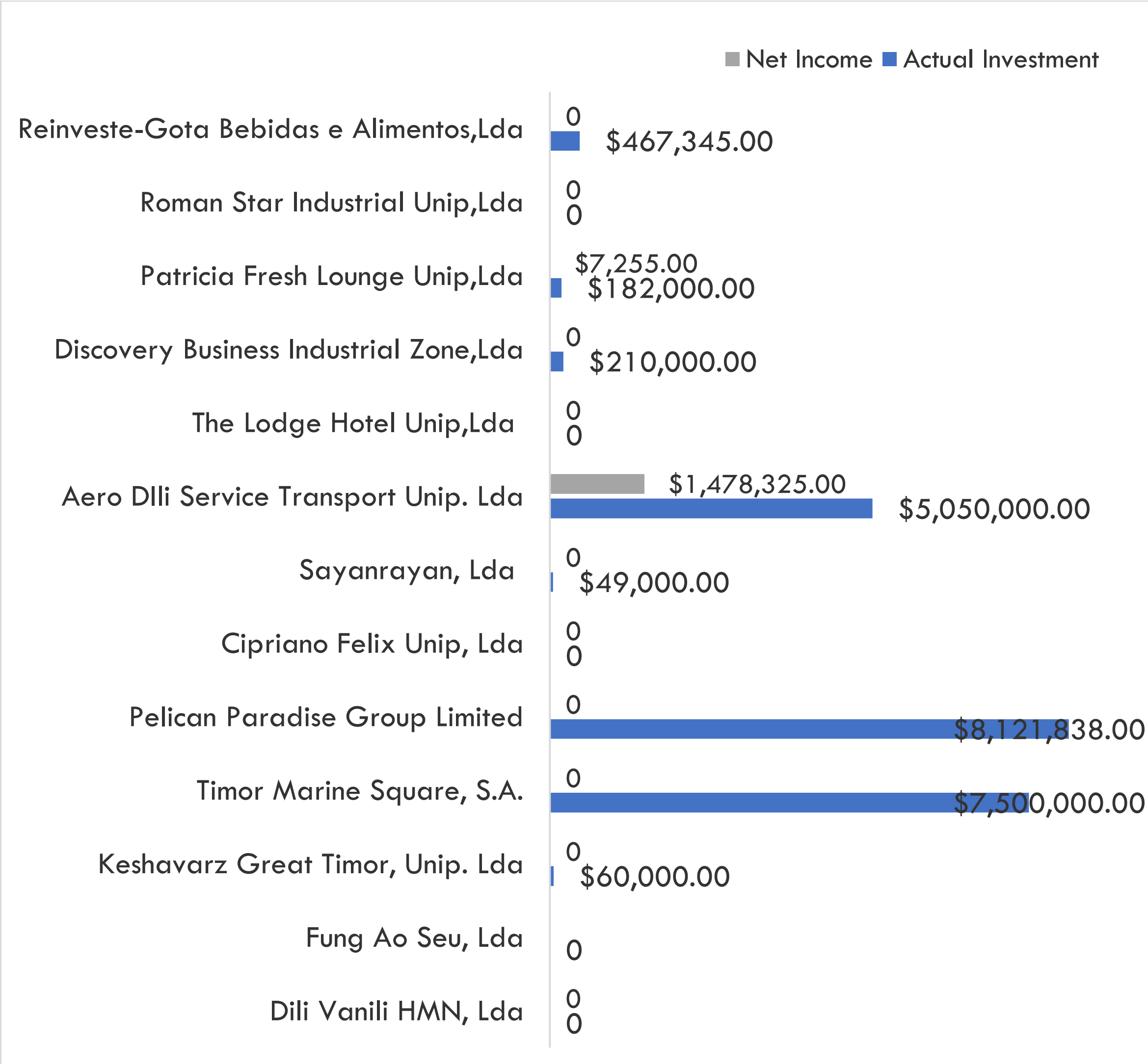
Graph 8. Actual investment Vs Return of Investment (ROI)

The cumulative current investment of $26.3 million has generated a net income of $28.3 million, with contributions from major entities like Heineken Timor, Consorcio Austem Beverage, Caixa Geral de Deposito, Happy Farm, and Stamford Medical. These companies' investments span diverse sectors, including beverages, banking, agriculture, and healthcare. The graph illustrating their Return on Investment (ROI) shows the profitability of these investments.



