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OPTIONS DESCRIPTION REPORT

USAID'S TOURISM FOR ALL PROJECT

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ACRONYMS

ADB	Asian Development Bank
APORTIL	Ports Authority of Timor-Leste
BRT	Bus Rapid Transit
CIQ	Customs, Immigration and Quarantine
COM	Council of Ministers
DFC	United States International Development Finance Corporation
FIT	Free and Independent Travelers
GDP	Gross Domestic Product
GFA	Gross Floor Area
GOTL	Government of Timor-Leste
GRFE	Guide for Economic Reform and Growth of Timor-Leste
HUL	Historic Urban Landscape
IFC	International Finance Corporation
IRR	Internal Rate of Return
JICA	Japan International Cooperation Agency
MCC	Millennium Challenge Corporation
MTCI	Ministry of Tourism, Commerce and Industry
NTP	National Tourism Policy
PFS	Pre-Feasibility Study
PPP	Public-Private Partnerships
PPW	Pilot Project Workshop
REVPAR	Revenue Per Available Room
SDP	Strategic Development Plan
TIWG	Tourism Investment Working Group
TOD	Transit Oriented Development
UFA	Useable Floor Area
UNWTO	United Nations World Tourism Organization
USAID	United States Agency for International Development
V&A	Victoria and Albert
VFM	Value-for-Money
VGF	Viability Gap Funding
WEF	World Economic Forum
WTTC	World Travel & Tourism Council

EXECUTIVE SUMMARY

PROJECT CONTEXT

USAID has contracted a Consultancy under its Tourism For All Project to promote Timor-Leste's tourism sector and preserve the country's rich cultural heritage and natural environment. A core element of this program is to support the Government of Timor-Leste (GOTL) to facilitate private investment partnerships and foster sustainability in the tourism sector. USAID's Tourism For All Project follows the National Tourism Policy document, titled *'Growing Tourism to 2030: Enhancing a National Identity 2017'*.[1] This policy in turn takes on board the GOTL's primary national development policy agenda, the *'Strategic Development Plan 2011-2030'*.[2]

The recently prepared *Priority Project Action Plan Report* outlines five fast-tracked tourism-related initiatives to complement the Cristo Rei Modernization and Management Pilot Project under USAID's Tourism For All Project. These projects will improve service delivery in the tourism sector by creating an ecosystem of small and large investments in businesses in various activities across intersecting industry value chains. One of the priority projects is the *Dili Port Site Redevelopment and Commercialization* initiative, which forms the subject of this report. The existing port site in central Dili is presented in *Figure 1*.

Figure 1: Recent Aerial Photo Showing New Passenger Ferry Jetty
Source: APORTIL. November 2019

REPORT OBJECTIVES

Readers are encouraged to consult this *Options Description Report* alongside the *Site Development Brief*, which was submitted on 19 February 2020 and revised on 24 February 2020. Building on the *Site Development Brief*, the objectives of this report are defined as follows:

- Develop a categorization framework for urban redevelopment projects to identify the common characteristics of successful approaches adopted internationally.

[1] Growing Tourism to 2030: Enhancing a National Identity – Timor-Leste National Tourism Policy. Prepared by Destination Human Capital for the Government of Timor-Leste (2017).
[2] Timor-Leste Strategic Development Plan (2011-2030).

- Evaluate Timor-Leste's tourism market in order to determine the potential impact of the proposed Dili Port commercialization and redevelopment on sustainable tourism and economic growth.
- Present two distinct approaches to the redevelopment of Dili Port, illustrating the intended developments using illustrative master plans, AutoCAD layouts, and 3D perspective renderings. These approaches would be consistent with the priorities of the GOTL in general and APORTIL in particular, as well as within the spatial, urban planning, and environmental parameters of the site and municipality.
- Describe each development option in terms of its conceptual approach, the proposed development and phasing, the infrastructure requirements, the potential linkages with surrounding enterprises and communities, and the impact on the site and the surrounding area.
- Identify potential issues that will need to be considered during further project analysis in order to prepare an Infrastructure Design and Coordination Plan for the Preferred Development Option.

Driving the project is a **vision to create an urban redevelopment that provides a multipurpose 'gathering place'** and supports commercial, community, cultural, and transportation activities. This pedestrian-focused redevelopment **will stimulate commerce and tourism,** while providing Dili residents and visitors a cultural and recreational focal point in the heart of the city.

NEXT STEPS

DETERMINING THE INVESTMENT AND MANAGEMENT MODEL

Looking forward, **it is necessary to define the Preferred Development Option**. This *Options Description Report* presents Option One – Premium Development and Option Two – Standard Development, describing the respective features and characteristics of each approach. This includes a breakeven analysis based on preliminary cost and investment estimates, although **the purpose of this information is early-stage guidance.**

On the basis of the analysis presented in this report, **the Project Team recommends Option One – Premium Development as the Preferred Development Model to guide the GOTL in its decision-making**. The Option One Premium model is likely the approach most beneficial to the GOTL and public in terms of value, while the option is also likely the most attractive to both investors and operators. This recommendation is qualified by the early-stage nature of this assessment which does not amount to the more detailed financial, environmental, and spatial analysis. Thus, the recommendation provided in this report is intended as guidance for the GOTL only, rather than a definitive statement of which development option is more technically and financially viable. This will need to be validated in a subsequent Feasibility Study and Infrastructure Design and Coordination Plan as all large investment projects are in line with international best practice and industry standards.

FEASIBILITY STUDY AND INFRASTRUCTURE DESIGN AND COORDINATION PLAN

The next stage of project appraisal and structuring is a detailed Feasibility Study of the Preferred Development Model based on economic, financial, legal, technical (engineering and architectural), environmental, and social inputs. Once the Preferred Development Option is nominated by the GOTL, **an Infrastructure Design and Coordination Plan will be developed to define in detail the output specifications from which transaction documents and the draft contract may be prepared.** This material will be instructive when engaging with potential investors during "market testing" and promotion efforts, in order to solicit feedback, comments, and innovative approaches to the proposed Infrastructure Design and Coordination Plan. **Engaging the private sector in**

this manner is imperative to generating commercial interest in an investment opportunity that is considered to be profitable, bankable, and impactful for industry, government, and citizens alike.

The **Feasibility Study and Infrastructure Design and Coordination Plan will address, among other matters, the following key issues:**

- The **optimal investment and partnership structure** that is best suited to allocate risk and advance the opportunity to generate revenue and create development impact through the redevelopment model.
- Structural, planning, and technical options for development along the waterfront area, considering some of the **engineering, architectural, transport, conservation, environmental, commercial, and infrastructure challenges** that different construction methods might entail.
- **Costs and benefits of various financing options** for some or all of the project from public, private, and institutional sources and the expected fiscal impact on government budget.
- Expected **long-term market demand for commercial development in Dili** and projected economic growth for Timor-Leste and the Asia-Pacific region.
- Expected **long-term tourist demand within the Asia-Pacific region and the impacts of the COVID-19 pandemic**, as well as the economic recovery anticipated in 2021 and beyond.
- The most desirable **site preferred development model and built form Infrastructure Design and Coordination Plan**, as an extension of the analysis presented in this report and the *Site Development Brief* regarding the strategic vision for a commercialized Dili Port.
- The **cost and benefits of implementing various climate resilient infrastructure solutions** to mitigate climate risk and ensure the project adopts a wide lens for necessary and viable safeguards.
- Potential **social and cultural benefits and impacts of redeveloping the location**, given its historical significance, as well as broader social issues associated with the urban redevelopment projects
- Options and strategies to "re-imagine" urban development in downtown Dili to **feature pedestrian-friendly, green and open space, co-working areas, and culturally vibrant assets** that cater to residents and international visitors.
- Plans to **integrate transportation** (e.g. inter- and intra-island ferry, traffic, shuttle, bicycle, microlets, etc.) **strategies with maritime tourism investment and activities** (e.g. marina, yachting, tourism boats, etc.). Plans should enhance the waterfront area as a zone that serves as a cultural, transportation, commercial, and residential hub that attracts Timorese and improves Dili quality of life.

Building on this information, the next steps for project development are defined in the roadmap presented in *Table 1*, with an indicative timeframe provided for the completion of each stage.

Table 1: Transaction Execution Roadmap

Stage	Description	Estimated Timeframe
Stakeholder Engagement	In order to move forward with the next stages of project development, the results of the analysis presented in this report and the *Site Development Brief* will be presented to key institutional decision-makers. Dili Port redevelopment and commercialization must be demand-driven with political support and buy-in across	1 Month

	government, ranging from the Council of Ministers to Dili Municipality. Securing this support requires considered and open engagement with government representatives in relation to the expected impact and cost of pursuing this course of action. This strategic engagement and next phase should begin with a presentation to APORTIL, and USAID. The presentation would condense and summarize the results of the Project Team's work to-date and the recommendations for required next steps. At the conclusion of this presentation, the Project Team will need confirmation of the following points in order to move forward with subsequent phases of project development: · Confirmation of agreement with the recommended Preferred Development Option. · Confirmation that the GOTL wishes to move forward with the Feasibility Study, Infrastructure Design and Coordination Plan, and (pending the results of those assessments, the Tender Development, Promotion, and Issuance. · Confirmation that the GOTL favors a PPP or similar investment model, subject to a viability determination in the Feasibility Study. · Confirmation of the intention to redevelop Dili Port along the lines outlined in this *Options Description Report* and the *Site Development Brief*. · Confirmation that a Government Working Group composed of key stakeholders has been established to ensure a whole-of-government approach to the Port redevelopment and revitalization.	
Feasibility Study	The next stage of project appraisal and structuring is a detailed investment analysis of the Preferred Development Option based on economic, financial, legal, technical (engineering and architectural), environmental, and social inputs. This will address a range of critical issues as broken down in bullet points in the Executive Summary. Importantly, **a Feasibility Study must be undertaken for the Preferred Development Option prior to moving to the transaction phase. This is not only the recommendation of the Project Team, but is required by Timorese law and international best practice as defined by international donor organizations.**[3]	6 Months

[3] For a clear statement of international best practice refer to the following resources that demonstrate the compliance of the Project Team with industry standards for successful investment transactions:

- Joint Publication of the Asian Development Bank, European Bank for Reconstruction and Development, Global Infrastructure Hub, Inter-American Development Bank, Organization for Economic Co-Operation, Public-Private Partnership Infrastructure Advisory Facility, United Nations Economic Commission for Europe, Economic and Social Commission for Asia and the Pacific, and the World Bank Group. (2017). *Public-Private Partnerships Reference Guide (Version 3.0)*. Retrieved from: https://library.pppknowledgelab.org/documents/4699/download.
- World Bank's Benchmarking Public-Private Partnerships Procurement 2017 (https://ppp.worldbank.org/public-private-partnership/sites/ppp.worldbank.org/files/documents/Benchmarking_PPPs_2017_ENpdf.pdf)
- Procuring Infrastructure Public-Private Partnerships 2018 (https://ppp.worldbank.org/public-private-partnership/sites/ppp.worldbank.org/files/documents/Procuring%20Infrastructure%20Public-Private%20Partnerships%20_2018_EN2_0.pdf

Infrastructure Design and Coordination Plan	Once the Preferred Development Option is nominated, a Infrastructure Design and Coordination Plan will be developed to define in detail the output specifications from which transaction documents and the draft contract may be prepared. This material will be instructive when engaging with potential investors to solicit feedback, comments, and criticism of the proposed Infrastructure Design and Coordination Plan. This analysis will provide the GOTL with a comprehensive breakdown of all dimensions of the proposed implementation model in order to inform judgement about the concept and the project timeline to go from "vision to reality".	6 Months
Tender Development, Promotion, and Issuance	The next step in the project development process is the preparation of a transaction roadmap and procurement package. This would define procedural requirements for projects of this scale and present knowledge products for institutional actors, such as Request for Qualification (RFQ) and/or Expression of Interest (REOI), Draft Contract, Request for Proposal, and an Investor Engagement and Promotion Plan. Each of these instruments is of paramount importance for the procurement process as they form the foundation of all successful urban redevelopment public/private transactions and are expected and often required by national and international investors, lenders, and Environmental, Social, and Governance organizations.	3 Months

To demonstrate that the indicative time presented above is not completely linear as certain activities will overlap, *Table 2* graphically presents an indicative work schedule.

Table 2: Indicative Work Schedule

Next Steps	1	2	3	4	5	6	7	8	9	10	11	12
Stakeholder Engagement												
Feasibility Study												
Infrastructure Design and Coordination Plan												
Tender Development, Promotion, and Issuance												

SECTION NO. 1

BACKGROUND

This Report is the eleventh deliverable submitted by the Project Team under the Partnerships Component of USAID's *Tourism For All Project*. It is both a product and continuation of the preceding activities undertaken thus far. The following describe the previously submitted deliverables:

1. ***PPP Investment Report***
   This report examined Timor-Leste's macroeconomic environment, evaluated prevailing legal frameworks, and analyzed its readiness to implement Public-Private Partnerships (PPPs).
2. ***Workshop Design and Preparation Report***
   This report presented the structural design of the workshop to introduce government stakeholders to the preliminary Master List of project concepts and baseline screening criteria.
3. ***Screening Criteria and Methodology Report***
   This report outlined the finalized versions of the collaboratively designed screening criteria and methodology that informed the first stage of project concept evaluation.
4. ***Public-Private Partnerships Identification Report***
   This report deconstructed the conceptual descriptions of each Master List of project concepts that were slated for assessment utilizing the screening criteria and methodology.
5. ***Project Master List Screening and Ranking Report***
   This report applied the screening criteria and methodology to all thirty-six (36) Master List projects to develop a Shortlist of Pipeline Projects, which was then re-ranked according to their priority categorization. The Pilot Project was then nominated and five (5) next best ranked projects identified as Priority Projects.
6. ***Tourism Investment Working Group Support and Pilot Project Workshop Report***
   This report described the results of the Pilot Project Workshop (PPW) and the Tourism Investment Working Group (TIWG) event, held respectively on June 11th and June 12th, 2019. Particular attention was devoted to rationalizing the impact of both events on confirming the Pilot Project moved forward for Pre-Feasibility Study (PFS) and the five (5) Priority Projects advanced to the Action Plan stage.
7. ***Project Pre-Feasibility and Presentation Report***
   This report presented the results of the PFS conducted for the Pilot Project known as the *Cristo Rei Site Upgrade and Management* initiative. The study demonstrated the overall business case, financial viability, and legal eligibility of the proposed redevelopment under a 25–year PPP concession contract. The results of the study were presented to key stakeholders during a consultation event held on October 7-11th, 2019, at which time buy-in for progression to the Feasibility Study was secured.
8. ***Priority Projects Action Plans Report***
   This report examined the economic impact and conceptual parameters of the five Priority Projects that were anticipated to form the initial pipeline of tourism partnerships for the GOTL. The assessment revealed a strong prima facie business case for each of the projects as commercially attractive, environmentally sustainable, and economically impactful.
9. ***Investment Engagement Support Assignments Report***
   This report summarizes the activities of the Senior Advisor broken down across three separate advisory support missions conducted in September and October 2019. These missions provided strong impetus to developments on-the-ground in terms of

cultivating stakeholder support for various priority initiatives under the auspices of USAID's *Tourism For All Project*.

