



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

MONITORING REPORT

**ASSESSING INVESTMENT COMMITMENTS AND
ECONOMIC RETURNS UNDER
IC, DB, AND SIA SCHEMES**

2025



TradelInvest Timor-Leste

Monitoring Report

Assessing Investment Commitments and Economic Returns Under IC, DB, and SIA Schemes

(2025)

By

**TradelInvest Timor-Leste, SERVE, MCI, MAPF, Tax Authority, Custom Authority, Migration
Services, Tourism, DNTP, ANLA and IGT**



Acknowledgment

On behalf of TradelInvest Timor-Leste, the Directorate of Investment Promotion (DIP) extends its sincere appreciation to all individuals and institutions whose collaboration made this monitoring report possible. This assessment was completed through the collective effort, expertise, and commitment of many partners.

We express our gratitude to the line ministries, municipal authorities, and partner institutions for providing essential data, technical insights, and coordination throughout the process. Their contributions were crucial in ensuring the accuracy and consistency of the investment performance evaluation.

We also thank the national and foreign private-sector entities that participated in the monitoring activities. Their willingness to share information, facilitate site visits, and engage with our team greatly enhanced the depth and relevance of the analysis.

Our acknowledgement extends to the monitoring teams, whose professionalism and dedication in the field were key to collecting reliable data and generating meaningful findings. Their work reflects TradelInvest Timor-Leste's broader commitment to strengthening investment facilitation and oversight.

Finally, we appreciate all stakeholders and partners who continue to support the development of a dynamic and sustainable investment environment in Timor-Leste. Your ongoing collaboration and dedication to economic progress remain central to this endeavour.



TERMS AND ABBREVIATIONS

TITL	TradelInvest Timor-Leste
DIP	Directorate of Investment Promotion
DEP	Directorate of Export Promotion
DERM	Directorate of External Relations 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 Environmental 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
EDTL	Electricity of Timor-Leste
INDMO	Manpower Development Institute
SEFOPE	Secretary of State for Vocational Training and Employment
FGD	Focus Group Discussion
\$	Dollar
%	Percentage



EXECUTIVE SUMMARY

The 2025 Annual Investment Monitoring conducted by TradelInvest Timor-Leste reviewed the performance of private investment projects benefiting from government incentives between 2016 and 2025. A total of 25 companies were assessed to verify compliance with approved commitments and evaluate their contribution to national economic objectives.

Overall, the results confirm that private investment continues to support economic activity and employment. In 2025, monitored companies executed US\$20.97 million in new capital investment, generated US\$58.28 million in gross revenue, and recorded US\$11.17 million in net income. Their operations created 1,300 direct and an estimated 1,815 indirect jobs, while utilizing US\$349.71 thousand in tax exemptions. These outcomes demonstrate the continued value of fiscal incentives in enabling investment across industry, manufacturing, tourism, agriculture, livestock, and infrastructure services.

Several notable trends emerged. Domestic investors represent the majority of project holders, while foreign investors continue to bring substantial capital into strategic sectors. Investment activity remains concentrated in Dili and Liquiça, reflecting stronger infrastructure and service availability. Companies consistently reported challenges related to electricity reliability, land certification, infrastructure gaps, access to finance, workforce skills, and tax-related competitiveness issues.

The findings clearly indicate the need for the government to strengthen cross-ministerial coordination, accelerate the resolution of investor constraints, and prioritize reforms in electricity supply, land administration, skills development, and sector-specific regulations. Advancing these actions, together with more strategic targeting of investment locations and incentives will be essential to ensure that private investment more effectively supports national goals for economic diversification, employment generation, and sustainable, inclusive growth



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I. INTRODUCTION

Since 2016, TradelInvest Timor-Leste has played a pivotal role in shaping the nation's investment landscape by coordinating with government institutions to facilitate and oversee projects awarded investment certificates and benefit declarations. This decade-long effort has guided investors from planning to implementation, with numerous projects already completed and others advancing through construction. The continued momentum underscores the relevance of investment promotion and monitoring as drivers of national development.

This monitoring exercise provides a comprehensive overview of Domestic Direct Investment and Foreign Direct Investment performance across all sectors during their implementation period. These investments continue to play a vital role in driving economic growth, creating employment, transferring skills to local workers, introducing new technologies, and strengthening the use of public infrastructure - contributing collectively to a more conducive investment environment in Timor-Leste.

The report presents a diverse portfolio of local and foreign investment projects, highlighting key trends, performance results, challenges, and opportunities that have shaped the investment landscape over the past nine years. With robust data and careful analysis, it equips policymakers, investors, and stakeholders with insights that support evidence-based decision-making and long-term strategic planning. By assessing achievements and identifying areas that require further attention, the report reaffirms the essential contribution of the private sector to sustainable and inclusive economic development in Timor-Leste. It underscores the importance of continued collaboration and a supportive policy environment to maintain investment momentum.

We invite readers to reflect on the findings and engage with the insights presented, as constructive feedback is crucial for strengthening the country's investment ecosystem. We also express our sincere appreciation to all partners and institutions whose cooperation made this report possible. Your continued commitment to advancing high-quality investments remains integral to Timor-Leste's economic progress.



II. MONITORING APPROACH

Key Performance Indicators (KPIs)

To assess the performance and progress of private investment projects from 2016 to 2025, this monitoring exercise utilizes a set of Key Performance Indicators (KPIs). These indicators capture multiple dimensions of investment activity, including trends, geographic distribution, financial execution, sectoral contribution, and employment generation. Together, they provide a consistent and structured basis for evaluating the effectiveness and impact of investment projects.

The KPIs applied in this report include:

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. Current Investment Value vs. Return on Investment (ROI)
7. Comparative Analysis of Investment Values and Tax Exemptions
8. Actual Investment and Direct and Indirect Job Creation per Sector

These KPIs provide a systematic framework to assess investment performance across multiple dimensions, capturing both financial and socioeconomic outcomes. By applying this framework, the report presents a comprehensive analysis of trends, patterns, and impacts, which is detailed in the following Data Analysis section.