Graph 9. Actual investment Vs Return of Investment (ROI)

In 2024, investment returns among companies varied significantly. Kaebauk Investimentu & Finansa saw a positive return with a US$ 1.3 million net income from an US$ 8.64 million investment. Dos Santos Agropec also performed well, earning US$ 332.5 thousand from a US$ 98 thousand livestock investment. However, Timor Port faced a major loss of US$ -2.97 million despite investing US$ 232.7 thousand. Overall, the market showed mixed performance, with some companies achieving gains and others incurring losses.



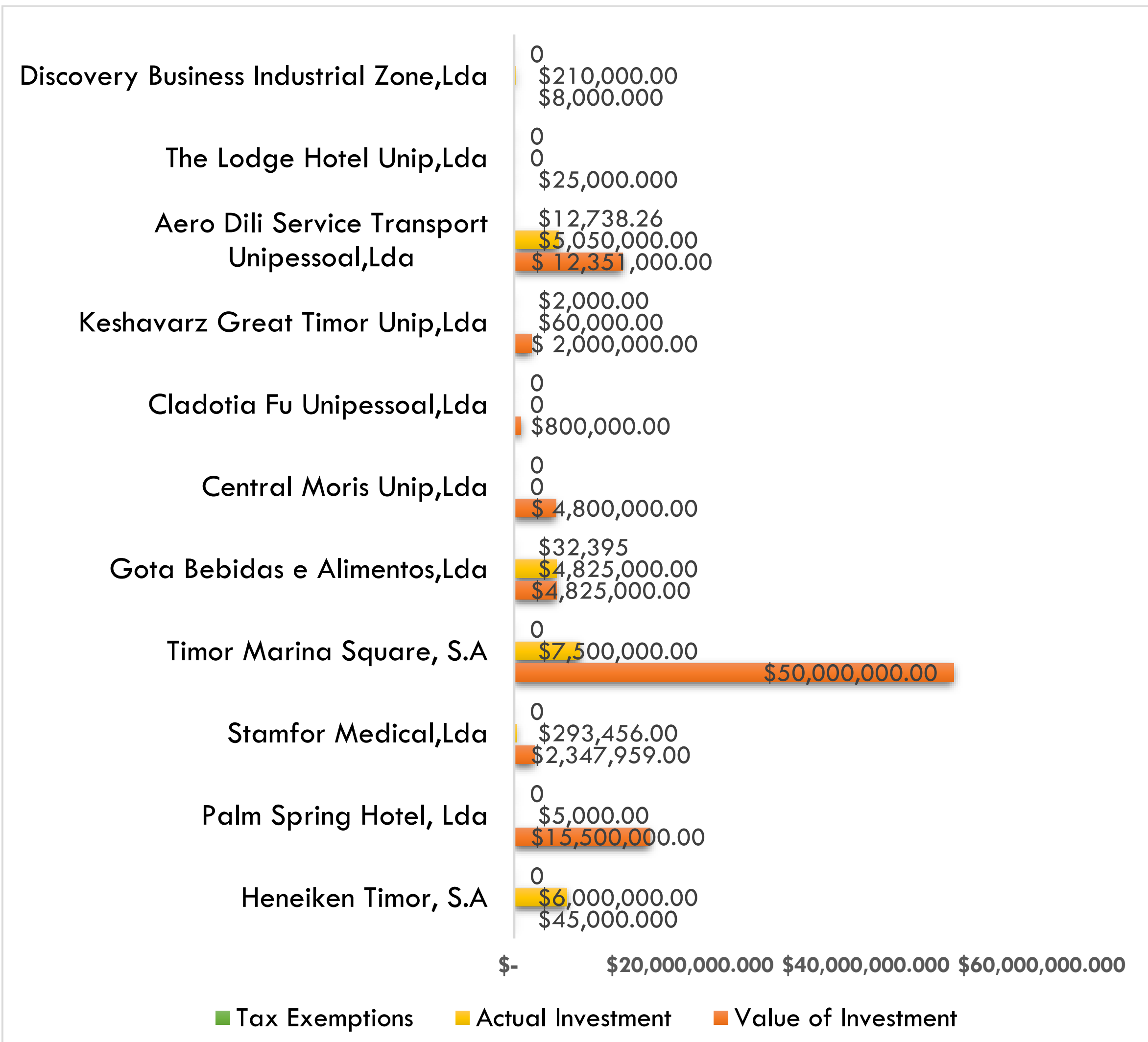
Graph 10. Actual investment Vs Return of Investment (ROI)