10. Site Development Brief

This report provided a basis for future work on the Feasibility Study and Infrastructure Design and Coordination Plan for the redevelopment and commercialization of Dili Port, as well as prepare the groundwork for two conceptual development options. This was undertaken by defining project objectives, site conditions, physical constraints, planning and design principles, and likely challenges expected in subsequent stages of project development.

This *Options Description Report* will build on and advance these reports by describing the two conceptual development options prepared for the Dili Port site.

SECTION NO. 2

URBAN REDEVELOPMENT CATEGORIZATION FRAMEWORK

PURPOSE AND OBJECTIVE

The objective of this section is to present an Urban Redevelopment Categorization Framework, which will complement the Urban Development Best Practices and Principles Framework (set out in the *Site Development Brief)*. Outlined in that report are five key design objectives that are defined in detail as clear implementing targets for consideration during early stage planning. These objectives are:

1. Establish a Thriving, Pedestrian-Friendly Commercial Zone
2. Feature Cultural, Religious, and Historic Identities
3. Maintain and Enhance the Site as a Multipurpose and Lower Emission Transport Hub
4. Ensure Strong Integration with the Surrounding neighborhood and Context Area
5. Promote a Vibrant Mixed-Use Development

Redeveloping Dili Port in harmony with these objectives will uphold the GOTL's desire expressed in *Growing Tourism to 2030: Enhancing a National Identity 2017* to not emulate Bali's model of high impact and mass-market tourism with the cultural, environmental, and social consequences this approach entails. Instead, Dili, as with other cities, is inherently multifunctional in character, with a significant role in the broader tourist ecosystem of destinations, attractions, and activities. Cities allow for tourists and residents to pursue their desired experience by acting as gateways to eco-tourism attractions lying in peripheral or rural areas (such as Ataúro Island and Mount Ramalau), as well as cultural and historic landmarks within urban environments (such as Cristo Rei, the Resistance Museum, Santa Cruz Cemetery, Tais Market, Tasitolu, the Immaculate Conception Cathedral, and the Xanana Reading Room).

However, while the site redevelopment holds significant potential, maximizing the commercial possibilities, while also creating a venue that caters to tourists and residents, is challenging. Waterfront revitalization programs face unique challenges, particularly for previously operational industrial facilities, like a commercial port. Generating cultural and social support to redevelop such an important location will necessitate due consideration being given to residents and tourists to strike an appropriate balance between the interests, needs, and aspirations of both groups.

Understanding the challenges and opportunities that urban waterfront redevelopment opportunities offer is essential to safeguarding environmentally sustainability and economic inclusion for an investment that has the potential to revitalize the surrounding community. Defining design objectives is an important component of an informed implementation strategy, but these must be drawn from and tested against real world case

Dili Port Redevelopment Impact

There is no single development in Timor-Leste that offers a comparable opportunity for tourism impact. Properly developing the site will necessitate the Project team following the Historic Urban Landscape (HUL) approach that seeks to integrate tradition and modernization, past and present, and present and future in order to proactively balance conservation with development, while preserving the cultural identity of a place and people.

Source: *Luigi Fusco Girard. (2013). Toward a Smart Sustainable Development of Port Cities / Areas: The Role of the "Historic Urban Landscape" Approach. Sustainability, 5, 4329-4348.*

studies in order to verify their utility and value. The focus of this assessment is to identify shared characteristics of international examples of successful and impactful waterfront redevelopment projects. These characteristics have been considered by the Project Team, in addition to the best practices and principles presented in the *Site Development Brief*.

Together, this theoretical framework will play an instrumental role in guiding project design and appraisal stages, namely the Feasibility Study and Infrastructure Design and Coordination Plan. This is imperative to creating an urban cluster, where synergies could be established between various commercial enterprises within and across industry value chains. The port area represents a major opportunity for mixed-use waterfront development in central Dili. This will provide tried and tested conceptual guidelines that align with the site development vision.

INTERNATIONAL BENCHMARKING REVIEW

To assist in this analysis, presented in *Table 3* is a detailed description of four (4) notable waterfront redevelopment case studies. In each of these cases, the Project Team has drawn out a description of how each port has contributed to the three (3) primary factors that dictate the character of a city – the natural structure, the physical structure, and the social structure.[4]

[4] Umit Pekin Timur. (2013). *Urban Waterfront Regeneration.* Open Press.

Table 3: Waterfront Redevelopment Case Studies

Case Study	Description
Victoria and Albert Waterfront, Cape Town 	Situated in South Africa's oldest operational harbour, the Victoria and Albert (V&A) Waterfront in Cape Town is set against the backdrop of the iconic Table Mountain. The V&A plays a pivotal role in the South African economy, contributing US$25 billion over the last 15 years with more than 24 million visitors annually. The 123 hectares area has been designed as a mixed-use facility with both residential and commercial real estate, with 500 varying retail outlets. The V&A has a working harbour, which functions as the key port for large container ships towed in tugboats. The location is mixed-use in nature with numerous different attractions, including residential accommodation; shopping centres; restaurants, cafes, and bars; recreational facilities; museums; fishing / ocean charters; golf course; and, gyms. The waterfront is well integrated with commercial districts in Cape Town that creates a positive environment for tourism and local quality of life considering the scenic beauty and numerous amenities on offer. The site has prioritized architectural consistency that combines classical and modern styles to reflect the shared history of local residents.
Walsh Bay, Sydney 	This development featured a marina investment and repurposing program of a previously operational commercial wharf and shipping hub within Sydney Harbor. The developers capitalized on the iconic city that has international acclaim to create a commercial district replete with rebuilt retail wharves, pedestrian pathways and leisure spaces, nearby residential options, as well as complete preservation of certain existing structures to reflect the history of the site. Australian cultural products are also promoted, with the Sydney Theatre Company, Sydney Dance Company, and Bangarra Dance Theatre each having corporate headquarters within the facility to present regular exhibitions. While the site has been comprehensively redeveloped, it still presents as an authentic feature of the Harbor, with the same original building layout adopted to maximize the sense of a functional wharf site. The initiative resulted in the successful conservation and adaptive reuse of the precinct in what is now one of the primary commercial hubs in central Sydney, which is one of the most prominent tourist cities internationally.

Case Study	Description
District Wharf, Washington D.C. 	A newly developed US$2.5 billion, 3.2 million square foot waterfront neighborhood, this redevelopment has revitalized an entire zone of Washington, D.C. along the Potomac River, which had been underutilized for decades. The development features multiple new residential options, hotels, office space, retail shops, restaurants cafes, bars, music venues, a private marina, and 10 acres of public waterfront park land, promenade, pier, and dock space. The development of this real estate zone has had significant impacts on a historically socially and economically disadvantaged neighborhood in Washington, DC. Jobs, community spaces, and logistical networks have all been created through this investment program. Of particular importance in this regard is linking the District Wharf with the nearby baseball and soccer stadiums and the metro line that previously did not serve this location. Cultural events are a prioritized component of the site promotion strategy, including free concerts and performances, firework shows, famous seafood market, and a seasonal ice rink. Real estate values in the previously disadvantaged neighborhoods around the site have risen dramatically.
Marina Bay, Singapore 	Singapore is an iconic city state that has rapidly industrialized and developed over recent decades. A blend of ultra-modern and classical architecture throughout the city safeguards the country's rich cultural legacy amidst this accelerated growth trajectory. Perhaps nowhere is the changing character of port cities away from industrial and logistical purposes toward commercial and residential functions more evident than in the Marina Bay area of Singapore. After the relocation of maritime transportation activity to Keppel Harbor outside of the main commercial zone, Marina Bay has blossomed into the cultural and economic heart of Singapore and the crown jewel of the Downtown Core. In many ways, Singapore exemplifies the rise of "intense inter-city competition" in which spectacular landscapes and commercial districts are essential components of a city's competitive advantage.[5] The development has been so successful that the entire Marina Bay zone has become integral to the international identity and perception of Singapore as a desirable tourist destination.

[5] Erica X.Y. Pap. (2013). *Singapore Journal of Tropical Geography, 34*, 390-406.

CATEGORIZATION FRAMEWORK

From these case studies, it is possible to distill several key features that can be utilized to develop a categorization framework to provide strategic guidance when planning the redevelopment and commercialization of the Dili Port site. While these cases feature larger cities and investment areas, many of the design features and choices are relevant to the Dili Port site. This categorization framework is presented in *Table 4*, which presents five (5) shared characteristics across each of the case studies as well as other similar redevelopments, which have direct relevance to the proposed development vision for both Option One – Premium Development and Option Two – Standard Development.

Table 4: Urban Redevelopment Shared Characteristics

Characteristic	Description
1. Open Space	***Key Characteristics*** · The case studies feature extensive open space available to members of the general public and tourists for leisure and recreational activities. · This is an essential component of their overall success as significant revenue is received from city residents frequenting the various attractions and commercial venues, rather than over-relying on tourism-related income. ***Take-Aways for the Dili Port Site*** · Dili Port has significant potential to function as a community hub due to the ample parkland space adjacent to the site and linkages with other prominent business zones. · It is important to maximize the available space for commercial venues, but this imperative must be balanced against the need to account for positive social impacts from public congregation and leisure space. Public spaces do not need to be seen as a financial negative as greater revenue can be generated from these locations that drive visitors to spend, such as with cultural performances, festivals, catered events, weddings, and mobile food stalls/trucks.
2. Development Density	***Key Characteristics*** · The case studies adopt divergent approaches to land use and building density. · While the Victoria and Albert Waterfront and Walsh Bay facilities are less developed than the District Wharf and Marina Bay in terms of investment scale and scope, the developers have nonetheless promoted site redevelopment in a manner that emphasizes a blend of old and new in terms of architectural style and layout. ***Take-Aways for Dili Port*** · The Victoria and Albert and Walsh Bay approach is likely more suited to Dili given the overall level of development in the surrounding business district. It also aligns with the GOTL's tourism promotion strategy that emphasizes the national cultural and historical identity. · While important to ensure that Dili Port reflects the Timorese cultural identity, it is also necessary for the site to integrate modern architecture as a landmark development that will increase the country's tourism profile, commercial appeal to attract businesses to co-locate, and generate investment additionality.
3. Residential Options	***Key Characteristics*** · The case studies all highlight the need to integrate residential options into the overall site planning.

Characteristic	Description
	· Stimulating the influx of middle income and affluent residents can drive gentrification as the port and nearby Avenida Portugal esplanade could become a central commercial zone within Dili. · In other cases, developers have found an appropriate balance between land allocation for commercial, retail, leisure, and residential purposes. This is imperative to ensuring the space addresses the interests of residents and tourists while ensuring the development can be financially viable. ***Take-Aways for Dili Port*** · The financial and economic viability of site redevelopment and commercialization necessitates inclusion of residential buildings. This will support the entrenchment of the port site as a hub for residents, tourists, and business travellers alike. · While the site developer – and thus the GOTL as well – will benefit from the inclusion of residential buildings, this must not dominate the site at the cost of other uses, such as commercial venues and public space. Creating a genuine mixed-use development will require close scrutiny of various development approaches to achieve a balanced and equitable outcome.
4. Eco-Friendly Transport Linkages	***Key Characteristics*** · The case studies demonstrate the importance of creating strong logistical and transportation linkages and networks with surrounding neighbourhoods and commercial zones. · Conceptualizing a development in isolation from its surroundings – natural, physical, and social – will ensure that the economic impact of the investment will not be maximized and social groups that could have benefited through investment additionality will lose that opportunity. · Failure to integrate the development with new and/or existing transport networks will limit the potential of the site as a community and tourist destination. · However, maximizing transportation linkages does not mean increasing traffic or car usage. Reducing car traffic and parking needs, by improved transportation planning and alternatives (bikeways, electric vehicles, mini-bus terminals, etc) is critical for sustainable and green urban planning. ***Take-Aways for Dili Port*** · Dili Port is located on the 'crown jewel' waterfront real estate in Timor-Leste, but accessibility can still be challenging due to the lack of a formalized public transportation system in Dili. It is necessary to consider how the port site can be made available to residents and tourists alike through a seamless transportation system. While this will likely take time to fully establish in Timor-Leste, preparation for the site redevelopment must account for this need now. · The GOTL has demonstrated its public commitment to environmental sustainability through numerous policy platforms and programs in recent years. This should be reflected in a commitment to embracing environmentally sustainable transportation systems, such as electric and fuel-efficient vehicles, walkways, and public bicycle sharing terminals. This approach will allow seamless integration with the planned development which will feature green spaces and energy efficient buildings.
5. Pedestrianization	***Key Characteristics***

Characteristic	Description
	· The case studies each emphasize and promote pedestrian access in large open spaces to create a sense of inclusion, sustainability, and modernity. · Reducing the priority typically assigned to roads and car parking not only has environmental and social benefits, but it also increases the yield potential of the development as commercial space can be devoted to other revenue generating uses. · Maximizing pedestrian access also contributes to the appeal of the site for residents to socialize with friends and family, as well as for tourists seeking an authentic cultural experience. · Numerous studies show that greater pedestrianization leads to a higher "spend rate" on services, activities, food, and beverages and has a multiplier effect on quality of life and "first impressions" of all visitors. ***Take-Aways for Dili Port:*** · Avenida Portugal is one, if not the busiest stretch of roads, in Timor-Leste. While conversion of the port from a logistical hub to commercial zone will alleviate some of this congestion, it will also create new visitors to the site. Careful consideration must be given to how the site can be either semi- or fully pedestrianized in a manner that maximizes the site potential while limiting disruption for residents transiting the city. · The port site benefits from the immediately adjacent 5th May Gardens and 12th November Gardens. Both of these parkland areas are not properly maintained and investments in their restoration and substantial upgrading should be made in support of the broader site pedestrianization agenda. In our view this is a critical priority for success. Integrating these green spaces into the site will reflect successful approaches adopted by developed and developing countries internationally with significant benefits for tourism and resident quality of life.