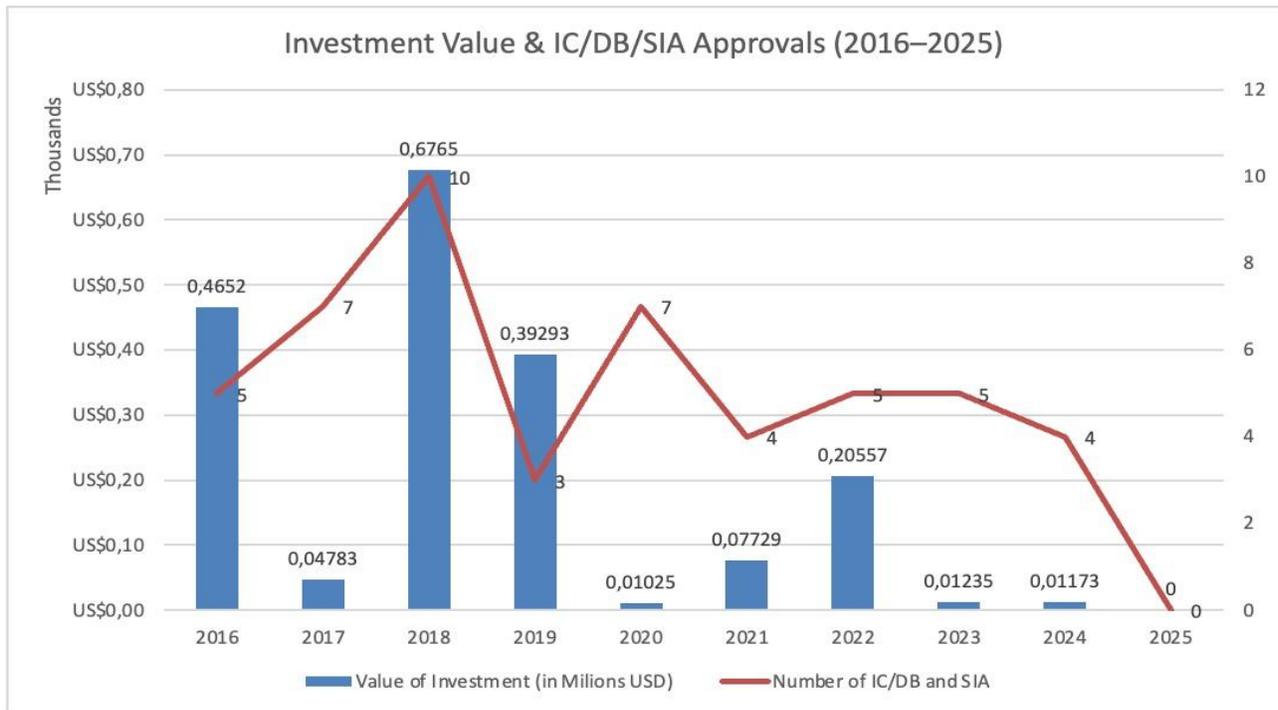
III. DATA INSIGHTS TRENDS

3.1 Investment Performance Overview

The graph indicates substantial volatility in annual capital investment from 2016–2025, with sharp fluctuations reflecting an unpredictable investment trajectory.



Figure 5: Annual Investment Capital and IC/DB & SIA Issuance



The number of Investment Certificates/Declarations of Benefits (IC/DB) and Special Investment Agreements (SIA) issued annually has remained relatively stable, generally ranging between three and ten projects per year. This consistency indicates a steady level of investor interest in Timor-Leste.

In contrast, total investment values have fluctuated considerably due to the irregular entry of large-scale, capital-intensive foreign projects. Significant investment peaks were recorded in 2016 (USD 465 million), 2018 (USD 676 million), and 2019 (USD 392 million), each driven by major foreign investment commitments. Following these high points, investment values declined sharply and only partially rebounded in 2022 (approximately USD 200 million). From 2023 to 2025, the number of approved projects has remained stable, though total investment values have moderated.

During 2024–2025, a total of 17 proposals were submitted requesting IC/DB and SIA consideration. Eight business plans were presented to the Technical Review Team. As of this reporting period, one proposal - Galhos International Unip. Lda, has completed technical review, and its final report has been submitted to the Ministry of Commerce and Industry for IC/DB issuance. The remaining seven proposals are in advanced technical assessment and are expected to progress toward approval in the coming year.



TradelInvest Timor-Leste

Among the seven proposals currently under advanced technical assessment, several represent large-scale foreign direct investment (FDI). These include a USD 300 million shipbuilding project by Thuneishi Timor Shipbuilding, a USD 25 million telecommunications initiative by One Belt One Net, a USD 1 billion tourism and manufacturing proposal from Aowen Caizi Unipessoal, Lda, and a USD 685 million fisheries investment by Timor South Sea Fishery Development, Lda. Collectively, these high-value initiatives demonstrate a strong pipeline of major FDI commitments.

This current investment pipeline reflects a notable concentration of large foreign projects in sectors such as tourism, manufacturing, fisheries, and shipbuilding. The scale of proposals, particularly the USD 1 billion initiative from Aowen Caizi and the USD 685 million fisheries project by Timor South Sea Fishery Development, signals rising international confidence in Timor-Leste's long-term economic outlook. Growing interest from Japan and Singapore further highlights increasing diversification among Asian investors.

At the same time, national direct investment (NDI) continues to play an essential role, particularly in livestock, agriculture, and aquaculture, reflecting strong domestic participation in economic development. Overall, the combination of FDI, joint ventures, and NDI indicates a healthy and expanding investment environment supported by robust regional engagement.

Across all proposals, most projects are in the early to mid-stage of processing, awaiting technical review outcomes or land confirmation from relevant line ministries before the Agency for Investment and Export Promotion (TITL) can finalize assessment reports and advance them for approval.