The graph highlights the varied performance outcomes across different companies in the investment landscape. For instance, Aero Dili, a major player in the market, invested US$ 5.050 million and achieved a net income of US$ 1.5 million, which indicates return on investment. On the other hand, Patricia Fresh, with a smaller investment of US$ 182 thousand, earned a modest US$ 7.25 thousand in net income. Although this represents a positive return relative to the investment, it is still much lower compared to the more significant players, suggesting that Patricia Fresh operates on a smaller scale or faces lower profit margins within its sector.

Additionally, other companies, despite continuing with their investments, have not provided updated financial data to TradeInvest Timor-Leste. While they are following the investment plans initially presented to the government and relevant technical institutions, the lack of recent updates makes it challenging to assess their current performance. This underlines the importance of timely reporting in evaluating the overall health of the investment landscape.

3.7 Comparative Analysis: Present Investment Values and Tax Exemptions

The graph shows US$ 297.2 thousand in tax exemptions for 2024, primarily from import customs duties and sales taxes. These incentives are tied to large infrastructure projects like hotels, apartments, water processing plants, and chicken hatcheries, which are benefiting from government tax holidays to stimulate investment in key sectors.



Graph 11. Tax Exemptions

These exemptions are typically provided to certain companies based on their Investment Certificates (IC), which are issued by the government to encourage business activities and foreign investments in the country. These companies include;

- Gota Bebidas e Alimentos

  The company is benefiting from US$ 32.4 thousand in tax exemptions. Given that the company deals in beverages and food products, it may be seen as contributing to a vital industry in Timor-Leste, which is critical for both local consumption and export. The tax relief could be part of a strategy to support local production and reduce the cost of essential goods.

- Aero Dili Service Transport

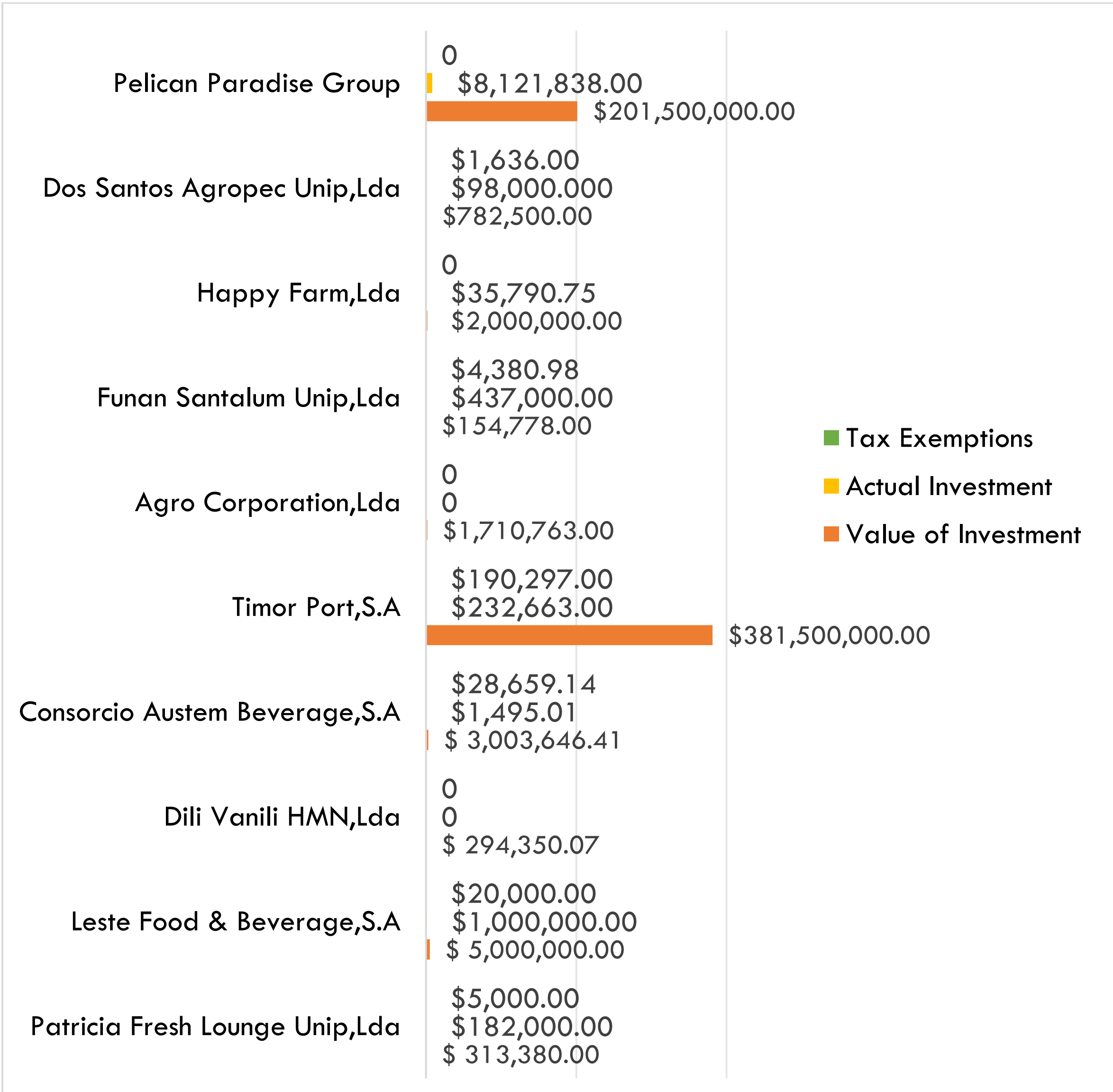
  With US$ 12.74 thousand in tax exemptions, Aero Dili Service Transport is involved in the transportation industry, specifically air services. Timor-Leste, as an island nation, heavily relies on air transport for both domestic and international connectivity. Tax exemptions might encourage investment in transport infrastructure, which is essential for tourism, trade, and accessibility across the islands.