This assessment has led to the identification of five (5) characteristics of successful waterfront development projects, ten (10) urban planning best practices and principles, and five (5) primary design objectives detailed in the *Site Development Brief* and highlighted above. This informs a clear conceptual framework to guide the Project Team in subsequent project design stages. When conducting planning sessions devoted to the appraisal of potential site redevelopment and commercialization approaches, the Project Team has and will continue to be informed by this framework. In addition, this framework will have particular importance during the Infrastructure Design and Coordination Plan stage in which the Preferred Development Option will be carefully defined with detailed output specifications.

SECTION NO. 3

TIMOR-LESTE TOURISM ASSESSMENT

THE TOURISM PROMOTION IMPERATIVE

It is essential to view infrastructure development as encompassing not only essential services and transport linkages, but also tourist sites, destinations, and attractions that stimulate the demand for tourism access overall. Adopting this broad view will be essential to meeting the GOTL's target set out in *Growing Tourism to 2030: Enhancing a National Identity 2017* of attracting 200,000 international visitors per year and creating an additional 15,000 tourism jobs by 2030. The economic rationale of this action is clear when considering the growth potential of the sector, as detailed in the World Travel & Tourism Council's (WTTC) report.[6] In 2019, travel and tourism were estimated to contribute 10.4% of global Gross Domestic Product (GDP), which is expected to rise by an average of 3.7% per annum to 11.5% of global GDP in the next decade. Moreover, the report also projects that the sector was responsible for 10.1% of total global employment in 2019, rising to 11.7% by 2029. While currently accounting for an estimated 4.4% of global capital investment, travel and tourism is expected to garner 5.0% of global investment by 2029. Harnessing this economic engine is essential for a country facing significant economic challenges and an overreliance on the export of depleting oil and gas stocks.

The COVID-19 pandemic has had an enormously disruptive effect globally as an unprecedented economic shock, with particularly grave consequences for the tourism sector. The WTTC projects global job losses ranging between 121.1 to 197.5 million in 2020, and total GDP losses between US$3.4 and US$5.5 trillion.[7] The social consequences of the pandemic will unquestionably be far reaching. However, the tourism sector will not just be a beneficiary of eventual stabilization, but also a key driver of economic recovery. Reviving old jobs and creating new ones, stimulating investment, and supporting supply chain linkages in the sector is imperative.

In spite of the transformational potential of the tourism sector, harnessing these benefits and generating economic impact is challenging. This is particularly true in the context of Timor-Leste as a small island and post-conflict state with a dollarized economy and an import imbalance that has driven up the cost of living for residents and tourists. The challenge of securing a consistent share of the international tourism market will only grow more challenging in a post-COVID-19 world, but Timor-Leste does not face this challenge alone. Instead, all countries are now planning short- to long-term economic recovery plans to ensure they are adequately prepared once domestic and international air travel begins to rise following a stabilization of the COVID-19 pandemic. In fact, new tourism attitudes about the types of experiences they seek in a Post COVID-19 world (more domestic tourists, eco-tourism, and cultural interaction with locals in a safe and secure environment)) all play into Timor-Leste's appeal as an attractive destination.[8]

TIMOR-LESTE'S TOURISM POLICY

To this end, the GOTL has already taken an essential step by releasing in 2017 the National Tourism Policy (NTP) titled '*Growing Tourism to 2030: Enhancing a National Identity*'. The NTP was based on the stated objectives of the *Strategic Development Plan (2011-2030)* (SDP), which

[6] WTTC. (2019). *Travel & Tourism Economic Impact 2019 World.*
[7] WTTC. (2020). *Global Economic Impact & Trends 2020.*
[8] Ibid.

sought to create a prosperous and strong nation. The vision is for Timor-Leste to have joined the ranks of upper middle-income countries, eradicated extreme poverty, and established a sustainable and diversified non-oil economy by 2030.

The *Guide for Economic Reform and Growth of Timor-Leste (2015-2017)* (GRFE) was the Sixth Constitutional Government's strategy. This aimed to increase private investment, sustainable employment, and economic diversification. The GRFE identified the five main economic growth pillars for Timor-Leste as the following:

1. Oil and gas
2. Agriculture
3. Fisheries
4. Tourism
5. Manufacturing

The NTP outlined the basis for tourism growth in the country to 2030 and, in so doing, set the following targets for that year:

- International tourists would make 200,000 visits per year by 2030 (compared with 55,000 in 2014).
- Revenue from international tourists would reach US$150million by 2030 (compared with US$14million in 2014).
- Employment (presumably direct, although this is not specified) from the tourism sector would be 15,000 by that year (compared with 4,300 in 2014).
- There would be a strong emphasis on cultural heritage and nature in the Timor-Leste tourism product offer.
- The watchwords of the NTP would be 'priority, prosperity, protection, partnership and people' as a basis for moving forwards with tourism policy to 2030.

The NTP vision, which was defined through a public consultation process, stated "that by 2030 the country will have a vibrant, attractive tourism sector that makes a significant contribution to employment across the country, is economically, socially and environmentally sustainable, helps promote a positive image of Timor-Leste overseas, and is an industry that people wish to work in."[9] In pursuing this vision, the NTP placed an emphasis on 'sustainability, community, quality and business competitiveness'. In an appendix of the NTP document, which related to the World Economic Forum (WEF) Index, the following WEF conclusions were outlined:

> "*Overall, countries with the strongest performance are those that are best prepared to capture the opportunities of new trends, such as the growing demand from developing countries….(for example) as from India and China; (understanding) the differing preferences of travelers from aging populations and the new generation of younger tourists; and, the importance of online services and marketing, especially through mobile internet and social media*".

Furthermore, it was stated that successful tourism economies recognized the complexities of the industry, as well as the need for PPPs to overcome financial, institutional, and organizational bottlenecks (as explained in more detail in the NTP appendix). The NTP was written during a time of significant tourism growth, both globally and in South East Asia, when international tourism accounted for 30% of the world's exports of services, 12% of global employment, and 6% to 10% of all global exports. In Asia and the Pacific alone, tourism arrivals

[9] Growing Tourism to 2030: Enhancing a National Identity. Timor-Leste National Tourism Policy. Prepared for the Tourism National Directorate of the Ministry of Tourism, Trade and Industry, the International Labour Organization and the New Zealand Agency for International Development (March 2017).

almost doubled from 2005 to 2015 to over 300 million in 2017.[10] While short-term demand has been drastically impacted by the COVID-19, projections from the WTTC and other organizations show robust sector recovery and continued growth is expected for the coming years.[11]

NATIONAL TOURISM BAROMETER

It was intended that the NTP would be followed by supporting strategies and action plans, which would seek to implement the national policies. The Tourism Barometer was prepared in order to provide an analytical basis for guiding tourism development in the country.[12] This would also be done through a participatory process in order to provide a guide for establishing partnerships between government and the private sector. The Barometer identifies a number of 'Strengths, Constraints, Opportunities and Risks' for tourism in Timor-Leste.

The most recent international arrival figures for Timor-Leste cover the first three quarters of 2019[13], and are as follows:

- First Quarter (Q1) 2019: 17,458 (increase from 14,888 in Q1 2018)
- Second Quarter (Q2) 2019: 18,823 (increase from 15,636 in Q2 2018)
- Third Quarter (Q3) 2019: 22,227 (increase from 18,259 in Q3 2018)

The total arrivals for 2018 amounted to 74,661, which represents a marginal increase over 2017 figures of 73,837 but is also a relative decline after a growth trend from 14,000 arrivals in 2006 to 79,000 arrivals in 2013. Following internal conflicts, arrivals dropped to 60,000 in 2014, but then increased annually until 2017.[14] The average length of stay of visitors (business and tourists) was five days in 2015, a relatively short duration of visit as compared to other international destinations.[15] This figure is particularly low figure given the difficulties of flying to Dili, and in particular the expense of air fares from either Darwin or Bali.

However, with these arrival figures, it should be remembered that they include business visitors and not all of these arrivals are necessarily arriving as tourists.[16] They are based on those obtaining Class 1 Tourist Visas issued at ten borders, primarily Dili Airport, but also including Dili Port. These are estimated to amount to three-quarters of those arriving in the country (in 2016), with the remaining 23% of visas issued to UN staff, residents or registered workers.[17]

Between 2003 and 2005, it was broadly estimated that roughly 3,000 to 4,500 visitors arrived in Timor-Leste for tourism purposes. A visitor survey undertaken in 2014, conducted by The

[10] UNWTO Tourism Highlights 2015 Edition.
[11] WTTC. (2020). *Global Economic Impact & Trends 2020*; UNWTO. (2020). *One Planet Vision for a Responsible Recovery of the Tourism Sector.*
[12] Timor-Leste Tourism Barometer 2018. Prepared by The Asia Foundation and Destination Human Capital for New Zealand Foreign Affairs and Trade (July 2018).
[13] Trading Economics. Timor-Leste Tourist Arrivals. Retrieved from: https://tradingeconomics.com/east-timor/tourist-arrivals.
[14] Source: World Tourism Organization, Yearbook of Tourism Statistics, Compendium of Tourism Statistics and data files.
[15] Growing Tourism to 2030: Enhancing a National Identity. Timor-Leste National Tourism Policy.
[16] UNWTO Definition: International inbound tourists (overnight visitors) are the number of tourists who travel to a country other than that in which they have their usual residence, but outside their usual environment, for a period not exceeding 12 months and whose main purpose in visiting is other than an activity remunerated from within the country visited. When data on number of tourists are not available, the number of visitors, which includes tourists, same-day visitors, cruise passengers, and crew members, is shown instead. Sources and collection methods for arrivals differ across countries.
[17] Timor-Leste Tourism Barometer 2018. Prepared by The Asia Foundation and Destination Human Capital for New Zealand Foreign Affairs and Trade (July 2018).

Asia Foundation[18], found that of 710 visitors from 30 countries who were interviewed in Dili airport, only a very small portion of those who obtained Class 1 Tourist Visas were actually holiday makers, and that income from tourism in 2014 was in the range of US$14.6 million. Most visitors entering the country with Class 1 Tourist Visas were in fact visiting the country for business purposes. The survey outcomes suggest that only 17% of those issued with these visas actually visited Timor-Leste on holiday.

From 2014 to 2018, the largest proportion of visitors originated from East Asia and the Pacific (between 42% and 46.7% of the share). Europe was the next largest regional source, which grew from 6.4% in 2015 to 9% in 2018. Almost all international arrivals were by air with domestic visitors representing a share of only 1,200 guests staying in accommodation in 2018, a drop from 2,000 in 2015.[19] Data from the Ministry of Tourism, Arts and Culture for 2016 reveals that the top source countries for all types of arrivals were Indonesia (65,798), Australia (13,030), Portugal (7,821), and China (7,569).

SECTOR CHALLENGES

There are some key issues that arise from the preceding analysis. These are particularly relevant to accessibility, accommodation, and the Timor-Leste tourism product, as outlined in *Table 5*.

Table 5: Tourism Market Constraints

Challenge	Description
Aviation Access	· The overwhelming means of getting to the country is by air. Flights to Nicolau Lobato International Airport in Dili are few in number (CitiLink and Sriwijaya operate from Bali; Air North from Darwin; and Air Timor Charter from Singapore bi-weekly) while also extremely expensive for the distance travelled. · The airport is dated and needs significant upgrading, although it is estimated by aviation specialists that the existing civil aviation infrastructure is likely to satisfy demand until 2030.[20] · What is needed is more airlines flying to Dili, especially from Bali, Australia, Singapore and Hong Kong, which could competitively bring down the cost of air tickets and attract more visitors to the country. However, since 2018, the number of services has in fact reduced with, for example, Silk Air/Air Timor cutting direct services from Singapore. Current services are provided by point-to-point low cost carriers, who are more flexible in their ability to serve locations such as Dili. · More of these types of carriers are needed to fly to Dili in order to support the country's tourism sector, with more Air Service Agreements required by GOTL and other nations for this to happen. However, this process is hindered by the slow process in concluding and administering Air Service Agreements and a lack of transparency in negotiations. Timor-Leste would benefit immensely from bilaterally concluded Open Skies Agreements championed by the United States and eventually codified in the Multilateral Agreement on the Liberalization of International Air Transportation (MALIAT).[21]
International Land and Sea Access	· Road conditions from West Timor (and Kupang) are very poor and arrival through a land or sea border requires a prior Visa Application Authorization (VAA), as opposed to visa on arrival at Dili airport. The same

[18] Rajalingam, G. (2014), '2014 Survey of Travellers to Timor-Leste', The Asia Foundation.
[19] World Tourism Organization, Yearbook of Tourism Statistics, Compendium of Tourism Statistics and data files.
[20] Timor-Leste Tourism Barometer 2018. Prepared by The Asia Foundation and Destination Human Capital for New Zealand Foreign Affairs and Trade (July 2018).
[21] MALIAT. (2020). Agreement Articles. Retrieved from: https://www.maliat.govt.nz/country/.