3.2 Investment by Location

Figure 6: Investment Concentration by Municipality

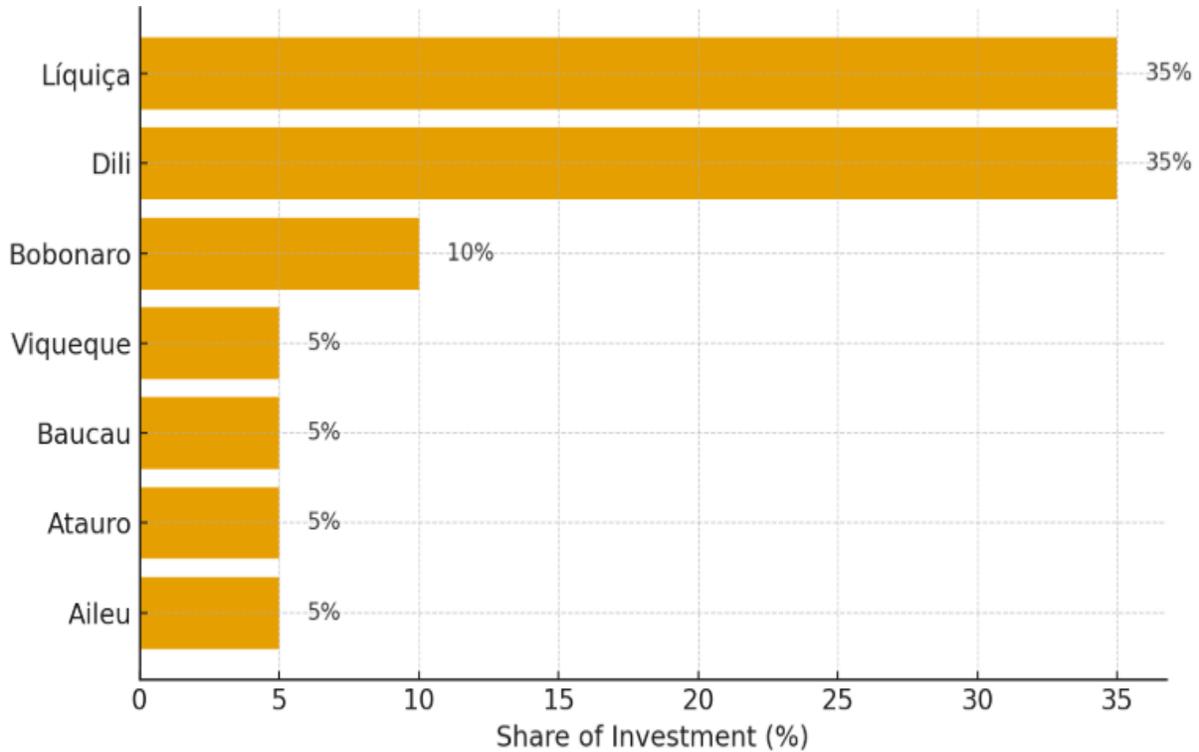


Figure 2 presents the distribution of investor activity across municipalities. The results show a strong preference for Dili and Liquiça, with each municipality receiving 35% of the total investment. Together, they account for the majority of investor presence.

This concentration is not surprising. Dili offers easier access to government institutions, established infrastructure, and a larger customer base, making it a practical choice for many businesses. Liquiça, located close to the capital, benefits from similar advantages, particularly in terms of transport links, electricity supply, and market accessibility. These conditions reduce operating costs and create a more supportive environment for investment.

In comparison, other municipalities attract smaller shares Bobonaro at 10%, and Viqueque, Baucau, Atauro, and Aileu at 5% each. These lower figures may reflect the more limited infrastructure and service availability in these areas, which can make investment less straightforward or more costly for firms.

This distribution provides a clear picture of the current investment landscape and highlights how infrastructure and access to services continue to shape investor decisions across the country.

3.3 Investment by Country of Origin

Figure 7: Investor Composition by Country of Origin

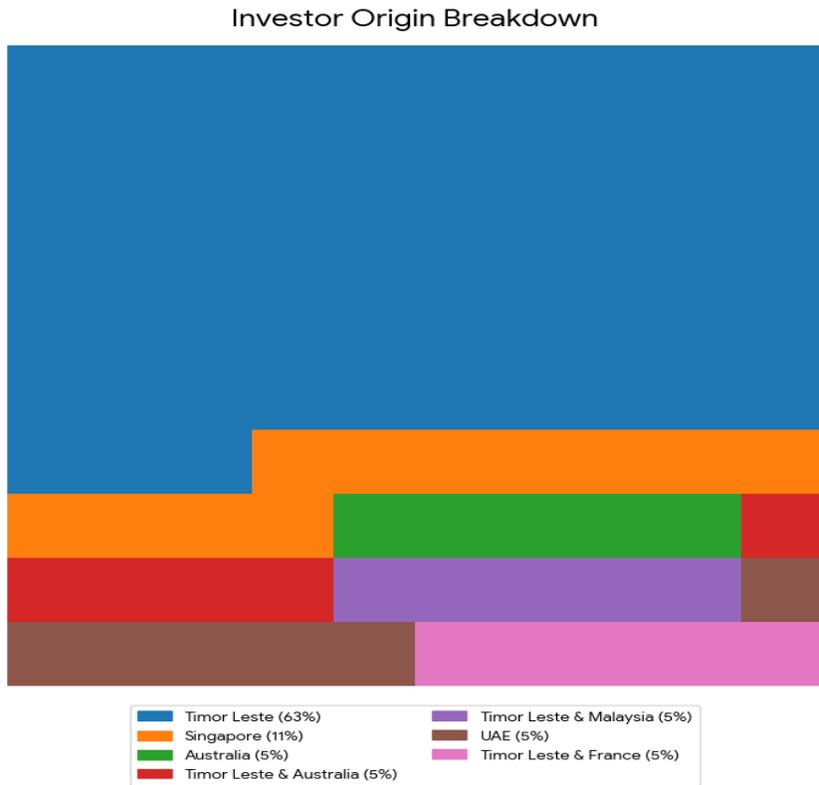


Figure 3 presents the distribution of investors by country of origin across the sectors in which they committed to invest. The graph clearly shows that the investment landscape is overwhelmingly dominated by domestic investors, who account for 63% of all registered investments. This strong majority highlights the active role of Timor-Leste’s national private sector and suggests growing confidence among local companies in expanding their participation across diverse economic sectors.