- Keshavarz Great Timor

  This company also enjoys US$ 2 thousand in tax holidays. While the amount may seem smaller in comparison to the others, Keshavarz Great Timor might be operating in agriculture sector. Tax holidays for new or small businesses can help in lowering operational costs and fostering growth, especially in emerging sectors.

- However, the companies no longer benefiting from tax exemptions

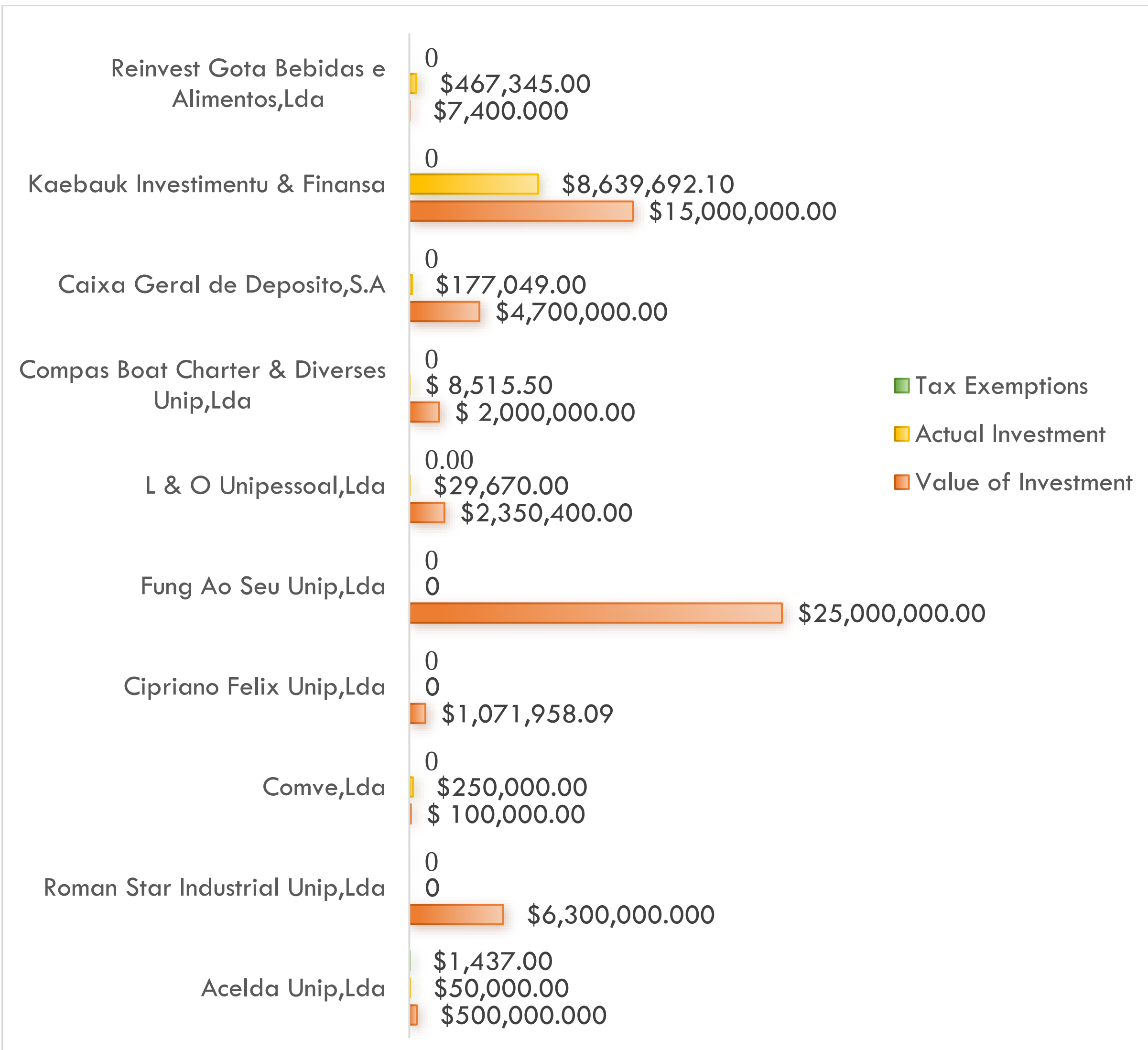
  Heineken Timor focus on beer manufacturer Heineken, previously enjoyed tax incentives but no longer qualifies due to the expiration of its Investment Certificate. This means that Heineken is now subject to the regular tax regime, aligning with the expiration of fiscal benefits that initially aimed to encourage their investment in the market including other companies holding ICs have also lost their access to fiscal incentives after the expiration of their certificates. The expiration could affect a range of businesses, from large corporations to smaller enterprises, depending on their specific agreements with the government.