Challenge	Description
	also applies to arrivals by sea, either by cruise ships or indeed by private yachts. With support from the Asian Development Bank, a High-Level Dialogue was undertaken by representatives from the GOTL, Government of Indonesia, and other stakeholders in relation to the Cross-Border Livestock and Tourism Pilot Project.[22] The objective of this initiative is to determine opportunities to create a joint land or sea itinerary in partnership with the private sector in order to capitalize on synergies for joint asset mapping and customer journey mapping. These discussions are ongoing. · Visa restrictions hinder the ability of FITs ('Free and Independent Travelers'), as a key market for Timor-Leste, to visit. There are very few cruise liner arrivals in Timor-Leste, although Dili is a port of call for cruises on routes between Australia and South East Asia. Thus, for example MS Caledonian Sky, a comparatively small cruise ship, has visited Dili port on routes between Darwin and Alor (Indonesia) and onwards to other ports in Indonesia, and thereafter to Singapore. · In 2018, there was a total of 3,103 visitors arriving on three cruise ships, which increased to 4,804 visitors in 2019 arriving on five cruise liners.[23] For February 2021, P&O Cruises have a scheduled cruise from Melbourne via Cairns to Dili and thereafter to Lombok, Bali and Singapore.[24] A relatively small percentage of cruise ship passengers actually disembark the vessel due to high visa costs, lack of activities and attractions, and perceptions of danger and insecurity, resulting in a lost opportunity for revenue generation. · Whilst this level of cruise visitation to Dili is relatively small, certainly compared to air arrivals, it is nevertheless an important source of foreign visitors for prospective Dili port development, as well as for Timor-Leste in general. Of course, the cruise ship market, as with many other tourism sectors, is currently in period of great uncertainty following the COVID-19 pandemic.
Internal Accessibility	· Transport throughout the country is poor, often with unsafe driving conditions, and therefore unreliable. It is also expensive for tourists, especially the FITs who are prepared to be more adventurous and go to Timor-Leste's less-visited areas. · Public and private transportation services for trips to the interior are also unreliable, difficult to use, and subject to a poorly maintained road network. This becomes an even more considerable challenge when considering the uncertainty of service route and transport cost for most public transport systems (either formal or informal).
Visitor Accommodation	· Visitors to Timor-Leste typically stay in three or four-star hotels, hostels, lodges, vacation rentals, a limited number of resorts, motel-type accommodation, homestays and camping grounds, mostly in or around Dili. · There are currently no international chain hotels in Timor-Leste and most accommodation is locally owned. At the upper end of the Dili market, there are four hotels of three or four-star standard, namely the Timor Plaza Hotel, Novo Turismo, Beach Garden Hotel and Hotel Timor. Together they have some 240 rooms and experience an average occupancy of 60% with an average rate of $120, which translates to Revenue Per Available Room (REVPAR) of roughly $70 per night.[25]

[22] Asian Development Bank. (2019). *Joint Meeting on the Indonesia and Timor-Leste Cross-Border Livestock and Tourism Pilot Project – Meeting Summary*. Retrieved from: https://www.adb.org/sites/default/files/linked-documents/Joint%20Meeting%20on%20the%20Indonesia%20and%20Timor-Leste%20Cross-Border%20Livestock%20and%20Tourism%20Pilot%20Project%20Meeting%20Summary.pdf

[23] Dili Port Cruise Ship Arrival Figures for 2018 and 2019. Prepared by APORTIL (5 November 2019).

[24] https://www.pocruises.com.au/cruises/asia-and-australia-explorer/w107n

[25] Timor-Leste Tourism Barometer 2018. Prepared by The Asia Foundation and Destination Human Capital for New Zealand Foreign Affairs and Trade (July 2018).

Challenge	Description
	· In competitive terms, accommodation in Timor-Leste is significantly more expensive than other regional tourism destinations, such as Bali. One of Timor-Leste's challenges in the accommodation sector is a lack of economies of scale arising from limited tourism demand. · There are two planned resort-style hotels, Pelican Paradise in Tasi Tolu and the Pacific Beach Resort in Hera, which would significantly increase the number of rooms available to visitors. In addition, the Hilton Hotel Palm Springs is scheduled to be the first five-star and the first international hotel chain to open in the city with 150 rooms (just north of Avenida Alm. Americo Tomas and close to the Australian Embassy). The target date for opening is March 2021.

The primary reasons for tourists to visit Timor-Leste revolve around the cultural, religious, and nature-based attractions the country can offer. This has informed the '*Explore the Undiscovered'* national tourism brand since 2017. As part of this brand, the GOTL has identified the following key components of its tourism strategy:[26]

- Arts, Crafts, and Culture
- National Struggle and Heritage
- Diving, Snorkeling, and Marine Life
- Religion, Events, and Festivals
- Beaches, Wildlife, and Hiking

In essence, Timor-Leste should seek to build on its '*Explore the Undiscovered*' tagline and pursue low visitation but high value markets, which would appreciate ecotourism, authentic culture, environmental sustainability and a community-based approach to tourism. This should be developed in tandem with regional linkages.

IMPACT OF DILI PORT REDEVELOPMENT ON TOURISM

In the context of the post-COVID-19 era, the proposed redevelopment of the Dili Port site is expected to provide important support and a major platform for a tourism recovery in the following ways:

- The initial phases of the redevelopment could likely begin in 2021 and 2022 and aim to be operational within a few years, during which time the global economic recovery will be well underway. In fact, the construction phase of the project could likely occur during the time that construction costs and prices would be substantially depressed and competition amongst firms, suppliers, and bidders would be high.
- Lower long-term interest rates will also likely be prevalent for the foreseeable future allowing for significantly lower costs of capital in the financing of the project by the developers from all sources. Moreover, international financial institutions will likely be willing to provide co-financing and credit enhancement for Timor-Leste's "flagship" tourism and urban development project, further strengthening the viability of the project. This is especially true for Green Finance and Bonds that Timor-Leste and the project would be eligible for, mobilizing investor and lenders attracted by many of the sustainability features of the project.
- In fact, during the development, construction, and operational phase, the project would likely result in more direct tourism arrivals and spend than any other source in Timor-Lese given the need for engineers, planners, architects, consultants, and other

[26] Ministry of Tourism, Commerce, and Industry. (2020). *Official Tourism and Travel Guide*. Retrieved from: https://www.timorleste.tl/.

professionals to come and stay in Dili. This would be in addition to the long-term direct and indirect impact on tourism, employment, and business formation, which is obviously the economic motivation of the project itself.

- At the inception phase, the project would likely attract both local and international tourists, as the tourism marketing platform and branding takes hold. The focus would likely be directed at visitors from within Asia (the greatest source of international tourism arrivals) and the key countries that have economic, political and transport relationships with Timor-Leste, such as Indonesia, Australia, Portugal, China, Singapore, Philippines, and Malaysia.
- The waterfront development site will provide a sound basis for a central tourism attraction in Dili, which in itself will provide a new focus and springboard for a revived tourism sector.
- The Dili port site would incorporate a variety of tourism-related waterfront activities, such as facilities for cruise ships (most likely with occasional visits by small cruise liners), live-aboard and *phinisi* vessels with visitors that are touring the region, private yachts, tour boat activities to Ataúro Island for snorkeling and whale and dolphin watching, and fishing trips.
- The proposed development would not only be mixed use but would also, depending on the development option adopted, accommodate a variety of potential tourism business activities. This includes: two or three boutique hotels; restaurants and cafes; handicraft retail outlets, artisan workshop premises; conferences and community events; cultural, musical and arts exhibitions/performances; a gathering point for sea and land-based tour operators; and, premises and co-working spaces for SME tourism-related businesses, hospitality training, and international and local professional firms.
- The emergence and growth of sustainable and eco-tourism will be targeted, and the project will be driven by and benefit from a focus on excursions such as whale watching, diving, trekking, cultural and religious tourism. Moreover, the project and marina are well suited to take advantage of the growth in "Maritime" tourism where international and regional yachting is growing in importance and vessels and live-aboard, including Phinisi from Indonesia who are already looking for new destinations for "ports of call" based on their successful push to Eastern Indonesia in nearby Flores and Alor Islands and Raja Ampat.

The redevelopment and renovation of Dili Port will provide a clear fulcrum for tourism and local resident activities, not just in Dili but for the country as a whole. Every capital city with a magnificent waterfront and downtown location, no matter large or small, needs to ensure that location is maximized, enhanced, and available for all to enjoy. The Dili Port location is the best location to feature the best that Timor-Leste has to offer and to serve as a showcase for Dili and a lens on the interior and coastal beauty this country has to offer. For residents of Dili, the waterfront development would provide employment, visitation, and recreational opportunities in a setting to be proud of, while for international visitors, the location would be a fantastic place to stay while enjoying Dili and would serve as the "gateway hub" for launching eco-tourism adventures to Ataúro and to the interior of the country.

SECTION NO. 4

SITE DEVELOPMENT VISION

THE DEVELOPMENT OPPORTUNTIY

The *Site Development Brief* presents a comprehensive deconstruction of the key components of the 'vision', as collaboratively defined by representatives of APORTIL, Ministry of Tourism, Commerce and Industry (MTCI), TradeInvest, and the Project Team. The following sections of the Report reiterate key components of the vision, as well as identify and explain the differentiating factors between Option One – Premium Development and Option Two – Standard Development. This will then lead to a detailed presentation of the conceptual basis of each approach that is accompanied by the following three digital renderings and illustrations for each development option:

1. Illustrative Master Plan
2. AutoCAD Plan
3. 3D Perspective Renderings

The detail of these digital renderings and designs is lost when translated into a Word file. **For a more detailed inspection of each graphical aid presented in this report readers are directed to the links provided in *Annex A – Digital Renderings and Designs Packet***. It is important to note that the objective of this report is not to provide a final architectural plan. Instead, the digital renderings represent an illustrative spatial and design assessment for potential site utilization. Final architectural renderings will be developed as part of the eventual site Infrastructure Design and Coordination Plan.

Before presenting Option One – Premium Development and Option Two – Standard Development, it is first necessary to build on previously presented conceptual summaries of the development potential for the Dili Port site. This is achieved through a more targeted summary of the Project Team's evaluation process when considering possible approaches to site redevelopment. Dili Port offers an unparalleled development opportunity along high-valued real estate that will, if properly managed:

- Improve resident quality of life.
- Create new urban development in and around the site.
- Ease congestion and increase eco-friendly transportation alternatives.
- Serve as a magnet for business and resident relocation and operations.
- Advance Timor-Leste's overall tourism objectives.

The development could also enable the creation of a gathering place (potentially referred to as the "Mercado Modelo, Marina Azul, or Porto Novo") based on the cultural and commercial centers seen internationally which function as community spaces, marketplaces or shopping bazaars offering a wide range of goods. Commercial and retail districts such as these are often major visitor attractions, with many found close to ports or in historic centers, such as in Salvador in Bahia State (Brazil), Santo Domingo (Dominican Republic), Montevideo (Uruguay), Old Havana (Cuba), and Penang (Malaysia) Macao, (China), among others.

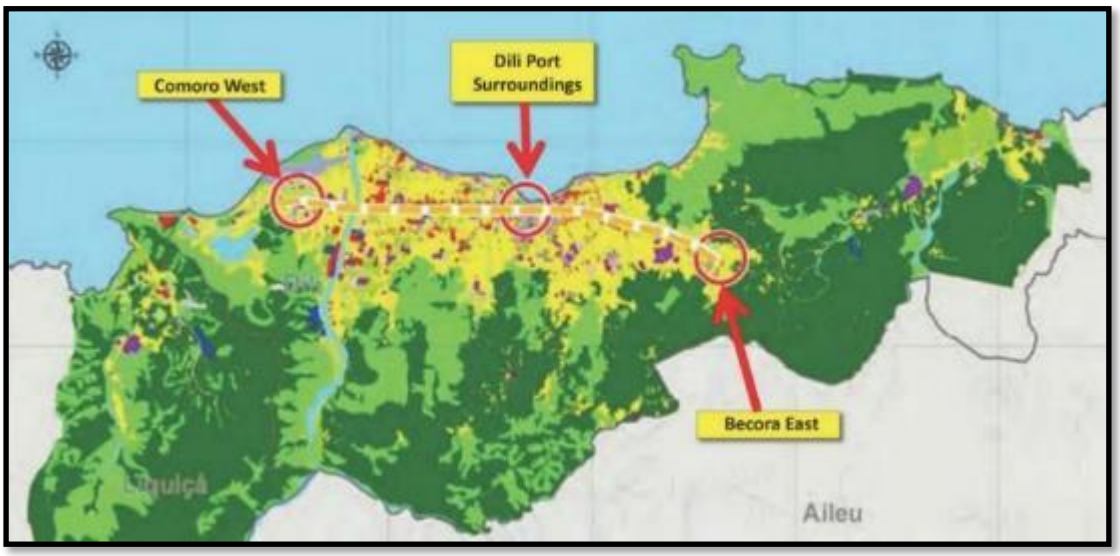
This development model would support a pedestrian-friendly central retail and commercial district as the focal point for tourists and residents in Dili. Site development would necessarily involve a carefully crafted mix of modern urban design principles and strategies, which would maximize open spaces and cultural identity and feature Timorese motifs, architecture, and traditional styles. Fundamentally, the design objective would be to create an urban quarter where commercial synergies could coexist within a livable environment.

AVENIDA PORTUGAL AND PERIEPHERY LINKAGES

There is also great scope for the potential improvement and regeneration of the important Avenida Portugal corridor in Dili. The redevelopment of the Port Site would stimulate the environmental and development revitalization of this route, as well as areas beyond, for example to the South West around Mercado de Tais (Colmera). It is believed that most of the sites along Avenida Portugal are under GOTL ownership or control, which would help in pursuing environmental and regeneration improvements in this area. Both the Dili Port site itself and the surrounding area has significant promise as a thriving commercial and leisure district to maximize the prime waterfront location.

This approach to site redevelopment would also support the GOTL's aim to promote public transport and a pedestrian-friendly environment, as well as the potential for modest transit-oriented development (TOD), and pursuing a compact urban form. Importantly, the site forms a central location within the Dili Urban Master Plan corridor of 'Focused Development Areas', as presented in *Figure 2*.

Figure 2: Dili Urban Master Plan 'Focused Development Areas' 2016
Source: Ministry of Planning and Strategic Investment by JICA. Final Report: Part II.



Considering the results of the analysis presented in the *Site Development* and previous report as summarized above, the Project Team was able to make a series of key determinations. These pertain to the overall land allocation for the port site, differentiated between:

- Commercial Space;
- Residential Space;
- Retail Space;
- Outdoor Areas;
- Reclamation; and,
- Parkland Areas (12th November Gardens and 5th May Gardens).

Significant reliance is made on preliminary urban planning sketches and illustrations produced during field missions by members of the Project Team in October and November 2019 and January 2020. These designs were integral to the development of the illustrative aids presented in subsequent sections.

DIFFERENTIATING FACTORS FOR EACH DEVELOPMENT OPTION

In total, the Site Area is measured as 10.6 hectares (106,019m^2) in total size, which includes the parkland areas adjacent to the site itself. When defining the boundaries and characteristics of each development option, the Project Team was closely guided by key members of APORTIL, as well as a raft of government publications that set out national and local development priorities and objectives. In this regard, there are a number of key points presented by the Dili Urban Master Plan related to the development of Dili Port that are considered essential pre-requisites, namely:

- Relocating the passenger ferry terminal to the West of the existing port site.
- Accommodating a cruise ship terminal along the main wharf.
- Developing a mooring and service area for yachts and pleasure craft in the East of the site.
- Linking the waterfront park areas along Avenida Portugal into and extending this connectivity through the site.[27]

With these and other strategic government objectives, it is possible to develop a framework around which the site could be developed. At the same time, the Project Team is tasked with defining and examining two substantively distinct site development options, which is essential for informed decision-making by the GOTL and USAID. To this end, the Project Team has identified a number of key differentiating factors that will guide subsequent analysis and appraisal. The differentiating factors for Option One – Premium Development and Option Two – Standard Development are presented in *Table 6*.

