

Overview

Index of 2014-2015.

Infrascope: The Enabling Environment for Public-Private Partnerships

Timor-Leste

Timor-Leste, having won independence

from Indonesia in 1999, is at an early

infrastructure PPP market reflects this.

poorest countries in the world and its

While Timor-Leste's GDP growth rate is at

an impressive 5.4%, it remains one of the

infrastructure is ranked 133rd out of 144

countries in the Global Competitiveness

The country requires major development

in its national power grid, transportation

infrastructure and water and sanitation.

The government is trying to address these

gaps and has invested US\$2.76 billion into

Electricidade de Timor-Leste (EDTL), Timor

Telecom (TT), and Tibar Bay Port. EDTL was

which the private partner did not take on

deal enabled a private company to run a

public utility for 10 years, it was not subject

any of the financial risk, and while the TT

a one-year management contract in

procurement processes that are now

Bay Project, signed with Bolloré Africa

be the nation's first and only real PPP.

applicable to PPPs. Therefore, the Tibar

Logistics in 2016, is locally considered to

its newly formed Infrastructure Fund

As of 2016, three projects have been

infrastructure, communications

between 2011 and 2015.

implemented that involve the

to any feasibility studies or the

government and private sector -

juncture in its development and its

The government has enacted a significant body of legislation to govern and regulate PPPs, indicating its commitment to PPPs. Introducing PPPs to Timor-Leste has been challenging due to a need for increased public sector resources to execute and implement PPP contracts.

The government has enacted a significant body of legislation to govern and regulate PPPs, demonstrating its commitment to PPPs. In accordance with this commitment, the Ministry of Finance has been designated responsible for negotiating and signing all public-private partnership contracts, upon authorisation of the Council of Ministers of the Government of Timor-Leste.

Timor-Leste has a legal framework to set up and implement PPPs, the Legal Regime on Public-Private Partnerships (Decree Law 42/2012). Public-private partnerships are defined by Decree Law 42/2012 as "agreements by which private entities commit to the government in a long-term manner to ensure the construction and execution of an infrastructure project, where the funding and responsibility for the investment and the operation are borne, in full or in part, by the private partner."

The Legal Regime on Public-Private Partnerships is the primary piece of legislation addressing PPP implementation and applies to PPPs across a wide range of sectors. Additional amendments include the Decree Law 02/2014 — First Amendment to Decree Law 42/2012 and Decree Law 08/2014 — Regulating the Legal Regime on Public-Private Partnerships.

In Timor-Leste, general procurement is

Country environment	Number of PPPs to date: 1
GDP (US\$ bn)	3.0
GDP at purchasing power parity (PPP) per capita (US\$ at PPP)	2470.0
Population (m)	1.2
Central government debt (% of GDP)	3.0

legislated under Decree Law 10/2005 —

special procurement procedures must be

established by additional decree laws,

and are indeed detailed in Decree Law

08/2014, Legal Regime on Public-Private

Procurement Legal Regime, as well as

additional amendments. However,

according to Decree Law 42/2012,

Source: The Economist Intelligence Unit.

Enabling Environment

These issues remain concerns but they have not been prohibitive in getting PPP contracts off the ground. Steps are being taken to develop the commercial legal framework, and the government is making substantial investments to boost infrastructure spending. The government

Challenges of PPP development

Partnerships.

Introducing PPPs to Timor-Leste has been challenging due to limited public sector resources to execute and implement PPP contracts, the lack of a coherent commercial legal framework and obstacles to financing, since Timor-Leste does not have an official sovereign credit ratina.

Due to the lack of a tried and tested PPP framework, the risk premium for investors is higher, pushing up financing costs and requiring the public partner to assume much more of the risk than they otherwise would. This also may translate into a smaller pool of potential private partners.

also has a good track record of honouring its contractual obligations to date.



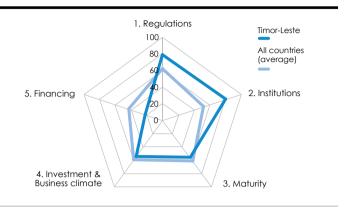
Timor-Leste



■ MATURE (80-100) ■ DEVELOPED (60-79) ■ EMERGING (30-59) ■ NASCENT (0-29)

All countries average includes 40 countries across Latin America, Europe, Asia, Middle East and North Africa, and Sub-Saharan Africa.