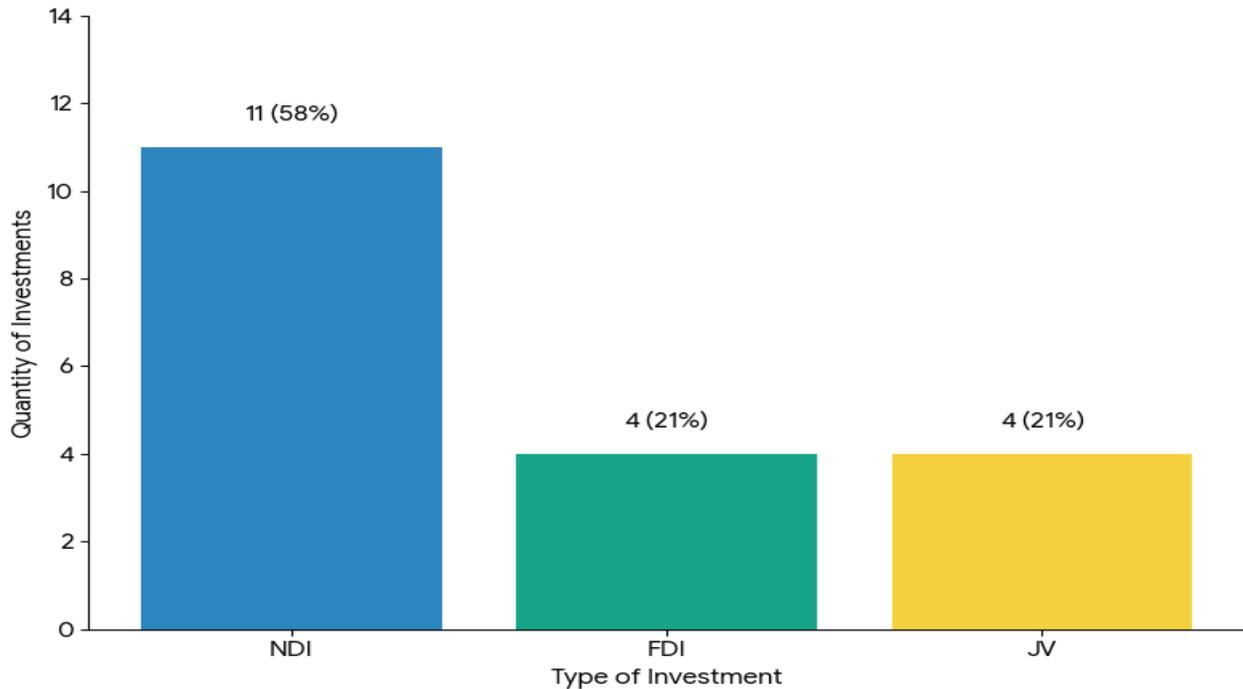
In addition to domestic investors, several foreign countries also demonstrate notable engagement. Singapore represents 11%, followed by Australia at 6%, and Iran and Malaysia at 6% and 5%, respectively. Although their shares are comparatively smaller, these contributions signal a continued interest and commitment from international partners.

Despite the predominance of domestic investors, the presence of companies from Singapore, Australia, the United Arab Emirates, Malaysia, and others indicate a gradual expansion of international diversification. This trend aligns with Timor-Leste’s ongoing efforts to attract foreign direct investment (FDI) through policy reforms, investment promotion initiatives, and strengthened regional and global cooperation.



3.4 Investment by Type

Figure 8: Investment Activity Composition



The graph provides the various types of investments made in Timor-Leste across the fiscal years from 2016 to 2025. Overall, the period is characterized by a strong domestic investment base (NDI), complemented by strategic foreign participation through both direct investments (FDI) and joint ventures (JV).

Since 2016-2025, the government of Timor-Leste has continued to issue investment certificates and declarations of benefits to the national direct investment (NDI), foreign direct investment (FDI). This figure shows that the investment landscape from 2016 to 2025 is predominantly driven by National Direct Investment (NDI), which constitutes 58% of all approved investments. This indicates that domestic investors remain consistent with their commitment of investment implementations.

Foreign Direct Investment (FDI) accounts for 21%, reflecting a moderate but important contribution from international investors. This level of participation highlights continued foreign interest in Timor-Leste's emerging sectors, particularly in areas where international expertise and capital are advantageous. Although the number of foreign investment projects is comparatively low, their overall financial value is substantially higher than the much larger volume of National Direct Investment. This



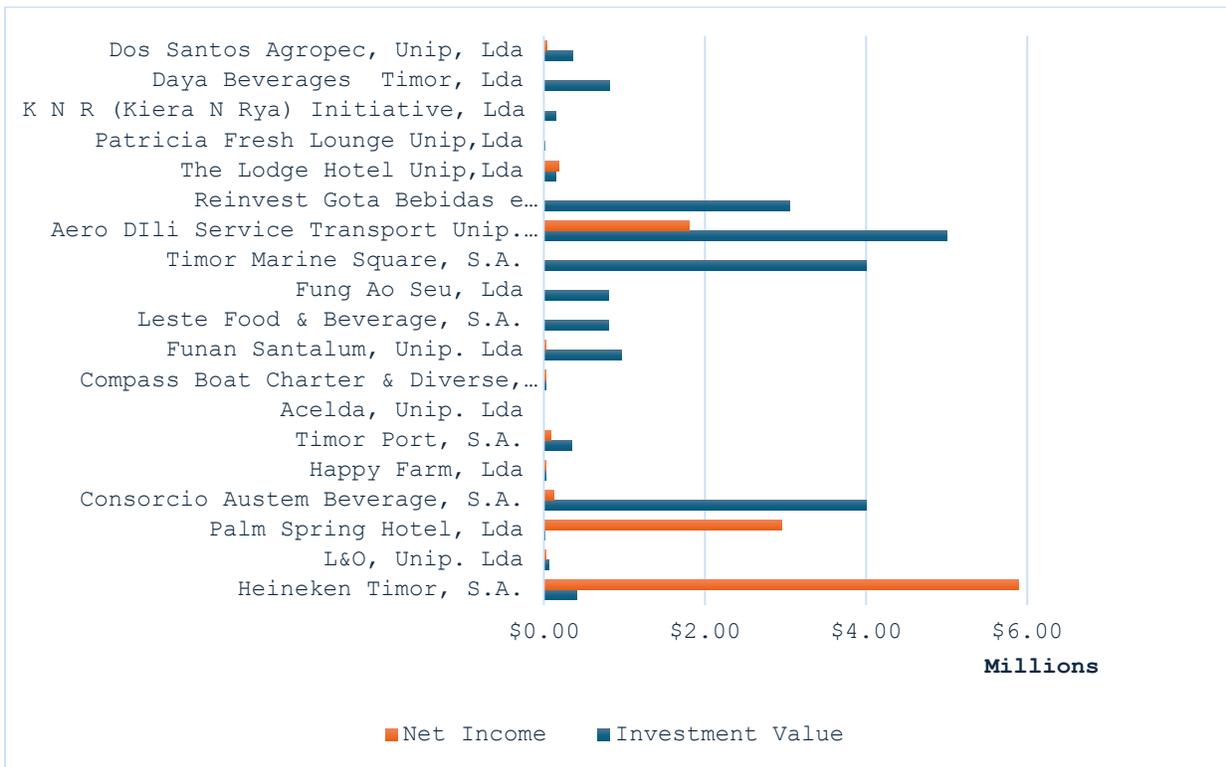
trend indicates that while domestic investors dominate in terms of project quantity, foreign investors tend to commit larger-scale capital, often targeting sectors that require higher levels of financing, technology, or specialized expertise.