Table 6: Differentiating Factors Between Development Options

Option One – Premium Development	Option Two – Standard Development
· Inclusion of Context Area facilities in the development model[28]	· Exclusion of Context Area facilities other than the Brazil-Timor Cultural Center
· Greater size and scale of the Marina for commercial and personal vessels	· Smaller Marina with more limited facilities
· Expanded land reclamation for an extended wharf	· Scaled back land reclamation for an extended wharf
· Increased height and density of site buildings	· Relaxed height and density of buildings
· Complete pedestrianization of Avenida Portugal between the port and 5th May gardens	· Semi-pedestrianization of Avenida Portugal with traffic calming measures
· Focus on Grade A and Grade B spatial allocation	· Focus on Grade B and Grade C spatial allocation

These differentiating factors have been directly informed and guided by the Urban Development Best Practices and Principles Framework that is set out in the *Site Development Brief*, as well as the Urban Development Categorization Framework presented in a preceding section of this report. The Project Team then developed an urban planning sketch for both development options. Presented in *Figure 3* is Option One – Premium Development and in *Figure 4* is Option Two – Standard Development. With respect to the phased development of the envisioned site, the Project Team has projected the following tentative timeline as illustrated in both figures below:

[27] Ministry of Planning and Strategic Investment (GOTL) by JICA. Final Report: Part I, Current Conditions (October 2016).

[28] Context Area is defined in the *Site Development Brief* as the broad Avenida Portugal corridor from the Northwest, 12th November Gardens in Motael, along the waterfront to Avenida Bispo de Madeiras junction in the East (roughly where the Palacio Beach waterfront promenade ends), up to the Casa Europa building.

- ***Phase One –*** Emphasizes the main port area (with an Avenida Portugal frontage), that would accommodate higher value and more visible facilities. These would probably be allocated for commercial and condominiums, or flats, in upper floors. This would include the development site's main entrance with landmark architecture.
- ***Phase Two –*** Focuses on the remainder of the main Avenida Portugal road frontage area, being the land to the West, and adjacent to the passenger ferry terminal site, as well as along the East of the port site.
- ***Phase Three –*** Concentrates on the waterfront land reclamation, probably after a short settlement period, although the existing main wharf extension (currently built on pillars) would be utilized for a Cruise Terminal facility accompanied by lightweight structures.

Figure 3: Urban Planning Sketch - Option One Premium Development

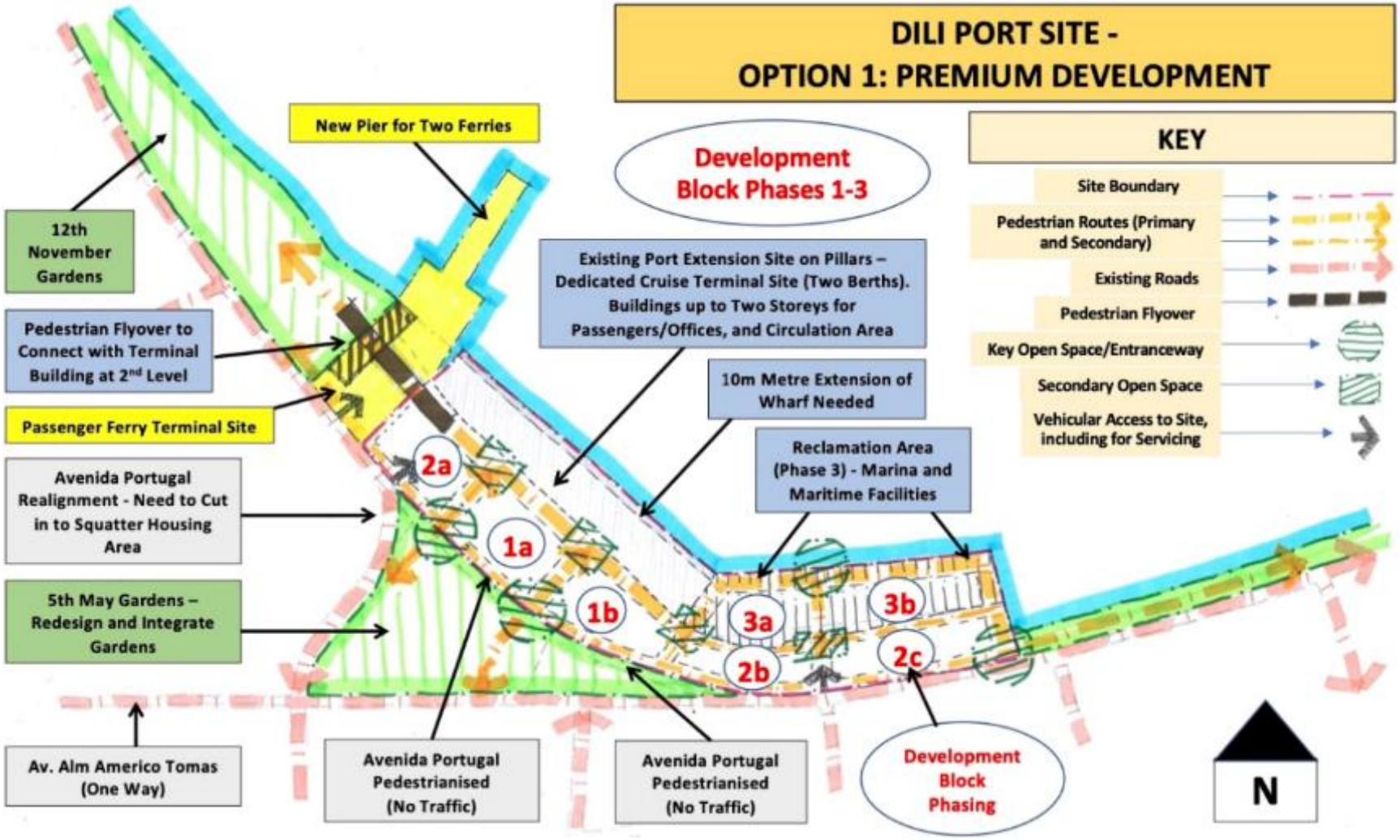
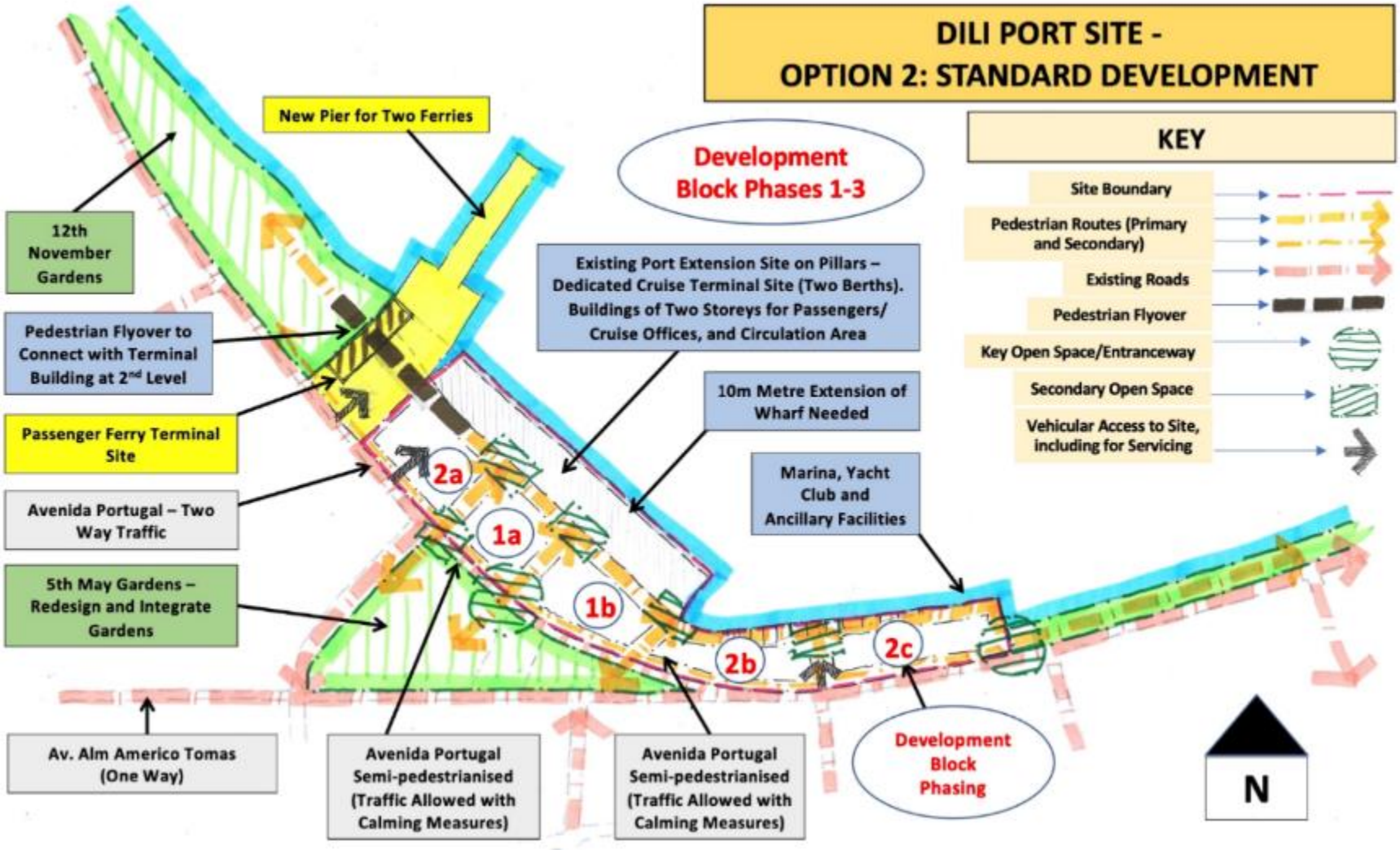


Figure 4: Urban Planning Sketch - Option Two Standard Development



From these initial sketches, it was then possible to develop a Base Plan at a scale of 1:500 that captures development parcels, road and pathways hierarchy, open space, and general building massing. This is presented in *Figure 5*.

Figure 5: Illustrative Master Plan - Base Plan

The development dimensions illustrated in these sketches are likely to significantly impact a range of issues, including government responsibilities, technical challenges, economic drivers and impact, financing options, and investor appetite. To a large degree, the ultimate question of commercial viability and bankability, as cornerstone principles of private investment partnerships, depends on the cost and revenue implications of the two proposed development options. Thus, in order to properly preface the presentation of Option One – Premium Development and Option Two – Standard Development, it is first necessary to define the methodological approach that has been taken to cost estimating and preliminary project financing options.

Development Financial Feasibility

There will likely be at least three parties to a development of this nature, described as follows:

1. **The Government of Timor-Leste** – the GOTL is primarily responsible for overall project and governmental approvals, regulations, and contributing public assets, namely land. It may also need to provide financial and fiscal incentives in the form of tax credits and holidays, and non-financial incentives in the form of guarantees that may be required, as well as key infrastructure improvements. Facilitating and expediting approvals, reducing unnecessary delays, and providing long term commitment and coordination between GOTL agencies will also be critical to success.

2. **International Financial Institutions and Development Agencies** – IFI's and development agencies may include the Millennium Challenge Corporation, World Bank, International Finance Corporation, Asian Development Bank, MIGA, and others. These agencies will fund site improvements that support climate resilience, social inclusion, and financial viability. This might include initiatives such as reclamation, surge protection schemes, brownfield clean-up, and infrastructure provision. They will also provide credit enhancement, debt and equity guarantees, and GREEN Financing instruments, to underwrite and support some of the long term financing and to attract commercial project lenders and co-financiers.
3. **Private Sector and Commercial Lenders** – property developers will be awarded concessions within the site, effectively leasing a parcel of the project for a given purpose. For example, there may be one lease for a marina hotel and one for a shopping mall, or there may be a single large lease for the entire plot, with covenants as to usage.

The two most commonly used Investment and Management Models to structure contractual relationships between government and industry are the Development Corporation and the Concession / SPV. These are different forms of Public Private Partnerships (PPPs) where the government is either a partner in the ownership of the enterprise or awards a concession to a consortium of private firms to undertake the investment.

INVESTMENT AND MANAGEMENT MODEL

A. Development Corporation

The Development Corporation would be wholly or partially owned by the GOTL and parastatal bodies – in this case, the GOTL would likely be acting through APORTIL as the responsible authority. The GOTL would transfer legal title to the land into the Corporation which would receive all revenues and be responsible for any debt.

The Corporation's debt would typically be applied to the areas outlined above, namely reclamation, brownfield cleanup, or infrastructure improvements. This debt is likely to be provided by development finance institutions with a tenor of 20-35 years and concessional interest rates.

The Corporation would enter into a joint venture or award a concession to a private developer to build and operate various facets of the development. These will typically be structured around construction, operation and management, so, for example:

- Hotel
- Marina
- Residential
- Shopping Mall
- Commercial
- Retail

Private sector developers will bid on contracts for the development of facilities such as these, with the bids awarded and overseen by the Development Corporation. Each of these components can have covenants attached, so the retail space may obligate the developer to set aside a certain amount of space for local retailers, while a hotel package may obligate the developer to use an international hotel management company for international standard quality assurance.

B. Concession / Special Purpose Vehicle

In this structure, rather than being owned by government or the Development Corporation, the project is awarded on a long-term concession basis to a SPV. In this model, the GOTL would contribute land, earning assets, and debt and equity guarantees. The private developer would provide the long term equity and debt capital required to finance the project and the technical and management expertise to construct, operate, and manage the assets over time, usually between 20-30 years, as per the PPP legislation in Timor-Leste. The private partner would serve as a "landlord" concessionaire in developing and operating the overall development and would pay the GOTL a "lease or concession fee". It would retain all project revenues and realize any profits after paying debt service to project lenders.