Graph 12. Investment Amount Vs Unpaid Taxes

The graph above clearly shows that in 2024, a few companies enjoyed tax exemptions, including Timor Port (US$190.297 thousand), Consorcio Austem Beverage (US$28.663 thousand), Leste Food Beverage (US$20 thousand), Funan Santalum (US$4.380 thousand), and Patricia Fresh Lounge, which also benefited from a tax holiday of US$5 thousand. These companies are taking advantage of tax incentives to support their operations and contribute to the economic growth of the region.

However, some companies, such as Happy Farm, which invested in poultry, and other Investment Certificate (IC) holders, did not qualify for fiscal incentives. This is due to their Investment Certificates having expired, which means they no longer meet the necessary criteria for tax exemptions. As a result, these companies are now required to pay regular taxes to the government in accordance with the private investment law. Additionally, there are companies that have not utilized their certificates for new investments, which further limits their ability to access these incentives.

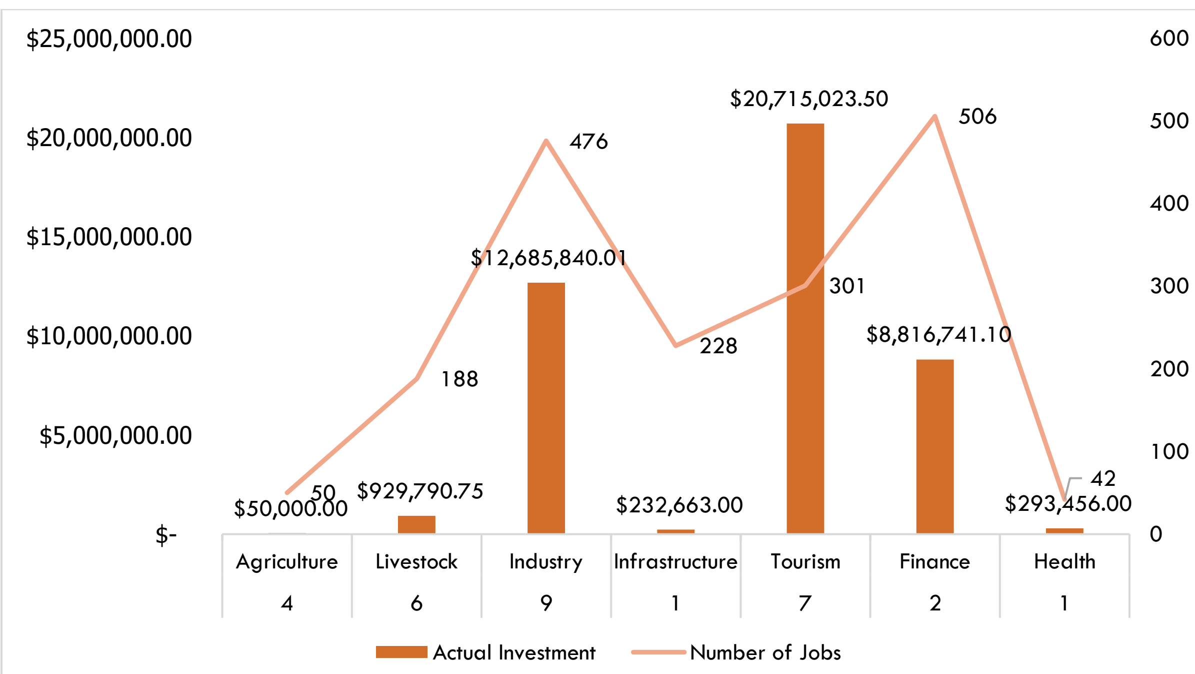


Graph 13. Investment Amount Vs Unpaid Taxes

The graph clearly indicates that only a few companies benefit from tax exemptions, such as Acelda, which enjoyed US$ 1,437 thousand in exemptions. However, some companies, like Caixa Geral de Depósitos, which invested in the finance sector along with other Investment Certificate (IC) holders, no longer have access to fiscal incentives because their Investment Certificates have expired. As a result, these companies must pay the standard taxes to the government, as per the private investment law. Others, whose certificates are still valid, have not yet used them for their investment activities.

3.8 Overview on Actual Investment and Direct and Indirect Job Creation per Sector

The graph presents key sector metrics: company counts, actual investment values, and job figures per sector. It provides an overview of investment distribution and job creation potential in Agriculture, Finance, Health, Industry, Infrastructure, Livestock, and Tourism, shedding light on their economic contributions.



Graph 14. Actual Investment Vs Number of Jobs

The data highlights a clear divergence in investment distribution, job creation, and sectoral engagement, reflecting both the strategic priorities of investors and the varying growth potentials across sectors.

