



Investing in Public-Private Partnerships

Tibar Bay Port Timor-Leste

Project Brief



Photo by ECO-STRATEGIC.COM / UN Photos by Martine Perret



Important Notice

This Project Brief (hereinafter referred to as the “Brief”) is being issued on behalf of the Government of Timor-Leste (“GoTL” or the “Government”), through the Ministry of Transport and Communications (“MTC”) and the Ministry for Finance (“MoF”) to the recipient to present the Tibar Bay Port Project (the “Project”) as a business opportunity.

This Brief does not purport to contain all of the information that an interested party may need or desire. It has been prepared to assist interested parties in making their own evaluation. In all cases, interested parties should conduct their own investigations and analysis of the information set forth in this Note.

This Brief has been prepared by the International Finance Corporation (“IFC”) on the basis of information obtained from public sources, including GoTL. Neither GoTL or any of its ministries, departments or agencies nor IFC or any of its agents, representatives or advisors makes any representation (express or implied) or warranty as to the accuracy or completeness of this Brief or the information contained herein and shall have no liability for it or for any other written or oral communication transmitted to or received by the recipient in the course of the recipient’s evaluation of the proposed transaction. Only those particular representations and warranties which may be made by GoTL or its ministries, departments or agencies in a definitive written communication, when and if one is issued, and subject to such limitations and restrictions as may be specified in such communication, shall have any legal effect.

This Brief may contain certain interpretations, explanations and/or summaries of Timor Leste law, procedures or regulation prepared solely to acquaint the recipient with the matters described in a general manner only and not intended to be definitive or to disclose or deal with all aspects of such laws, decrees, regulations, licenses or other governmental authorizations that may be important to a recipient.

The Government reserves the right, in its sole discretion, to modify any of the information provided herein, or without prior notice or assigning any reason therefore, to decide not to proceed with the Project. Neither the Government, IFC nor any of their respective agents, representatives, advisors or consultants will be liable or responsible to any person for any cost or expense incurred in responding to this Brief or in any investigation or transaction, whether or not consummated, which may follow.

The
Opportunity
for
Private Sector
Investment in
Infrastructure

Building and maintaining core infrastructure, including airports and sea ports, are key pillars of Timor-Leste's Strategic Development Plan (2011-2030) as the country requires critical infrastructure to support its rapidly growing economy. The planned new Tibar Bay Port Project has been identified as a national priority, expected to be implemented within the term of the current Government (2012-2016).

The Government of Timor-Leste wishes to select a private port partner to assist in the financing, construction and operation of the Tibar Bay Port. The International Finance Corporation ("IFC"), the private sector arm of the World Bank Group, was retained by the Government in May 2012 as Transaction Advisor to implement the Project. The Prime Minister has established a Ministerial Working Group, co-chaired by the Ministry of Finance and the Minister of Transport and Communication to support IFC in implementing the Project.

Through the resources of its Petroleum Fund (the "Fund"), with a current balance of over US\$11 billion, the Government has the funding to back-up its infrastructure development aspirations. Timor-Leste was one of the first countries to adhere to the Extractive Industries Transparency Initiative (EITI), which promotes the reconciliation and publication of government receipts and industry payments from the oil, gas and mining sector.

Phase I of IFC's transaction mandate is expected to be completed by April 2013, with the delivery of a Transaction Structuring Report to the Government, detailing the recommended options for a Public Private Partnership (PPP) for Tibar Bay Port. The IFC report will cover the financial, technical, legal, environmental and social aspects for port development options, including any legal, regulatory or other enabling actions the Government needs to take to implement the Project.

The Country

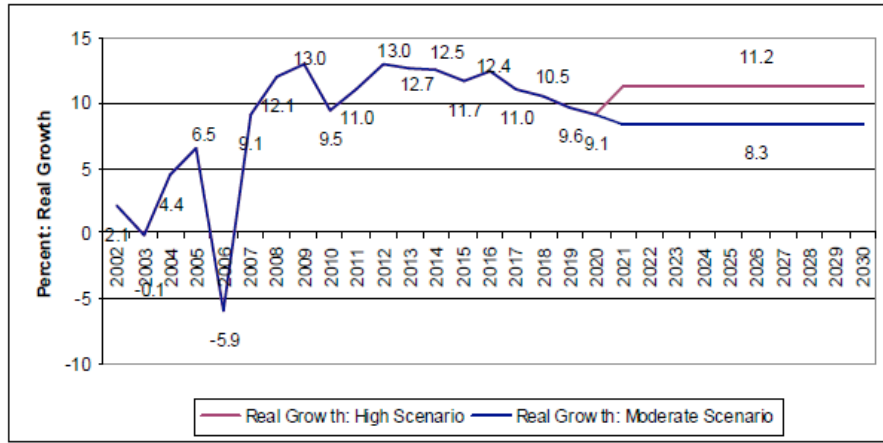
The Democratic Republic of Timor-Leste, comprising the eastern half of Timor Island, is located in the Timor sea with the western part of Timor Island forming part of Indonesia and with Australia located to the south. The capital, Dili, is served by non-stop flights (between 1-3 hours) from Australia (Darwin), Singapore and Indonesia (Denpasar).