Determining the Preferable Model

Both the Development Corporation and Concession / SPV models rely on the private sector's expertise and financial capability to develop a project of this complexity. The determination of which model to use is usually driven by key cost, risk, and political considerations. Market factors and the appetite of the private sector are also essential factors. Typically, private sector developers, investors and lenders, would prefer a long-term concession with no government ownership or interference after the concession is awarded. However, the Development Corporation model is sometimes used when the government is essential to overcome risk and willing to substantially finance the project. In most urban redevelopment cases in emerging markets, especially where donor agencies and other financial institutions are prepared to co-finance and offer financial and non-financial support, the Concession / SPV model is preferred for two key reasons:

1) **Private Sector Management and Financial Expertise**. The private developer knows how to build, finance, and manage large-scale, multipurpose urban development projects. The private sector would prefer to have the Government as a "partner" with limited, if any, commercial real estate development experience. Instead, the Government should serve as the facilitator, regulator, and owner of the project.
2) **Risk Management and Allocation**. The Concession / SPV model allows for greater risk allocation and management between the parties. It also gives investors and lenders the confidence that the risk is allocated to the party that is best able to manage the risk, which has a significant impact on whether the project will likely be manageable, viable, and bankable.

The Concession / SPV model allows risk allocation between the parties, which ensures that the private developer retains the risk that it is most capable of managing. This is important to provide investors and lenders with confidence that the project is professionally undertaken, manageable, viable, and bankable. A PPP of this type can significantly reduce the amount of capital that GOTL has to inject, or the amount it has to borrow. Examples of such developments are in Liverpool, U.K., and the Disneyland Resort in Hong Kong.[29]

As described above, under a PPP implementation model, there would be a single project developer contracted by the GOTL through a concession contract to develop the entire site based on the strategic vision and outputs outlined during procurement processes, namely through the Request for Proposal (RFP). The developer would then liaise directly with various businesses and private entities seeking to establish a presence in the site, namely restaurants, hotels, and office space, among other venues. Site revenue would be generated through commercial operations including rental payments from businesses leasing space in the site, which would in-turn generate revenue in response to demand from residents and tourists for retail outlets and other entertainment activities. This model has been used successfully globally in most urban redevelopment and tourism hub zones.

[29] For an example, refer to: https://grosvenor.com/our-properties-and-places/liverpool-one.

The recommendation of which development finance model makes most sense, either the Development Corporation Model or the Concession / SPV model is made at the financial feasibility phase. The financial feasibility analysis is made after an Infrastructure Design and Coordination Plan and all development and environmental impacts have been evaluated and costed out. Once a financial Feasibility Study is performed a financial model will be developed that will clearly establish the pros and cons of each approach.

PRELIMINARY INVESTMENT ESTIMATES

The Project Team has adopted an industry standard methodology to provide a preliminary assessment of the financial viability of the project. The most widely used measure of return in the investment community is the Internal Rate of Return (IRR). This measures the possible profit of an investment after accounting for the cost of capital. The cost of capital consists of the following two components:

1. Cost of equity
2. Cost of debt

Given that Timor-Leste is dollarized with no exchange rate risk and lower interest rate environment, for the purpose of this phase, the Project Team estimates the cost of capital at 10%. In simple terms, that means that $1 today would amount to $0.90 in one year. This interest rate is compound, so in five years that same dollar would be worth $0.59. For the purposes of this analysis, we refer to that 10% as the discount rate.

The preliminary financial feasibility of the project is assessed by comparing the estimated costs against the projected revenues, with the discount rate applied to both costs and revenues over a fifteen–year period. Although this approach does not yet explicitly model debt, the inclusion of debt in the discount rate is a prudent and reasonable proxy at this stage of project appraisal.

The IRR of the project is calculated through a simple equation, presented as follows:

$$\frac{(\text{Revenues} - \text{Costs})}{\text{Costs}}$$

Estimated Project Costs

In the same approach adopted in commercial land redevelopments internationally, the port redevelopment initiative will have six major cost components, which are defined in *Table 7*.

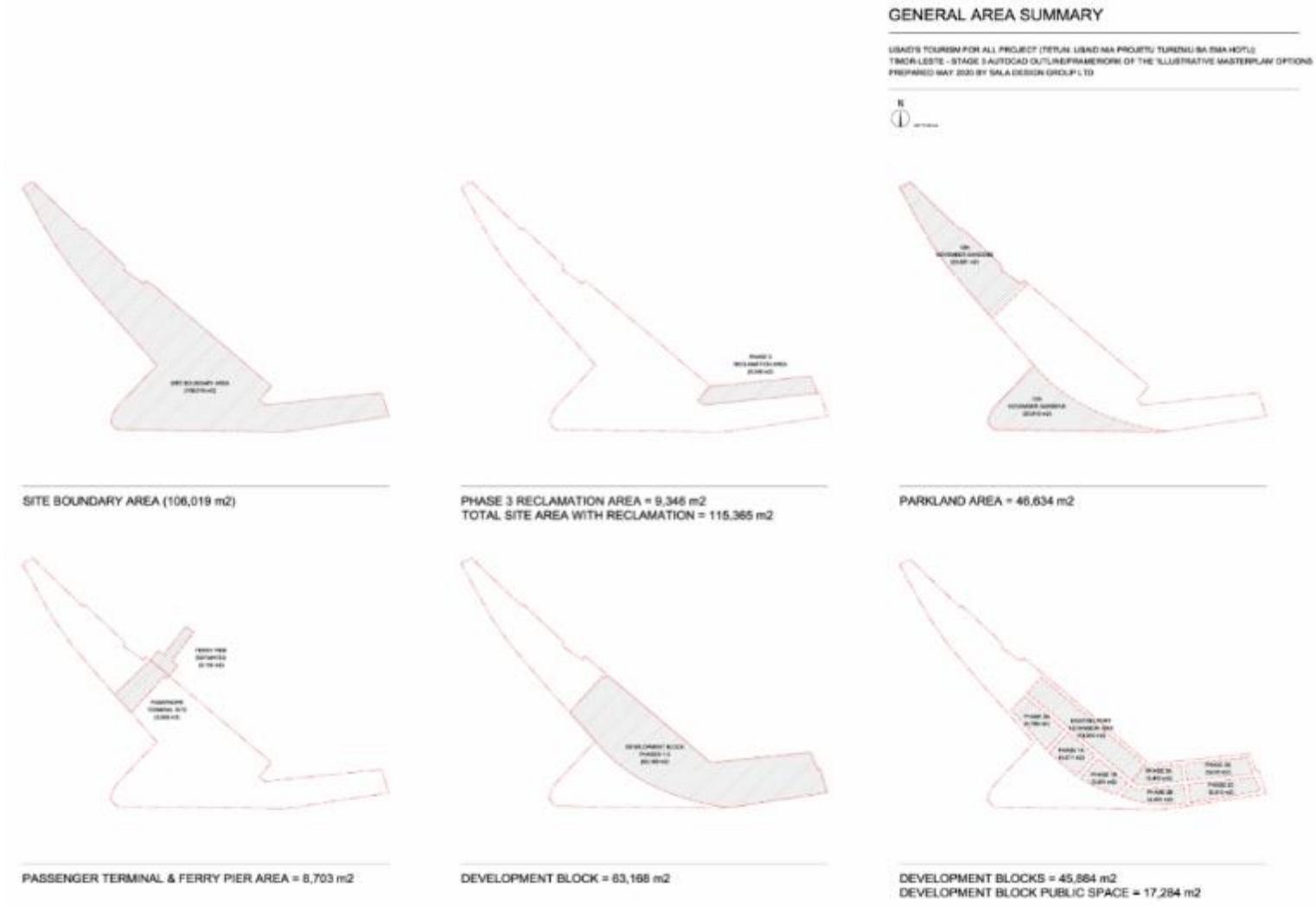
Table 7: Description of Land Categories

Land Category	Description
Grade A	Grade A space refers to the components of the redevelopment that are delivered with full fit-out, intended for high-yield rental. These will typically include hotels, serviced apartments, and similar residential spaces.
Grade B	Grade B space is intended for mixed-use facilities such as offices, restaurants and condominiums, which require access to shared services such as air-conditioning, fresh and grey water, and wired internet services, but which will not be delivered fully fitted out.
Grade C	Grade C space is intended for low-end retail space such as supermarkets and clinics, which only require basic services such as electricity and water.
Outdoor Areas	Outdoor Areas include terraced areas, typically for food and beverage outlets, street market type installations that command a minimal rental value, as well as public outdoor spaces for leisure activities.

Land Category	Description
Reclamation	Little is known about the geology of Dili Harbor. However, the decision by JICA to use piles rather than fill for the existing outer edge of the Western side of the port suggests that the bottom is deep mud. In addition, given the rise in sea levels due to climate change, some measure of surge protection will be required. The Project Team have made allowance for these points.
Parkland	A large component of the site will be landscaped and reserved for public use, primarily relating to the green spaces immediately adjacent to the port facility.

The calculation of each Grade by meters squared is based on the spatial information generated through a *General Area Summary*, as presented in *Figure 6*. This is then supplemented by a land allocation assessment that considers the vision for each development option.

Figure 6: General Area Summary



During the Project Team's mission to Dili in January 2020, local representatives of the construction industry were engaged to determine information on local costs and industry dynamics. At this early stage of project conceptualization, industry experts cautioned that the costs are likely to change due do market conditions, unforeseen future technologies, and the cost of labor. Nevertheless, the estimated build costs presented in *Table 8* are considered reasonable for the purposes of this analysis, to be refined and validated in subsequent stages of project appraisal. These estimates will be further validated and benchmarked in comparable industries with greater specificity during the Feasibility Study.

Table 8: Land Category Projected Build Costs

Land Category	Projected Build Costs
Grade A	$1,300 per square meter
Grade B	$1,100 per square meter
Grade C	$800 per square meter
Outdoor Areas	$100 per square meter
Reclamation	$7 per cubic meter of fill
Park Land	$30 per square meter

In addition to the costs set out in *Table 8*, the Project Team have included the operational expense of maintaining the parkland, assuming 7.5% per annum of the cost of refurbishment. Other Facility Management fees are assumed to be bundled into the revenue streams described below.

Estimated Project Revenues

It is beyond the scope of this phase to provide estimates of the probable sale or rental value of the various properties that compose this development. That would come at the financial Feasibility Study and Infrastructure Design and Coordination Plan. Therefore, the revenue streams are based on the Usable Floor Area (UFA). This is calculated with reference to the Gross Floor Area (GFA), which in turn depends on the Land Category. This is because higher-value usages tend to have larger "Back of House" areas (for example, hotel laundries and Heating, Ventilation and Air Conditioning (HVAC) equipment, among other facilities). The revenue is calculated from the UFA, based on Margin and Yield, as exhibited in *Table 9*.

Table 9: Cost Categories

Cost Category	Description
Margin	For properties that are simply sold, a straightforward mark-up is applied to the build cost. So, a unit that costs $100,000 to build with a 50% margin will sell for $150,000.
Yield	This is the annual percentage of the build cost charged as rent. For example, if a unit costs $100,000 to build and the yield is 13%, the annual rental income is $13,000.

Importantly, we are not assigning a value to land at this phase of the analysis. We are assuming that the GOTL will be providing the land, and that the private sector concessionaire is responsible to finance the construction, operation, and maintenance of all new infrastructure and facilities. However, in later financial models, we will include a lease fee that the winning bidder must pay the GOTL on an annual basis for the right to use the land over the life of the concession. This is usually calculated using different methods including the total investment, project revenues, opportunity costs of the land, or some combination thereof. Typically, the winning bidder in a competitive tender of this type is the consortium that offers to undertake the project with the greatest investment per "output specifications" (quality and performance) and the highest annual lease payment combination. There are alternative models that will also

be examined at the financial feasibility phase. At the preliminary investment phase, we are most interested in ascertaining a basic for of cost and investment.

BREAKEVEN ANALYSIS

Given the preliminary stage of this analysis, the Project Team present a Breakeven Analysis, the purpose of which is to ensure that both development options are able to meet the minimum reasonable expectations of a private investor. These cost factors are presented in *Table 10*.

Table 10: Port Redevelopment Cost Factors

Factors	Projection Rationale and Key Assumptions
Breakeven Point	This is the period of time it takes for the project to repay its initial capital cost. For developments of this nature, 10 years is typically the minimum requirement for a project of this kind. Our preliminary spreadsheet indicates a 15-year horizon, however further financial analysis would assess a 20-25 year horizon.
Internal Rate of Return (IRR)	Private sector developers are unlikely to consider a long-term infrastructure project with an IRR of less than 10% given that they could generate similar returns on less risky investments.

With this framework for preliminary cost and investment analysis in place, the Project Team has developed initial projections based on a multidimensional analysis for both development options. This is presented in subsequent sections to complement the detailed descriptions and digital renderings.

It is important to note that the Project Team prepared a 15-year breakeven analysis, but this is not sufficient for the GOTL to move forward with an Infrastructure Design and Coordination Plan and subsequent transaction. Instead, the Feasibility Study will provide longer-term scenarios, likely 25-30 years for the Preferred Development Option.

SECTION NO. 5

OPTION ONE – PREMIUM DEVELOPMENT

DEVELOPMENT FEATURES

This development option entails a level of complexity and investment that goes beyond that envisioned in Option Two – Standard Development. The intention would be to redevelop and commercialize both the Site Area and Context Area, as previously defined. The development in the Site Area would involve greater density and scale to accommodate a larger number of commercial possibilities and residential options. The consequence of this decision is the increased investment required to finance the demolition and construction associated with the wharf side facilities, along with the extension of the wharf itself through extended land reclamation to support a private marina visible from the Palacio Do Governo.

In order for Option One – Premium Development to be commercially viable and bankable, revenues need to be high enough to account for debt servicing and investment returns for equity shareholders. Generating commercial interest may require the additional bundling and development of property owned or controlled by the GOTL through APORTIL along Avenida Portugal within the identified Context Area. This may be necessary to maximize commercial potential for a private developer and their sub-tenants. This includes, but is not limited to, the following properties as identified and described in the *Site Development Brief*:

1. Brazil-Timor Cultural Center
2. Casa Europa
3. Coffee Corner Site
4. Squatter Housing Area
5. Three Government Properties

The intention is for the private developer or consortium to redevelop each of these locations for various commercial, retail, and residential facilities and generate investment additionality throughout the entire commercial zone. With ongoing investment by various parties, it is expected that a previously underutilized location in a prime part of the city could become the most popular commercial, recreational, and cultural space in Dili for both residents and tourists alike. However, it is critical that the site be developed in a sustainable manner, with the elements of conservation, low emissions, energy efficiency, 'smart cities', and cultural sensitivity featured in the design.

In addition, another defining feature of this option is the full pedestrianization of the stretch of Avenida Portugal between the port and the 5th May Gardens. This will support the GOTL's objective of creating a modernized residential and commercial hub within downtown Dili that reflects principles of environmental sustainability, social inclusion, and cultural identity. Maximizing the immediate proximity of the gardens in this fashion will ease congestion and promote foot travel while simultaneously creating a crown jewel attraction for Dili that holds international tourism appeal and will promote civic pride.