Joint Ventures (JV) also represent 21% of total investments, showing a balanced level of partnerships between domestic and foreign investors. The equal share of JV and FDI suggests that collaborative investment models remain an attractive approach, helping to combine local market understanding with foreign technology, capital, and expertise.

3.5 Analyzing Current Investment Values vs Net Income per Company in 2025

This figure represents each company that has an investment certificate and declaration of benefits continues to execute and gain revenues from their investments in different sectors.

Figure 5: Actual Investment Vs Net Income



Heineken Timor, S.A. stands out as the strongest performer, generating approximately \$6 million in net income, surpassing its capital investment of around \$5 million. This exceptional return highlights its dominant market position, strong operational efficiency, and the stability of the beverage sector in



Timor-Leste. Palm Spring Hotel, Lda also performs strongly with an estimated \$3 million net income, demonstrating high profitability within the hospitality sector and an efficient return on its \$4 million investment. These companies significantly contribute to overall private-sector income, indicating sectors with strong consumer demand and effective business models.

Aero Dili Service Transport Unip. Lda produces around \$2 million, supported by a relatively large investment of approximately \$5 million. While still profitable, the return ratio is lower compared to high-performing companies, suggesting higher operational costs or gradual market expansion. This positions the transport sector as moderately profitable but with potential for improvement in efficiency and revenue optimization.

However, some companies generate less than one million, such as Consorcio Austem Beverage, S.A., which generates roughly \$0.5 million in net income against a substantial investment of nearly \$4 million. This indicates a slow return period or competitive pressures within the beverage industry. The Lodge Hotel Unip. Lda also shows good net income relative to its small capital investment, functioning as it has the capacity for scaling but demonstrating operational sustainability.

Based on the analysis, high-performing companies like Heineken Timor, S.A. and Palm Spring Hotel, Lda demonstrate strong market positions, operational efficiency, and high returns on investment. To maintain growth, they should explore market expansion, invest in innovation, and implement sustainability initiatives to strengthen their brand. Moderate performers, such as Aero Dili Service Transport Unip. Lda, remain profitable but could improve returns by optimizing operations, diversifying revenue streams, and targeting new customer segments. Low-performing companies, including Consorcio Austem Beverage, S.A., face competitive pressures and slow market adoption, requiring cost management, strategic marketing, and potential partnerships to boost profitability. Overall, sectors like beverages and hospitality show strong potential, while transport could benefit from efficiency improvements. Encouraging knowledge-sharing among companies can help replicate best practices across the private sector.



3.6 Comparative Analysis: Present Investment Values and Tax Exemptions

This section compares the actual investments made by key companies in 2025 with the tax exemptions granted to them under their Investment Certificates, highlighting differences in scale, sectoral patterns, and the alignment of tax benefits with investment execution.