The total land area is 14,609 sq km, which includes the small enclave of Oecussi in West Timor (78 sq km), Atauro Island (141 sq km) and Jaco Island (11sq km). The current population is around 11 million (2010 Census) with around 30% urban, of which, 75% live in Dili. The Government forecasts the population to grow at around 2.4% per year and reach 1.9 million in 2030.

In 2011, Timor-Leste had a non-oil GDP per capita of US\$840. The economy is dominated by mining (largely oil) at 80% of GDP, agriculture (4.5%) and financial services at 4.4%. Petroleum revenue is the main source of income for Timor-Leste, and in 2011, oil GDP exceeded non-oil GDP by three (3) times.

The Petroleum Fund, a sovereign wealth fund where all petroleum revenues are credited, was in 2012 valued at US\$11.4 billion and had annual revenues of US\$2.1 billion. The Fund is the cornerstone of Timor-Leste's resource management and budgeting framework. On the back of prudent use of these resources, Timor-Leste's economy is growing strongly and IMF predicts real non-oil GDP growth of at least 10%, over the next 5 years.

Preliminary growth forecasts compiled by the IFC Technical Consultant are provided below.



Source: Macroeconomic Directorate, Ministry of Finance, 2011; SDP 2011-2030, p. 211.

Political and Legal System

Following more than 20 years of Timor-Leste struggling for its independence, Indonesia withdrew in 1999 and Timor-Leste gained independence in 2002, after a UN administered referendum was held. Timor-Leste has a semi-presidential political system with a judiciary based on a civil law code. The structure of administration consists of a President, a Council of Ministers or the executive led by the Prime Minister (the “Government”), a Parliament (where the Council of Ministers are not members) and the judiciary. Parliamentary elections are held every five (5) years with the next one expected in 2017. At local level, the country is divided into 13 electoral districts. In August 2012, Xanana Gusmão, the Prime Minister, formed a new coalition government. The President, Taur Matan Ruak, is the head of state.

Transaction Structure: Due Diligence Phase

The Government plans to select a private developer, under a PPP framework, to finance, build and operate the Tibar Bay Port under a long-term concession (currently expected to be 25 years). Upon completion of the Transaction Structuring Report (TSR), which will address the economic and commercial feasibility of the Project, the Government with support from IFC will invite potential investors to market sounding event or “road-show”. Potential investors will be consulted on the transaction structure, proposed risk allocation and the bidding process from an early stage. The Project will be tendered under Timor-Leste law while applying IFC’s tried and tested methodology, best international practices and transparency standards. The tender process will be based on pre-determined and objective criteria, as well as final concession terms and conditions.

Transaction Structure: Implementation Phase

After the Transaction Structuring Report is finalized and the Government decides on a specific option, the transaction implementation phase will commence. This will include opening of a virtual data room, pre-bid negotiation of the transaction documents, a transparent tender and award process and financial closing. Award will be based on evaluation of binding bids from qualified bidders on the basis of objective criteria that will be defined in the Request for Proposals (RFP). There will be a process of consultation of all transaction documents with bidders so that final and binding documents are issued to bidders at least one month prior to bid submission. The indicative timetable below is provided for reference only and is subject to change.

Timeline	Milestone	Dates
	Investor conference, Dili, Timor Leste	March 2013
	Completion of Phase 1 work (structuring phase)	April 2013
	Issue Request for Expressions of Interest	June 2013
	Prequalification	July 2013
	Commence Tender/Issue RFP	August 2013
	Finalize Transaction Documents (including concession)	October 2013
	Receive bids, evaluate same and issue letter of award	November 2013
	Sign concession	January 2014
	Financial Closure/completion of conditions precedent	December 2014
	Commence construction	January 2015