In the tourism sector, a 7 DB holder has invested US$ 20.7 million, generating 301 jobs, reflecting a strong capital inflow relative to employment creation. The industry sector, represented by a 9 DB holder, shows an investment of US$ 12.7 million, resulting in 476 job opportunities, indicating a higher capital-to-employment efficiency. The finance sector, with two IC holders investing US$ 8.82 million, created 506 jobs, demonstrating a substantial capital input for job creation, further underscoring the sector's significance in attracting investments and driving employment growth.

Conversely, the livestock sector presents a weaker investment profile. Six DB holders contributed US$ 929.8 thousand, resulting in 188 jobs. This sector's relatively low investment per job created signals potential underinvestment or a lower return on investment compared to other sectors. Similarly, the agriculture sector saw only US$ 50 thousand from four DB holders, generating 50 jobs, indicating a minimal investment footprint and a potentially underdeveloped market.

The health sector, with one IC holder contributing US$ 293.46 thousand and creating 42 jobs, suggests that while investment is modest, its impact on job creation is relatively constrained. The sea port infrastructure sector reveals an anomaly, where an IC holder's investment of US$ -232.7 thousand (negative value) resulted in 228 job opportunities. This could indicate capital outflows or losses, raising concerns about the sector's financial viability, though its job creation aspect is noteworthy.

These variances underscore critical sector-specific dynamics:

a. Tourism, industry, and finance sectors exhibit a more favorable capital-to-job creation ratio, signaling efficient use of investments to generate employment opportunities.

b. Livestock, agriculture, health, and infrastructure sectors, on the other hand, demonstrate lower investment levels with mixed returns in terms of job creation. The negative investment in the sea port further calls attention to the challenges in infrastructure investment optimization.

This data reveals that while certain sectors like tourism and finance hold clear strategic investment potential, others, such as livestock and infrastructure, may require reevaluation of investment strategies or targeted interventions to optimize capital allocation and enhance employment outcomes.