The Project Team has carefully appraised the allocation of land to different Grades, as previously defined. For Option One, greater emphasis was placed on Grade A and Grade B due to the greater development density and scale. However, Grade C encompasses land allocated for facilities that benefit a wider range of Dili residents, including supermarkets, artisanal stores, and clinics. For this reason, both development options will feature Grade C property commensurate with the vision of the redevelopment as beneficial for residents of

Dili and tourists alike. This will ensure that neither options will prioritize Grade A and Grade B property to the exclusion of Grade C and diminishment of shared enjoyment from society at large.

In line with the best practices and principles of waterfront developments as categorized in this report, the Project Team has described in detail the envisioned development features of Option One – Premium Development in *Table 11*.

Table 11: Description of Option One – Premium Development Features

Development Feature	Proposed Implementation Approach
Land Reclamation	This option would require more extensive reclamation of land than for Option Two. The eastern container port area would need to be expanded by a similar distance as that for the main port area (including the necessary 10m addition), in order to allow for a sufficient width of site to accommodate significant development. **This would provide a total port Site Area of 11.5 hectares (115,365m^2)**.
Land Uses and Arrangement	Whilst mixed land uses would predominate, this could be **arranged into 'character' zoning for specific areas.** For example, given the larger development scale of this option, these could be arranged according to the following areas: 'Maritime' (cruise terminal, yacht marina, *phinisi* and other private boat mooring area, and tourism wharf); 'Commercial' (retail, '*Mercado Modelo*' area, office floorspace and workspaces); 'Entertainment' (restaurants, bars/cafes and leisure/sports, arts, cultural, theatre and cinema); 'Residential' (apartments); and, 'Tourism' (hotels, arts and cultural). This option would allow scope for land uses with larger floorspace footprints, for example a supermarket, larger cinema, theatre and museum, than would be the case for Option 2 - Standard Development.
Pedestrian Network	A centrally aligned and broad pedestrian avenue (10m-20m wide) should run through the port site and connect with Palacio Beach waterfront promenade (in the east) and the November 12th Gardens (in the West). The latter connection to the West would need to be via a broad and gently sloping pedestrian flyover (allowing for good mobility for all). This bridge connection should be designed as a distinctive architectural feature and entrance point for the site. The gentle gradient would include a direct connection with the passenger ferry terminal building, probably at second floor level, before then dropping down to the November 12th Gardens. **There would be priority for pedestrian movement throughout the proposed development scheme**, but also allowing for servicing and emergency vehicle access. Pedestrian routes have been set out to include a hierarchy of primary, secondary and tertiary links, with the size of open spaces commensurate with the importance of the intersecting routes.
Cruise Terminal and Maritime Facilities	The waterfront/maritime area will include a cruise terminal, *phinisi* and large yacht/boat berthing facilities, marina/small yacht club, and also tour boat mooring/departure zone, all of which should be sited progressively along the sea frontage from West to East. The cruise terminal (allowing for two medium-sized cruise ship berths) would take up the main port wharf edge, with a dedicated area for passenger processing/immigration, customs, parking and loading facilities. This would take up most of the existing JICA financed extension (as set on pillars), which could accommodate one or two-story buildings for passenger facilities and processing requirements, as well as the necessary circulation and working space. An additional ten-meter extension would be needed seawards, and this would enable sufficient water depths for medium-size cruise ships. This terminal area will need to be a secured zone. A yacht marina facility (for 30 boats of up to 20m in length), with a small yacht

Development Feature	Proposed Implementation Approach
	club facility, is shown at the eastern end of the port site close to the Palacio Beach waterfront promenade. The marina's floating pontoons could extend in front of Palacio Beach. There may need to be some associated boat/ship chandlers (supplies and equipment) as part of the marina, as well as provision (at least in one option) for some hard-standing area for dry boat storage/crane for small boat repairs. There are currently limited facilities for private vessels to refuel, restock supplies, and carry out any required maintenance in Timor-Leste. **Investing in a dedicated marina development initiative, as part of the redevelopment scheme, offers the potential for creating linkages with nearby yachting destinations in the Indonesian islands of East Nusa Tenggara (such as Flores, Komodo and Alor), as well as the northern Australian city of Darwin.** This could attract private and commercial vessels and bolster potential revenue sources for the port development.
Development Height, Built Form, and Landscape	This option would include a mix of perimeter block development of perhaps 4 to 6 stories plus larger development blocks of up to ten stories in height, but mostly between five to nine floors, with key or landmark buildings intentionally built higher. **Buildings would be broadly arranged in a grid-iron layout that would allow for good intra-site pedestrian connectivity**. Density and building height would be greater along the Avenida Portugal frontage of the main port area, for example, where it would face May 5th Gardens. Lower building heights would move seawards (to maximize building views throughout), and also eastwards from this area. The eastern end of the site should have buildings of lower height (no more than four or five stories) in order to avoid oversight into the Portuguese embassy, or to visually dominate the former Governor's Palace/government complex. Building form is to take advantage of corner-turning sites, key open spaces, especially at major pedestrian route intersections. Spatial treatment is predominantly hard landscape, with key open spaces defined by sculptures, fountains or other visual markers. Tree planting is grouped for shade, emphasizing key routes, or in a grid-iron layout as key sheltered spaces.
Integration of May 5th Gardens	May 5th Gardens would be redesigned as one park (in contrast to three separate gardens, as currently exists) and would be expanded north (across Avenida Portugal) to provide a landscaped link and main entrance into the port site. The gardens would need to be reworked throughout but with the mature trees in the West retained. **Avenida Portugal traffic would be redirected around May 5th Gardens to join with Avenida Alm. America Tomas. This realignment might take up some of the existing squatter housing area in order to achieve a safely designed curve.**
Public Transport Facilities	**Taxi, ride-share, bicycle share, and *microlet* pick-up and drop off areas would be adjoining or close to site (as well as within the passenger ferry terminal site),** with a proposed electric bus rapid transit (BRT) stop on the Avenida Portugal next to the passenger ferry terminal entrance. The BRT route would run along a priority lane, following Avenida Alm America Tomas from central Dili, before diverting to the port site stop and then continuing eastwards to the Palacio Beach area.[30] The proposed Brazil-Timor Cultural site along Avenida Alm. America Tomas could also be used as a public transport terminus until such time as site development there is to proceed.
Limited Vehicular Access and Parking	There would be **limited private vehicle access into parts of the site**. Around the port Site Area there would be limited on-street parking or off-

[30] The Project for Study on Dili Urban Master Plan in the Democratic Republic of Timor-Leste. Prepared for the Ministry of Planning and Strategic Investment (GOTL) by JICA. Final Report: Part I, The Master Plan (October 2016) (Figure 9.3.12).

Development Feature	Proposed Implementation Approach
	street parking in adjoining sites along Avenida Portugal and Avenida Alm. America Tomas.
Storm Surge Protection and Resiliency	All of the site's **water frontage should be raised by one meter to protect against storm surge/site flooding.** The JICA financed extension has already planned for this, but the eastern port area has not, in which case this protection should be part of a promenade walkway, or other combined use.

Building on this deconstruction of the conceptual parameters, development features, and intended scale, the digital renderings and illustrations of Option One can now be presented to assist in the visualization of the site development plan.

VISUALIZING THE DEVELOPMENT OPTION

Presented below are digital renderings and designs for the proposed development of Option One. Production of these graphical aids was dependent on strategic guidance and planning provided by members of the Project Team that visited the port site, as well as representatives of key stakeholders, particularly APORTIL.

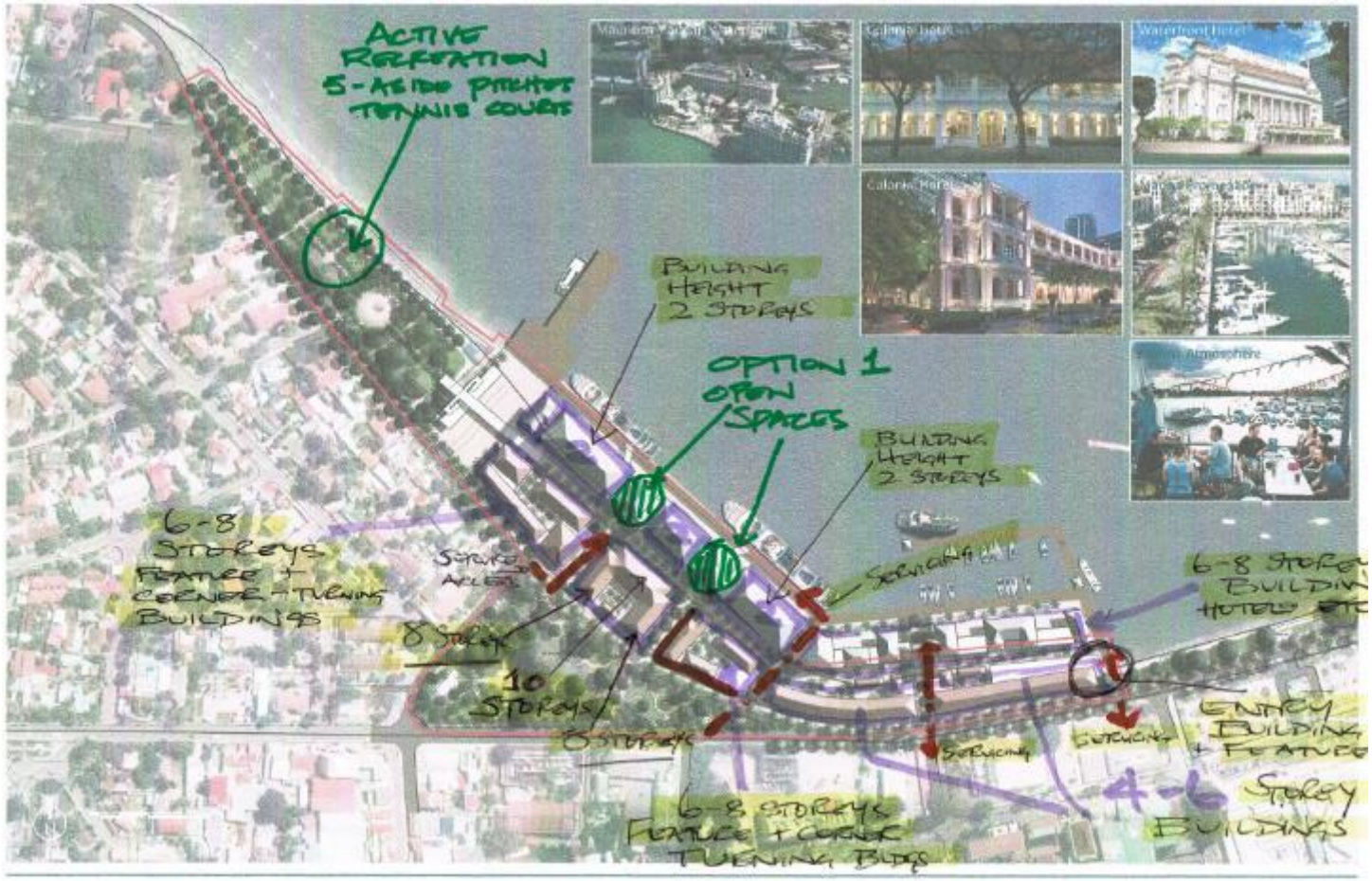
As the first stage of the development visualization process, the Project Team prepared an Illustrative Master Plan that provides a detailed graphical presentation of what the layout of the port might look like within the parameters of Option One. The focus of this graphic is to provide a macro-level or 'birds eye' view of the proposed development in order to fully conceptualize all potential project components. In this regard, *Figure 7* presents the Illustrative Master Plan for Option One. Notable features of the development include:

- Extended wharf facilities;
- Fully pedestrianized May 5th Gardens;
- Greater building density; and,
- Inclusion of Context Area facilities.

Figure 7: Illustrative Master Plan - Option One Premium Development

The Illustrative Master Plan is the result of multiple rounds of review and revision, through which consensus was built on key decision points by the Project Team and representatives from APORTIL. Some of these revisions are exhibited in *Figure 8,* which relate to improving and expanding pedestrian open space, revising architectural priorities and layout, and nominating building height.

Figure 8: Revised Illustrative Master Plan – Option One Premium Development

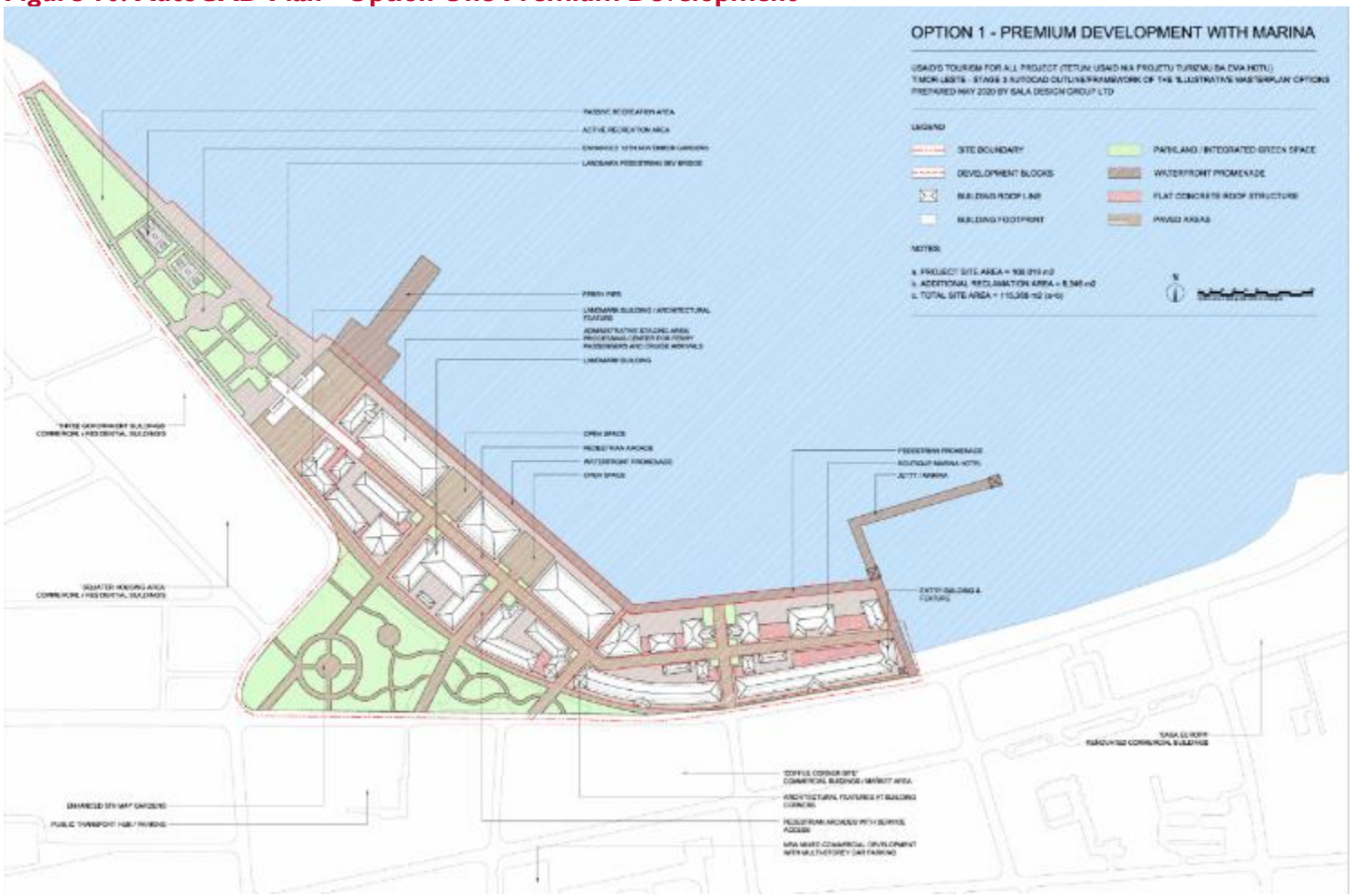


Subsequently, a revised version of the Illustrative Master Plan was generated to include interpretive guidance for readers in the form of an image overlay that identifies specific features of the Site and Context Area, as presented in *Figure 9*.

