



## OPENING TIMOR-LESTE TO THE WORLD

### New container port at Tibar Bay, Dili

Advising the Timor-Leste Government on foreign investment for the development of a new container port at Tibar Bay and improving airport facilities in the capital city, Dili.

#### Background

The Democratic Republic of Timor-Leste is the world's second youngest country, gaining independence in 2002. Following the Indonesian withdrawal, widespread civil upheaval and conflict led to the destruction of some 90% of the country's infrastructure. Since 2009, with the country stable, the Government embarked on an ambitious programme to develop infrastructure. Timor-Leste is rich in offshore oil and gas, with excellent fisheries resources and tourism potential. In 2013 it is expected to deliver the sixth highest GDP growth in the world.

In 2011, DevCo was approached to help identify critical PPP projects that would provide the infrastructure necessary to boost the economy. Together with the Asian Development Bank, IFC worked with the Government to screen its long-list of projects, identify those most suitable to deliver as PPPs and then develop preliminary business cases for the most viable of these. Based on this work, the Government gave the green light to building a greenfield port at Tibar Bay, the country's main seaport outside the capital, Dili, and to upgrading the nearby international airport.

A new port will have a transformative economic effect, removing congestion and allowing more traffic and larger vessels. It will provide better access and lower costs for the import and export of goods, including trade with new markets. The port is also expected to become a destination point for cruise ships, in line with Timor-Leste's tourism ambitions.

The upgraded airport, matching international safety standards, will provide cost-effective airport services for the Government and enable a gradual expansion of operations and facilities to match demand for this island economy.

#### PIDG IN DEVELOPMENT

The Private Infrastructure Development Group (PIDG) mobilises private sector investment to assist developing countries in providing infrastructure vital to boosting their economic growth and combating poverty.

For more information on our work, go to [www.pidg.org](http://www.pidg.org)

## The deal

- A mandate for both port and airport schemes was signed by the Government with DevCo in May 2012
- The mandate includes a) initial due diligence, and b) development of a viable PPP transaction structure for private sector participation in the development of Tibar Bay Port and Dili Airport
- If the Government proceeds with the transactions, DevCo will implement a transparent, competitive tender to select private sector partners
- The initial cost of the port is estimated to be about US\$424 million, of which the Government would contribute US\$346 million and would seek private sector investment of US\$79 million
- The initial cost of the airport is expected to be around \$25 million, of which \$10 million is expected to be financed through private sector investment with the balance of funding provided by Government. Additional capital expenditure of \$20-25 million would be invested over the life of the concession contract (assuming the terminal expands to cater for forecast passenger growth).

## DevCo Support

This project involves strong co-operation between a number of institutions including the Public Private Infrastructure Advisory Facility (PPIAF) which will support the development of the necessary regulatory environment as well as the Australian Agency for International Development (AusAID). DevCo is currently undertaking the due diligence phase for both projects, expected to be completed in mid 2013.

As these projects will be the first of their kind in the country, DevCo's expertise is critical in providing the necessary expertise to support the Government with the management of the PPP process and the development and execution of project preparation, marketing, documentation and procurement and subsequent negotiation with private sector investors. Once successfully implemented, the two projects will have a significant demonstration effect for follow-up transactions in areas with even broader development impact where private sector investment is required. This is in line with the Government's declared objective of enabling an environment conducive to further private sector investment.

### EXPECTED DEVELOPMENT IMPACT

#### *Tibar Bay Port*

- Private sector investment – US\$79 million
- Savings from lack of congestion – US\$20.2 million
- Reduction in freight costs from increased competition – US\$7.64 million
- The transaction is expected to lower import costs for the country, resulting in economic growth

#### *Dili Airport*

- Initial private sector investment – US\$10 million
- Number of additional passengers served per year – 250,000-500,000
- It will bring design and safety standards to international levels.
- It will enable the airport to match growing demand, while avoiding gateway bottlenecks

The two combined port and airport initiatives are aligned with government objectives to:

- Improve economic infrastructure
- Boost access by air and sea
- Promote tourism
- Enable broader-based economic growth