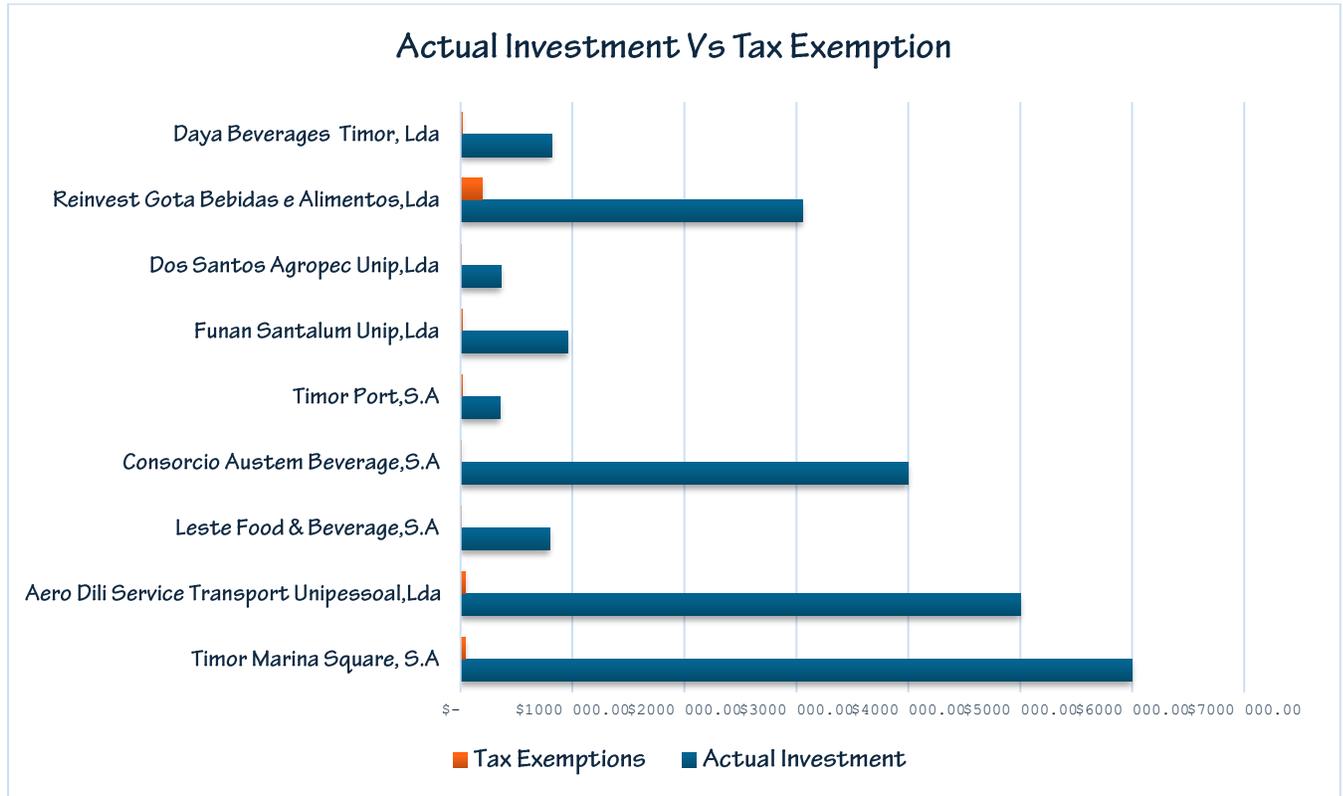


Figure 6: Company-Level Investment and Tax Incentive Comparison

Figure 6 compares the actual investment values of several companies with the tax exemptions they received in 2025. In total, tax exemptions amounted to US\$349.71 thousand, mainly from import customs duties and sales taxes. These incentives are tied to Investment Certificates (ICs) issued by the government to stimulate economic activity in sectors such as construction, hospitality, water production, agribusiness, and aviation.

A clear pattern emerges when comparing companies:

- Large-scale investors generally receive moderate exemptions, reflecting targeted support for long-term infrastructure and production needs.



- Agribusiness and smaller firms receive lower exemptions, aligned with their smaller scale of operations.
- Some companies receive proportionally higher exemptions relative to their actual investment, often due to equipment-heavy imports for production.

Below is a comparative summary of each company's performance:

- a. Timor Marina Square, S.A continues to invest US\$4 million this year, while receiving US\$42,787.69 in tax exemptions. Its exemption level is moderate relative to its large investment, indicating support mainly for construction materials.



- b. Aero Dili Service Transport, Unipessoal Lda
With an actual investment of US\$5 million and exemptions of US\$44,902.76, Aero Dili demonstrates one of the strongest investment executions. Compared with peers, its exemption level is low relative to investment size, showing efficiency and financial strength.



c. Leste Food & Beverage, S.A. Invested US\$800,000 and received US\$7,397.91 in exemptions. Compared to other food and beverage companies, its exemption is modest, reflecting small to medium-scale operations.



d. Consorcio Austem Beverage, S.A. With US\$4 million in actual investment and US\$11,727.69 in exemptions, this company shows high investment capacity but only moderate reliance on tax support. Among beverage-sector firms, its exemption is smaller relative to investment scale.

e. Timor Port, S.A. Recorded US\$350,190 in actual investment for this period and received US\$17,394.69 in exemptions. The ratio of exemption to actual investment is higher than several peers, indicating support for critical port-related imports and operations.





- f. Funan Santalum, Unip. Lda
Invested US\$959,000 and received US\$14,179.76 in exemptions. Its exemption-to-investment ratio is moderate and comparable to other agribusiness companies needing equipment and operational inputs.



- g. Dos Santos Agropec, Unip. Lda
With investments of US\$359,267 and exemptions of US\$3,526.33, it maintains one of the smallest exemption levels, appropriate for its small-scale agricultural activities.

- h. Gota Bebidas e Alimentos, Lda (Re-investment from Dili to Liquiça municipality)

This company stands out with US\$3,056,767.87 in actual investment and US\$191,643.34 in exemptions - the highest exemption level among all companies. Its exemption is significantly higher than other beverage-sector firms due to the import of modern production equipment and factory construction.