Ca	tegory	Score/ 100	All countries (average)
Ove	erall score	58	56
1	Regulations	78	62
2	Institutions	80	52
3	Maturity	56	61
4	Investment & Business climate	54	59
5	Financing	22	43



Sub	-category	Score/ 100
1.1	Conducive regulatory environment	83
1.2	PPP selection criteria	100
1.3	Fairness/openness of bids and contract changes	33
1.4	Conciliation schemes	100
1.5	Regulators' risk-allocation record	100
1.6	Coordination among government entities	75
1.7	Renegotiations	67
1.8	Sustainability	63
2.1	PPP institutional framework	100
2.2	Stability of PPP dedicated agency	100
2.3	Project preparation facilities	100
2.4	Transparency and accountability	20

Sub-category	Score/ 100
3.1 Experience with infrastructure PPP contracts	20
3.2 Expropriation risk	100
3.3 Contract termination	75
4.1 Political effectiveness	34
4.2 Business environment	60
4.3 Political will	50
4.4 Competition environment in the local industry	100
5.1 Government payment risk	37
5.2 Capital market for private infrastructure finance	0
5.3 Institutional investors and insurance market	0
5.4 Currency risk	50

Strengths

Established PPP agency called the Public Private Partnership Unit (PPPU) under the Ministry of Finance that is responsible for assessing, supporting, negotiating and implementing PPP contracts (2.1.1)

Adequate staffing in the PPPU with a permanent staff and extra part-time staff as required (2.1.2)

Regulations providing for contingent liabilities and delayed investment payments (1.5.1)

Clear guidelines outlining the interaction process between the different agencies in charge of preparing, procuring and managing the contract (2.2.3)

Strong staff of executives appointed to advise relevant ministries on selection, implementation and management of PPP projects (2.1.2)

Focus areas for Timor-Leste **Effort** Impact Time-frame Establish a public registry for PPPs if more projects come to fruition (2.4.1) Short-term Medium High 2 Publish reports on concession projects and needs assessments (2.4.2) Medium Medium Long-term Ensure sustainable finance by establishing a local capital market and issuing green bonds 3 Medium Medium Medium-term and development bonds (5.2.3) Attract institutional investors to PPP projects (5.3.1) Medium High Short-term 4 Put in place discounts allowing low-income users better access to infrastructure (5.1.4) Medium Medium Long-term Publish bidding documents, contracts and changes in contracts (1.3.1) Low Medium Short-term Introduce considerations of the environment, gender and social inclusion into feasibility 7 Medium Medium Medium-term studies (1.8.4) Establish an agency for evaluation of PPP project results (2.4.4) Medium Medium Medium-term