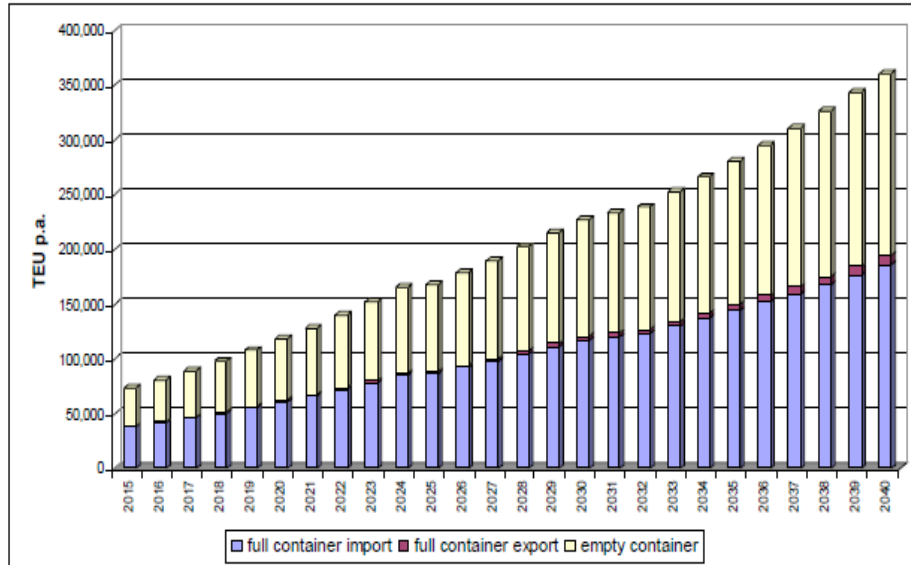
The Sea Port Sector and Dili Port

Commercial ports in Timor-Leste are administered and managed by the national port authority, APORTIL, a landlord port authority, under the supervision of the Ministry of Transport and Communication (MTC). Currently, Dili Port is the only port in Timor-Leste which handles international container and dry cargo traffic. Dili Port is congested, with very limited expansion possibilities (including space for storage). The Government intends to discontinue all commercial cargo handling operations at Dili Port as soon as the planned new port at Tibar Bay Port is operational, with the former expected to be made available for alternative tourism-based uses.

At Dili Port, APORTIL provides management (including vessel traffic control), storage and mooring services. All cargo handling services are managed by the private sector, with 10 existing stevedores (of whom 3 handle containers). The total quay length is 285 meters and the draft allows only for 3-4,000 dead weight tonnage vessels to berth. Given the draft and quay limitations, only small ships (typically multipurpose type and small feeder vessels with less than 500TEU capacity) are able to berth.

Container traffic at Dili Port has grown strongly over the past 5 years from 15,255 TEU in 2006 to 42,411 TEU in 2011, an average growth of 22.7 percent per annum. This growth is projected to increase further as Timor-Leste's growing economy drives the demand for imports.

Port operations are dominated by imports, with exports accounting for between 2-5% of containers handled. In 2011, non-containerized dry cargo handled was around 250,000 tons of break-bulk cargo, such as rice and cement. In 2010, 234,000 vehicles were imported. From January to October 2012, non-containerized dry cargo handled amounted to 147,000 tons of break-bulk. Preliminary base case container traffic forecasts, made by the IFC Technical Consultant, are provided below.



Source: IFC Technical Consultant Preliminary Report

The Government has identified Tibar Bay, 10km to the west of Dili, as its preferred site for development of a new port. Tibar Bay is sheltered from the prevailing winds, with an outer reef providing shelter from swells. The land is owned by Government and the existing access road into Dili is scheduled for upgrading with assistance from the Asian Development Bank (ADB). A draft Port Concept Master Plan was prepared in 2011 and is currently being revised with the assistance of IFC. A number of site locations and layout options are currently being considered, with one indicative and provisional layout shown below.

[Attachment: Port Layout -Alternative 1-A]

World Bank & ADB in Timor-Leste

The World Bank and Asian Development Bank (ADB) established a presence in Timor-Leste in 2000. The World Bank is supporting the upgrade and development of the road infrastructure network and has an exposure of over US\$60m in infrastructure. The ADB is supporting the upgrade and development of key road, water and sanitation infrastructure and has an exposure of over US\$100m.

Highlights of the Transaction

- Strong container growth in line with economic growth
- Detailed technological, commercial and legal analysis to confirm structure, revenue model and necessary legal framework
- “Bankable” transaction

Transaction Team

Lead Transaction Adviser: International Finance Corporation
 IFC Technical Consultant: Hamburg Port Consultants, Germany
 IFC Legal Consultants: Gide Loyrette Nouel, France
 IFC Environmental and Social Consultants: Ecostrategic, Australia

GoTL Contact

Mr. Jose Dos Reis Abel (jabel@mof.gov.tl)
 Major Projects Secretariat Coordinator, Dili, Timor-Leste