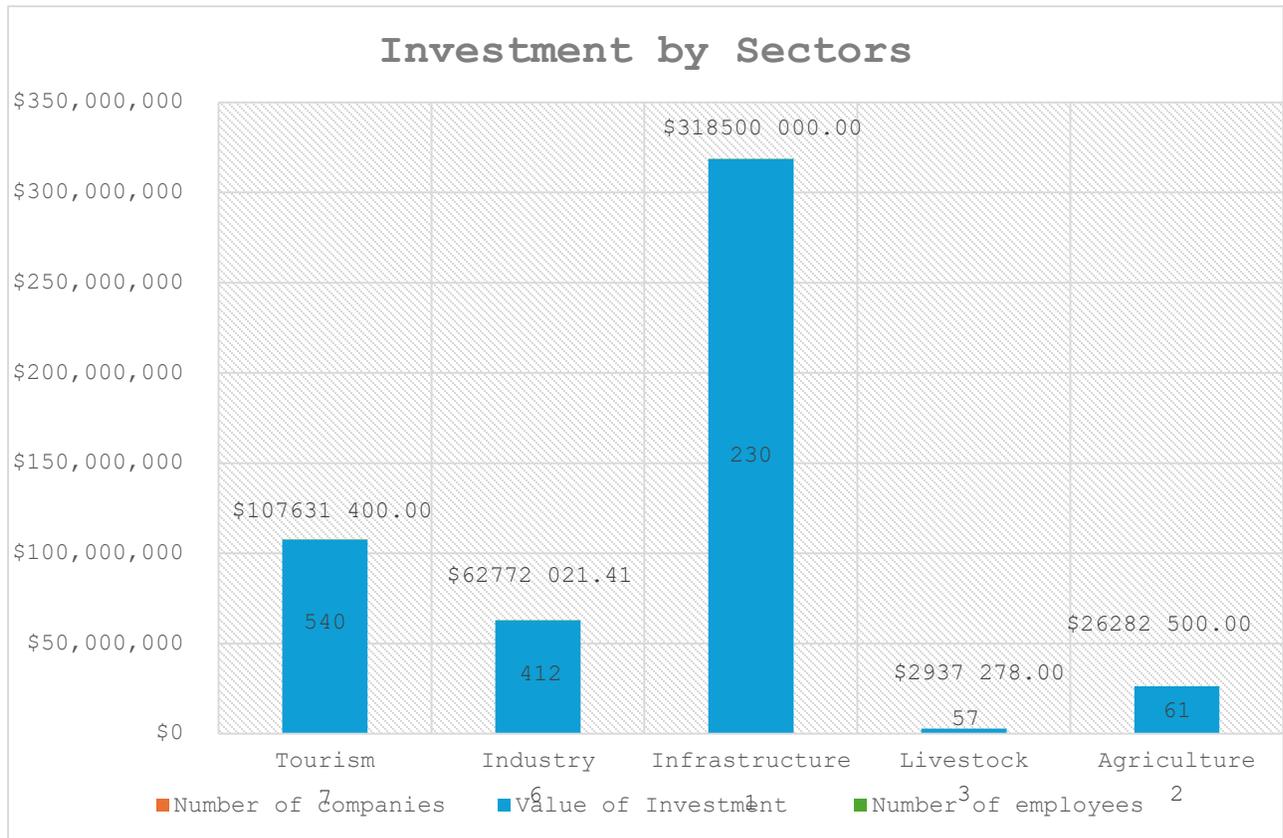




i. Daya Beverages Timor, Lda Invested US\$815,221.85 and received US\$16,146.52 in exemptions. Its exemption level is proportionate to its construction-related activities and similar to other medium-sized beverage operations.

3.7 Sectoral Investment and Job Creation

This section provides an overview of the number of companies, actual investment levels, and employment across key sectors. The graph illustrates how investment and job creation are distributed across Tourism, Industry, Infrastructure, Agriculture, and Livestock, demonstrating their relative contributions to the economy.



Graph 7. Actual Investment Vs Number of Jobs



The data reveal significant differences across sectors in terms of investment scale, employment generation, and company participation. Infrastructure emerges as the largest driver of capital investment, tourism stands out as the strongest generator of employment, and livestock appears as the most undercapitalized sector. These variations reflect investor priorities, sector-specific growth potential, and differing levels of maturity across industries.

The tourism sector, comprising seven companies and a total investment of US\$107.6 million, is one of the most active sectors. It also generates the highest level of employment with 540 workers, underscoring its potential to support livelihoods and stimulate local economic activity.

The industry sector, with six companies and US\$62.8 million in investment, employs 412 workers. While its investment level is moderate, the sector plays a key role in strengthening domestic manufacturing and value-added production.

The infrastructure sector, represented solely by Tibar Port, stands out as the most capital-intensive. Despite having only one company, it records the highest investment value at US\$318.5 million, supporting 230 employees. This highlights the long-term strategic importance of infrastructure for national development.

The livestock sector, with three companies, shows the smallest scale of operations. It registers US\$2.94 million in investment and provides 57 jobs, indicating a sector that remains underfunded and may benefit from targeted support to enhance productivity and competitiveness.

The agriculture sector, represented by two companies with a combined investment of US\$26.3 million, employs 61 workers. Although modest in investment size, the sector plays a vital role in rural livelihoods and national food security, offering opportunities for expansion through better technology adoption, value-chain development, and improved Market access.

IV. CHALLENGES

Overall, companies emphasized that access to reliable and affordable electricity, secure land, streamlined regulations, improved infrastructure, and stronger human-capital systems are critical to enabling business growth in Timor-Leste. Addressing these constraints would significantly enhance the investment environment and strengthen private-sector development. Key challenges identified include:

1. Electricity Reliability and Cost

Around 80% of companies reported that electricity remains their most significant operational concern. Firms noted frequent power outages and voltage fluctuations that damage equipment, disrupt production, and increase maintenance costs. Additionally, the high cost of electricity raises operating expenses, while slow response times from field technicians prolong operational delays.

2. Land Regulation and Certification Issues

Land-related challenges are the second most frequently cited constraint. Several companies reported issues with double land certification, leading to disputes between private entities and government institutions, such as the case involving Keshavar in Loes and Liquiçá. Slow land acquisition processes—often linked to limited staffing and insufficient field support—further delay efforts to secure land for business expansion.

3. Infrastructure and Administrative Bottlenecks

Infrastructure gaps significantly hinder productivity, particularly in industry and tourism. Poor road conditions and weak transport networks raise distribution costs and compromise product quality, especially for perishable goods. Lodge Hotel, Lda highlighted lengthy and complex procedures for obtaining building permits from the Ministry of Public Works. Construction delays linked to infrastructure constraints further slow business development.

4. Limited Access to Finance

Access to finance remains a major barrier, particularly for national investors. Companies such as Particia, Funan Santalum, and Kiera and Rya Initiative expressed the need for improved short-term loan options (“Crédito Suave”), better-designed financial incentives, and more flexible credit mechanisms to support liquidity and business expansion.



5. Taxation and Market Competitiveness Issues

Companies in the bottled water sector—including Consortium Austem, Leste Beverages, and Gota—raised concerns over the current 30% plastic tax, noting that domestically produced bottled water faces a higher tax burden than imported water, which is taxed at only 2.5%. Firms argued that this imbalance reduces competitiveness and market fairness.

Palm Spring Hotel also emphasized the importance of formalizing current import excise tax rates in law to improve predictability for long-term investments. Several companies recommended adopting a graduated excise system based on alcohol content (ABV), which they believe would create a fairer tax regime and reduce market distortions.

6. Human Capital and Skills Gaps

Skills shortages continue to limit business performance. Companies in tourism—such as Kiera, Rya Initiative, and Palm Spring Hotel—reported difficulty finding adequately skilled workers, particularly youth at the municipal level. Firms requested stronger support from INDMO and SEFOPE to improve recruitment, placement services, and skills matching. They also emphasized the need for targeted training programs in areas such as hotel management, agricultural production, manufacturing, and technical operations.