IV. Conclusion

The analysis of Timor-Leste's investment landscape in 2024 provides a detailed look into the country's economic path, highlighting key discrepancies, sectoral imbalances, and employment patterns. This in-depth review of investment trends, geographic distributions, contributions by sector, and types of investments offers a comprehensive understanding of the nation's evolving economic structure.

A notable trend is the dominance of Domestic Direct Investment (DDI) over Foreign Direct Investment (FDI) and Joint Ventures (JV), suggesting a preference for local funding sources. This trend may reflect favorable conditions for domestic investors or government efforts to encourage local investment. It highlights the importance of cultivating an environment that attracts both local and foreign investment to ensure a robust and varied economic landscape.

The consistent pattern of actual investments exceeding initial estimates across various categories indicates strong project resilience, likely driven by streamlined regulatory processes or unanticipated economic stability during project execution. At the same time, Return on Investment (ROI) assessments reveal a mix of positive and negative outcomes, showing that some entities perform well while others face challenges. Issues with monitoring and evaluation, such as inconsistent data and participation gaps, suggest difficulties in conducting thorough and transparent assessments.

The strategic allocation of fiscal incentives, particularly to specific taxes and projects in vital sectors like infrastructure and hospitality, highlights a focused effort to stimulate growth in these areas. However, care must be taken to ensure that incentives are distributed fairly to encourage balanced sectoral development.

Sector-specific reviews point to discrepancies in investment progress and job creation targets, suggesting that certain sectors face delays or underperformance, while other sectors hold untapped potential. Additionally, the labor market, which is predominantly made up of Timorese workers, underscores the country's reliance on local labor and the need to address gender imbalances, aiming to build a more inclusive and diverse workforce.

V. Recommendations

Recommendations to address the challenges outlined in this monitoring report revolve around establishing a robust communication and coordination framework among key ministries, including the Land and Property Department, Immigration, Tax Authority, SEFOPE, and TradeInvest. It is crucial to initiate a consistent monthly meeting, facilitating discussions to streamline government facilitation procedures for investors. The proposed committee should focus on several key subjects:

4.1 Strengthen inter-ministerial collaboration by assigning specific roles and responsibilities to relevant ministries, such as the Ministry of Finance, Trade and Industry, and the Tax Authority. This collaborative approach will improve coordination, streamline the investment process, and ensure efficient execution of policies and programs. Ministries should actively engage in policy formulation, implementation, and monitoring to guarantee alignment with national development objectives.

4.2 Develop and enforce detailed guidelines specifying the duration of monitoring activities for companies post-expiration of their Investor Certificates and Declarations of Benefits. This will create a transparent and predictable framework for companies and stakeholders, ensuring compliance with local regulations and policies. The guidelines should specify the duration, scope, and expectations of continued monitoring, ensuring that there is a clear pathway to close monitoring gaps and hold companies accountable for their operations.

4.3 Foster deeper technical cooperation between TradeInvest, the Tax Authority, and other relevant government bodies, particularly focusing on the integration of the SIGTAS (Tax Administration) platform. This platform should be used for data collection, cross-checking, and interpretation of investment-related activities. A joint task force or working group could be established to improve the sharing of information and harmonization of monitoring efforts. Additionally, ensuring that SERVE (Service of the Registry of Enterprises and Beneficiaries) disseminates Decree Law No. 84/2022 to relevant stakeholders, including beneficiaries with active operations across the country, will be crucial for awareness and compliance.

4.4 Address operational inefficiencies stemming from scheduling conflicts among various beneficiaries, such as the DB (Development Bank), IC (Investment Corporation), and SIA (Investment Administration). These overlapping schedules have disrupted data analysis and monitoring efforts. Improved communication, scheduling, and coordination between these entities will allow for better resource management, prevent delays, and enhance the overall effectiveness of monitoring activities. A central coordination body or a unified database system could help mitigate these conflicts and streamline operations.

4.5 Resolve the transportation limitations faced during monitoring activities by investing in additional vehicles and logistical resources. Delays in field operations, often caused by insufficient vehicles, can be detrimental to the efficiency and timeliness of monitoring activities. Ensuring an adequate fleet, as well as dedicated personnel for transport management, would enhance the capacity of monitoring teams to carry out their duties in a more effective manner. This investment could reduce bottlenecks, improve outreach, and ensure that monitoring tasks are completed within prescribed timelines.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