IFC Contacts

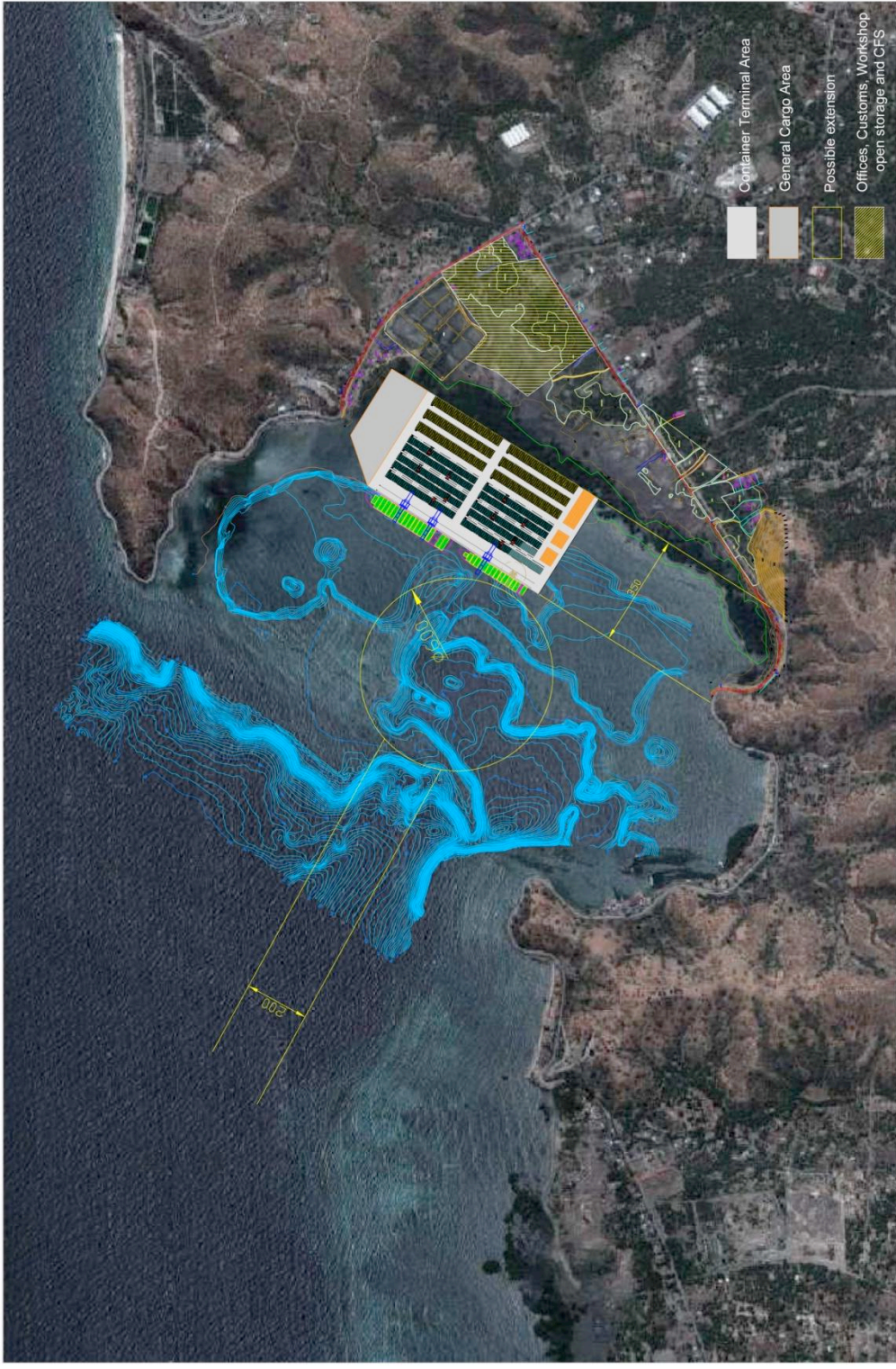
Ms. Milissa Day (mday@ifc.org)

Resident Representative, IFC
World Bank Group Building,
Avenida Dos Direitos Humanos
Dili, Timor Leste
Telephone: +670 332 4649 ext. 4310
Fax: +670 332 1178
Mobile: +670 7728 3213

Chris Bleakley (cbleakley@ifc.org)
Transaction Leader
Level 18, 14 Martin Place
Sydney NSW, Australia
Telephone: +612 9235 6513
Mobile: +61 404 893 335

Mr. Alberto Nunes (anunes@ifc.org)
Team Assistant, IFC
World Bank Group Building,
Avenida Dos Direitos Humanos
Dili, Timor Leste
Telephone: +670 332 4649 ext. 4310
Fax: +670 332 1178

Email Communication Preferred



Tibar Bay PPP Project	Title Port Layout - Alternative 1-A	Drawing No. 1.v2	Scale May 2012	HPC Hamburg Port Consulting GmbH P.O. Box 11 14 06 20414 Hamburg Germany E-mail: info@hpc-hamburg.de
				