7. Agricultural Inputs, Quality Control, and Sector Governance

Agriculture-related companies reported difficulties accessing essential inputs such as fertilizers and pesticides. Acelda, Particia, and Fung Ao Seu noted that the absence of a national laboratory limits quality control and compliance with food-production standards. Additionally, Acelda emphasized the need for stronger enforcement of Decree-Law 12/2014 on animal roaming to protect production areas in both urban and peri-urban zones.



V. CONCLUSION

The 2025 analysis of Timor-Leste's investment landscape shows how the country's economy is developing and where challenges remain. Some sectors are progressing well, while others face delays or have untapped potential. Tourism and Industry sectors seem more attractive for investors, but the agriculture sector is still facing gaps in development. Most workers are Timorese, highlighting the importance of local labor, but there are still gender gaps that need to be addressed. Overall, the findings point to the need for more inclusive workforce policies and balanced growth across all sectors.

Most investments to date in Timor-Leste are concentrated in tourism, industrial production (such as bottled water), and limited agricultural activities, primarily chicken and egg production. Investment in agriculture remains low, reflecting limited investor interest due to challenges related to agricultural policies, land ownership, and internal regulations within the Ministry of Agriculture, which often create a gap between investor expectations and the current legal framework. Expanding investment into other sectors is therefore critical to achieving more balanced economic growth. Future investments should also prioritize job creation, particularly for young people, to maximize social impact. TradelInvest Timor-Leste (TITL) must adopt a strategic approach to attract donors and investors with an interest in supporting these underdeveloped sectors, ensuring that investments contribute to both economic development and inclusive employment opportunities.

A notable trend in Timor-Leste's investment landscape is the dominance of Domestic Direct Investment (DDI) over Foreign Direct Investment (FDI) and Joint Ventures (JV), indicating a strong reliance on local funding sources. This trend may reflect favorable conditions for domestic investors and government initiatives aimed at promoting local investment. However, local investors often face constraints in financial resources and operational capacity, highlighting the need for continued government support and targeted capacity-building programs. Addressing these challenges is essential to create an enabling environment that attracts both domestic and foreign investment, thereby fostering a more diversified and resilient economic landscape



In terms of localization, investment in Timor-Leste is currently concentrated in and around the Dili and Liquiça areas, largely due to the availability of infrastructure, skilled labor, supportive services, and proximity to Tibar Port. To achieve balanced economic development, it is essential to promote investment across other municipalities, which would help distribute capital more evenly and generate employment opportunities nationwide. Strategically, TradelInvest Timor-Leste (TITL) should actively target and support municipalities that are currently less attractive to investors, implementing measures to improve infrastructure, facilitate business operations, and showcase local investment opportunities.

Tax exemptions are a key tool to attract domestic and foreign investment by reducing initial operational costs and encouraging investment in priority sectors. In 2025, the companies enjoyed US\$ 349.71 thousand tax exemptions. To be effective, exemptions should be targeted toward industries with high potential for job creation, technology transfer, or export growth, while limiting incentives for low-impact sectors to ensure efficient use of public resources. Monitoring mechanisms should track whether investors meet agreed milestones, such as capital expenditure and employment targets, with adjustments or penalties applied if commitments are not fulfilled.

VI. 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, Electricity of Timor Leste (EDTL, IP), Immigration, Environment Office, Quarantine Timor-Leste, Tax Authority, SEFOPE/INDMO, and TradelInvest. 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:

- a) To address the electricity challenges faced by companies, it is recommended that the government and relevant authorities prioritize improving the reliability, quality, and affordability of power supply. Measures should include upgrading infrastructure to reduce outages and voltage fluctuations, implementing preventive maintenance programs, and ensuring faster response times from field technicians to minimize



operational disruptions. In parallel, strategies to lower electricity costs, such as tariff adjustments, incentives for energy efficiency, or support for alternative energy solutions, can help reduce the overall cost of doing business.

- b) To address concerns in the water bottle importation and production of water bottle, it is recommended to review the current 30% plastic tax under decree law number 37/2020 on domestically produced bottled water, which creates a competitive imbalance with imported products, and consider aligning rates or providing targeted incentives to support local producers. It is recommended to General Directory for Environment to initiate the discussion about this policy with private sectors in order to review and reduce the tax regarding with import of plastic in Timor-Leste.
- c) To strengthen Domestic Direct Investors (DDI) in Timor-Leste, access to finance should be improved through credit facilities, loan guarantees, and concessional funding. Capacity-building programs, including training and technical assistance, can enhance operational efficiency and financial management. TradelInvest Timor-Leste (TITL) should continue to provide facilitation and aftercare services to help investors navigate regulations. Strategic partnerships and joint ventures can support knowledge and technology transfer. Incentives and sector-specific support should be linked to measurable capacity improvements, promoting sustainable growth and job creation.
- d) To address ongoing human capital shortages, it is recommended that government agencies, including INDMO and SEFOPE, strengthen support for youth recruitment, placement services, and skills matching, particularly at the municipal level where gaps are most pronounced. Sector-specific training programs should be expanded and tailored to meet industry needs, focusing on areas such as hotel and tourism management, agricultural production, manufacturing operations, and technical skills. Collaboration between educational institutions, vocational training centers, and the private sector can enhance practical training and ensure alignment with labor market demands. Additionally, incentives for companies to participate in apprenticeship and internship programs can help develop a skilled workforce, improve employability of young workers, and support sustainable growth across priority economic sectors.



- e) To address challenges in agriculture-related industries, it is recommended that the government strengthen Quarantine, inspection, and regulatory enforcement mechanisms to ensure the quality and safety of agricultural inputs such as fertilizers and pesticides. Establishing a national laboratory for testing and certification would support compliance with food production standards and enhance product quality assurance. Additionally, more effective implementation of Decree-Law 12/2014 on animal roaming is needed to protect production areas in urban and peri-urban zones, reducing the risk of contamination and crop loss. Streamlining quarantine procedures and improving sector governance will facilitate timely access to inputs, promote compliance with national and international standards, and support sustainable and productive agricultural operations.



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Dili, Timor-Leste