The INTELLIGENCE Economist UNIT

Timor-Leste scorecard

	Series	Unit	Source	Scores
	REGULATIONS			
1.1	CONDUCIVE REGULATORY ENVIRONMENT			
.1.1	PPP contracts supported by public procurement	*	The EIU	1
.1.2	Codification of PPP procurement practices		The EIU	
1.1.2.a	Existence of manuals or policies for PPP procurement	*		1
1.1.2.b	Online manuals or policies for PPP procurement	*		1
.1.3	Length of appeals in contract disputes		The EIU	
1.1.3.a	Procedures for appeals in regulations	*		1
1.1.3.b	Maximum time requirements for arbitration rulings	*		0
1.2	PPP SELECTION CRITERIA		T	
1.2.1	Competitive bidding required by regulations	*	The EIU	1
1.2.2	Selection criteria outlined in regulations		The EIU	- '
1.2.3.a	Economic principles for project selection Cost-benefit analysis required	*	THE EIG	1
1.2.3.b	Options analysis and value for money assessment	*		1
1.2.0.0	required			·
1.3	FAIRNESS/OPENNESS OF BIDS AND CONTRACT CHANGES	;		
1.3.1	Publication of bidding documents and contracts		The EIU	
1.3.1.a	Publication of bidding documents required	*		0
1.3.1.b	Publication of contracts required	*		0
1.3.1.c	Publication of changes in contracts required	*		0
1.3.2	Unsolicited bids/proposals		The EIU	
1.3.2.a	Policies and procedures for unsolicited proposals	*		1
1.3.2.b	Consultation for unsolicited proposals		IMP DDI	1
1.3.3	Ratio of unsolicited proposals	% of projects in the past 5		n/o
		years		
1.4	CONCILIATION SCHEMES			
1.4.1	Existence of conciliation schemes	*	The EIU	1
1.4.2	Arbitration		The EIU	
1.4.2.a	Access to international arbitration	*		1
1.4.2.b	Existence of independent arbitration tribunal	*		2
1.5	REGULATORS' RISK-ALLOCATION RECORD		The FILL	
1.5.1 1.5.1.a	Contingent liabilities	*	The EIU	1
1.5.1.b	Regulations on contingent liabilities Measurement of contingent liabilities	*		1
1.6	COORDINATION AMONG GOVERNMENT ENTITIES			'
1.6.1	National infrastructure plan		The EIU	
1.6.1.a	Existence of a national infrastructure plan	*	THE LIE	1
1.6.1.b	PPP prioritisation in national infrastructure plan	*		0
1.6.2	Inter-agency coordination		The EIU	
1.6.2.a	Existence of coordination mechanisms	*		1
1.6.2.b	Guidance for interaction amongst agencies	*		1
1.7	RENEGOTIATIONS			
1.7.1	Renegotiation procedures		The EIU	
1.7.1.a	Transparent renegotiation system	*		1
1.7.1.b	Termination in project agreement	*		1
1.7.1.c	Compensation mechanisms for renegotiations	*		1
1.7.2	Transparency: renegotiations disclosed by law	*	The EIU	0
1.7.3	Independent oversight of renegotiations	*	The EIU	1
1.8	SUSTAINABILITY			
1.8.1	Environmental impact statement required for PPPs	*	The EIU	1
1.8.2	Consultation		The EIU	
1.8.2.a	Consultation required for PPPs	*		1
1.8.2.b	Publication of consultation findings	*	The FIII	1
1.8.3	Disaster risk management in PPP regulations	*	The EIU	0
1.8.3.a 1.8.3.b	Disaster risk management in PPP regulations Insurance requirement of disaster risk	*		1
1.8.3.0	Coherence with national sustainability policies		The EIU	
1.8.4.a	Conerence with national sustainability policies Climate change commitments in PPP guidelines	*	IIIG EIU	0
1.8.4.b	Gender goals in PPP guidelines	*		0
1.8.4.c	Social inclusion goals reflected in PPP guidelines	*		0
1.0.4.0	INSTITUTIONS			U
2.1	PPP INSTITUTIONAL FRAMEWORK			
2.1.1	Existence of a PPP dedicated agency	*	The EIU	1
2.1.2	Dedicated PPP agency adequately staffed	**	The EIU	2
2.1.2	STABILITY OF PPP DEDICATED AGENCY		210	
2.2.1	Reporting lines of PPP dedicated agency	*	The EIU	1
2.2.2	Independence of PPP dedicated agency	*	The EIU	1
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	Series	Unit	Source S	core
2.2.3	PPP procurement process coordination guidelines	*	The EIU	1
2.3	PROJECT PREPARATION FACILITIES			
2.3.1	Project preparation facilities		The EIU	
2.3.1.a	Existence of project preparation facilities	*		1
2.3.1.b	Budget for project preparation facilities	*		1
2.3.2	Project development fund	*	The EIU	1
2.4	TRANSPARENCY AND ACCOUNTABILITY			
2.4.1	Existence of a public PPP registry	**	The EIU	C
2.4.2	National PPP monitoring and reporting		The EIU	
2.4.2.a	Reports on PPP projects	**		C
2.4.2.b	Reports on PPP project phases	*		(
2.4.2.c	Publication of needs assessments	**		C
2.4.3	Monitoring and reporting	*	The EIU	
2.4.4	Agency for evaluation of PPP project results	*	The EIU	(
2.4.5	Publication of PPP results evaluation	**	The EIU	(
3	MATURITY			
3.1	EXPERIENCE WITH INFRASTRUCTURE PPP CONTRACTS			
3.1.1	Number of PPP projects in the past 5 years	Number of	WB PPI	(
3.1.2	PPP investment size relative to GDP	projects %	Database WB PPI	(
			Database	
3.1.3	Distress level – cancellations in the past 5 years	%	WB PPI Database	(
3.2	EXPROPRIATION RISK			
3.2.1	Project expropriations in the past 10 years	*	The EIU	
3.2.2	Unilaterally enforced price revisions	*	The EIU	
3.3	CONTRACT TERMINATION			
3.3.1	Contract termination			
3.3.1.a	Appeals in case of contract termination	*	The EIU	
3.3.1.b	Expedited contract transfer for project exit	*	The EIU	
3.3.1.c	Fair compensation for early termination	*	The EIU	
3.3.1.d	Termination procedure in PPP contract	*	The EIU	
4	INVESTMENT & BUSINESS CLIMATE			
4.1	POLITICAL EFFECTIVENESS			-
4.1.1	Political effectiveness	†	The EIU: Risk	63
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4.2	BUSINESS ENVIRONMENT			
	BUSINESS ENVIRONMENT Business environment	‡	The EIU	47
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4.2.1 4.3	Business environment	‡	The EIU	47
4.2.1 4.3	Business environment POLITICAL WILL	‡		
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^{*} Qualitative rating 0-1 where 1=best ** Qualitative rating 0-2 where 2=best † Score 0-100 where lower is better ‡ Score 0-100 where higher is better



Methodology note: The full methodology for this study can be found at infrascope.eiu.com

What is Infrascope?

The Infrascope is a benchmarking index that assesses the capacity of countries to carry out sustainable public-private partnerships (PPPs) in infrastructure. The first study was developed in 2009 and updated in 2010, 2012 and 2015; the 2017 iteration features a new methodology. The analysis and content of this index cover the period from September 2016 to May 2017. The index was built by The Economist Intelligence Unit and is supported financially by the Millennium Challenge Corporation (MCC) alongside the Inter-American Development Bank and the European Bank for Reconstruction and Development. The views and opinions expressed in this publication are those of The Economist Intelligence Unit and do not necessarily reflect the official position of the sponsors, who commissioned the work.

The complete index, as well as detailed country analyses, can be viewed on the following website: http://infrascope.eiu.com

Please use the following when citing this country summary:

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Note: The 'number of PPPs to date' figure includes all PPPs listed in the World Bank PPI database, accessed via the custom query function in June 2017. The number includes all project status types and PPI types for all sectors except ICT.

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