Figure 9: Illustrative Master Plan - Option One Key Features

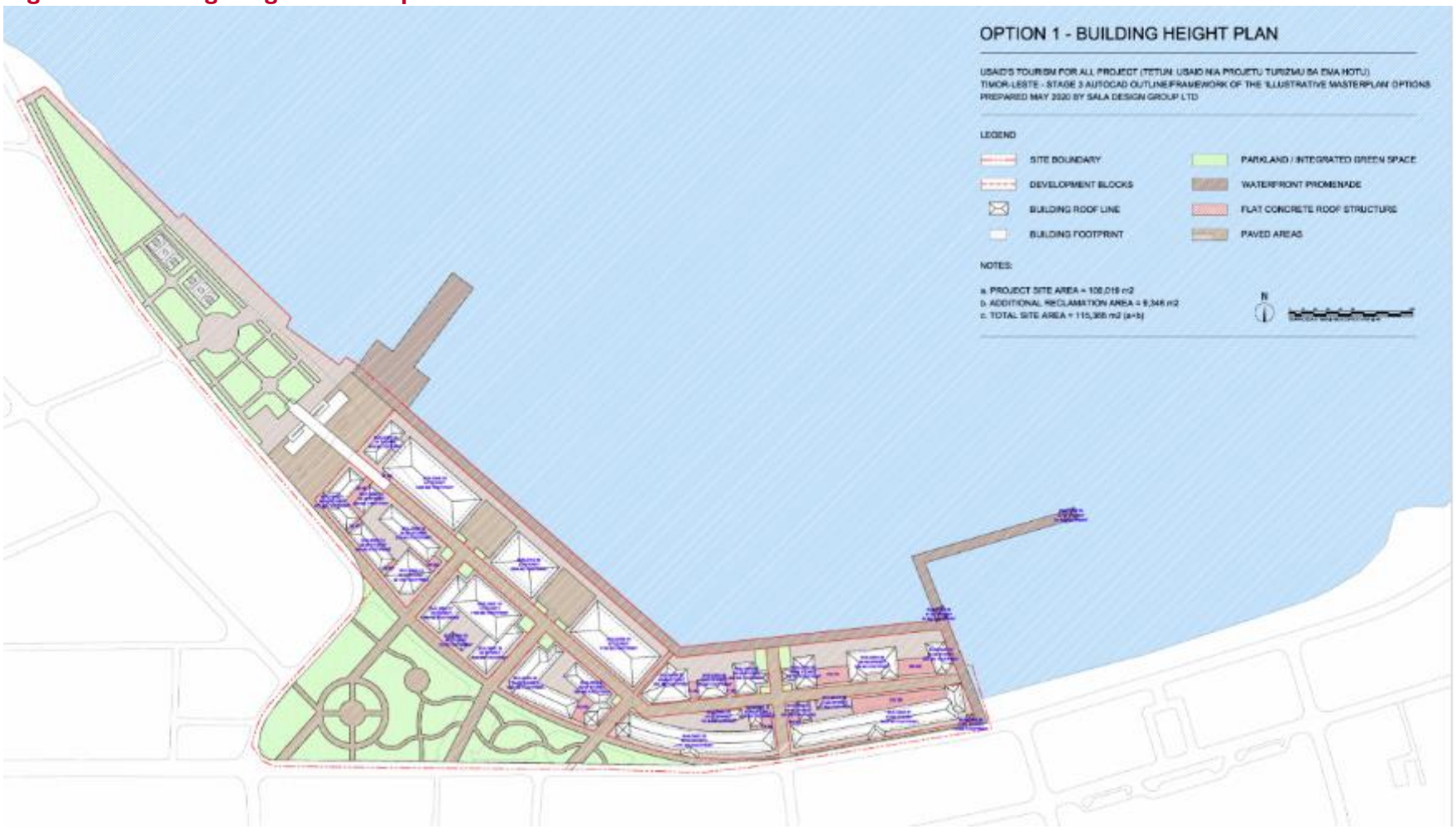
After finalizing the Illustrative Master Plan an AutoCAD Plan was developed in order to generate accurate and reliable data to inform the investment and construction cost estimating. This is presented in *Figure 10*.

Figure 10: AutoCAD Plan - Option One Premium Development



From this AutoCAD Plan it was possible to define building height in order to enable footprint calculations. This is presented in *Figure 11*.

Figure 11: Building Height Plan - Option One Premium



As the final stage of the digital imagery development, the Project Team prepared Perspective Renderings from two vantage points – Ground and Aerial. The preliminary block versions of both vantage points are presented in *Figure 12* and *Figure 13*.

Figure 12: Aerial Perspective - Option One Premium Development

Figure 13: Ground Perspective - Option One Premium Development

COST AND INVESTMENT ESTIMATES

OBJECTIVES OF PRELIMINARY INVESTMENT AND FINANCIAL ANALYSIS

The objective of this preliminary financial analysis is to prepare initial estimates of cost and investment to guide the GOTL and USAID with regard to the expected development impact of the port redevelopment. This is not a financial Feasibility Study and the results of this preliminary assessment must be rigorously analyzed and validated in subsequent stages of project development on the basis of further due diligence and financial modeling.

Armed with these preliminary cost and investment estimates the GOTL is better prepared to understand the likely fiscal ramifications and economic outcomes of commercializing Dili Port. This information must then be utilized to evaluate potentially viable project and site development models, namely various PPP implementation approaches referred to previously These estimates will then serve as the foundation for a more detailed and accurate financial and economic analysis undertaken during the Feasibility Study stage.

COMPONENTS AND ASSUMPTIONS

1. Preliminary Investment and Financial Parameters

Considering the various characteristics and differentiating factors for Option One – Premium Development, the Project Team has developed cost estimates for the proposed site development, as presented in *Table 12*.

Table 12: Cost Estimates Per Land Category

Land Category	Meters Square	Cost Estimate
Grade A	9,732	$12,651,600
Grade B	28,106	$28,105,700
Grade C	33,770	$27,015,680
Outdoor	2,608	$260,800
Reclamation	9,246	$1,618,050
Park Land	46,434	$1,393,020
Total		**$71,044,850**

Based on the above cost and investment estimate, the projected break-even points are presented in *Table 13*.

Table 13: Project Breakeven

Category	Estimate
Gross Margin on Sales	50%
Annual Long-term Yield on Rental	15%
Breakeven Point	Q1, 2028
Estimated IRR	20%

As interpretative guidance for readers, a definition of each line item presented in *Table 13* is presented below:

Gross Margin on Sales

- The price at which a development (such as a residential unit) is sold, divided by the total cost of construction, and expressed as a percentage. For example, if a unit costs US$250,000 to build and is sold at US$400,000, the Gross Margin is: (400,000-250,000) ÷ 250,000 = 150,000 ÷ 250,000 = 60%.

Annual Long-term Yield on Rental

- The annual rent is expressed as a percentage of the build cost. For example, if a unit costs US$250,000 to build and is rented out for $50,000 per annum, the yield is 50,000 ÷ 250,000 = 20%. The long-term yield takes account of inflation and other financial metrics.

Breakeven Point

- The minimum revenue required to ensure that the project pays for itself over the total lifespan. In this regard, 'breakeven' is defined at the point where a developer neither generates a profit nor a loss.

Estimated IRR

- The IRR is the profit annualised over the lifetime of the project, accounting for various financial metrics such as inflation and the cost of debt and equity, among other matters. The IRR is largely determinative of commercial viability for private developers.

SECTION NO. 6

OPTION TWO – STANDARD DEVELOPMENT

DEVELOPMENT FEATURES

This development option reflects less emphasis on maximizing available development space to instead focus on an investment with commercial and design ambition, and therefore less costs. While the intention in this option would still be to develop and commercialize the Site Area, the only component of the Context Area that would be included within the proposed model is the Brazil-Timor Cultural Center. This reduction in scale by excluding four other locations that formed part of Option One – Premium Development is an important point of differentiation due to the ramifications that this will have for the range of commercial and residential options available.

This difference in scale is further impacted by the exclusion of land reclamation to extend the existing wharf and further expand the proposed marina. While the intention would still be to encourage private and commercial berthing traffic, there would be less onshore facilities to cater to guests and visitors. Relatedly, the semi-pedestrianization of Avenida Portugal between the port and the 5th May Gardens would have traffic calming measures, but vehicles could maintain access. While this is not full pedestrianization of the adjacent parkland space as in Option One, there remains extensive public open space within the site and the overall extent of green space has not been reduced. Finally, the reduction of building density and scale will further limit the necessary investment and potentially increase the commercial viability of the development for investors and financiers.

Even with reduced marina space and commercial venues, the semi-pedestrianization of Avenida Portugal, and limited building density, Option Two has significant potential as a commercial redevelopment with a strong economic impact profile. In this model, the focus of the developer is solely on the preparation of the Site Area with an accelerated implementation schedule compared to Option One. The revitalization of the waterfront site in this option will still significantly stimulate the local economy, creating jobs, generating commerce, and facilitating tourism. While the initial project developer may not make immediate investments in government-owned facilities within the Context Area, the redevelopment of the port site will stimulate additionality as the surrounding waterfront promenade area organically commercializes over time.

The Project Team has carefully appraised the allocation of land to different Grades, as previously defined. For Option Two, greater emphasis was placed on Grade B and Grade C due to the reduced development density and scale. However, while Grade C encompasses land allocated for facilities that benefit a wider range of Dili residents, including supermarkets and clinics, there is also a strong commercial impetus that requires the integration of Grade A and Grade B property. This is important to ensuring sufficient investor interest due to the high yield of hotels, serviced apartments, and similar residential spaces. Having this holistic perspective will ensure that the port redevelopment generates societal benefits through communal space, while also drawing investor interest due to the tourism benefits presented by modern attractions and facilities in this pristine location.

In line with the best practices and principles of waterfront developments as categorized in this report, the Project Team has described in detail the envisioned development features of Option Two in *Table 14*.

Table 14: Description of Option Two – Standard Development Features

Development Feature	Proposed Implementation Approach
Reduced Need for Land Reclamation	This option would require **less land reclamation than for Option 1**. A ten-meter extension of the main port area would still be needed (as is required for Option 1) for the Cruise Ship Terminal. In addition, a small amount of reclamation would be needed where the eastern container port area narrows close to the main port area.
Land Uses and Arrangement	There would be **more emphasis on a mix of uses within individual building blocks, rather than a 'character' zoning of uses and activities in Option 1**. For example, this could comprise retail/specialist shops at ground floor, apartments (for sale or lease) above, and also with offices and workspace units in upper levels. **Entertainment (bars, cafes and restaurants) would also take up ground floor floorspace.** There could also be a small theatre and cinema. Hotel accommodation (three to five-star) could be in dedicated buildings or on upper floors with ground floor entrances. There would also be space for arts, cultural, art gallery, museum, tourism information, events and perhaps indoor sports facilities, and these could occupy one or two-story buildings along the main wharf frontage, or indeed occupy open spaces.
Pedestrian Network	**A centrally aligned and broad pedestrian avenue (10m-20m wide) would run through the port site and connect with Palacio Beach waterfront promenade (in the east) and the November 12th Gardens (in the West).** The latter connection in the West would need to be via a broad and gradually sloping pedestrian flyover (allowing for good mobility for all). This bridge connection should be a distinctive architectural feature and entrance point for the site. The gentle gradient would include direct connections with the passenger ferry terminal building, probably at second floor level, before then dropping down to the November 12th Gardens. **There would be priority for pedestrian movement throughout the proposed development scheme, but with servicing and emergency vehicle access**. Pedestrian routes have been set out to include a hierarchy of primary, secondary and tertiary links, with the size of open spaces commensurate with the importance of the intersecting routes.
Cruise Terminal and Maritime Facilities	This option would have a **reduced amount of maritime facilities**, with a cruise ship terminal with two berths (as in Option 1) **and a smaller yacht marina facility at the eastern end of the port site.** There would also be some wharf side berthing space in between for *phinisi* and larger yacht/boat berthing facilities, as well as a tour boat mooring and departure area, all of which are to be sited progressively along the sea frontage from West to East. **The cruise terminal (allowing for two berths) would take up the main port wharf edge, with a dedicated area for passenger processing/immigration, customs, parking and loading facilities.** This would occupy the existing Japanese-financed extension (as set on pillars), which could accommodate one or two-story buildings for passenger facilities and processing requirements, as well as the necessary circulation and working space. An additional 10-metre extension would be needed seawards, which would enable sufficient water depths for medium-size cruise ships. This terminal area will need to be a secured zone.
Development Height, Built Form and Landscape	This Standard Development Option would have a **smaller scale of buildings, with perimeter block-style development of 4 to 6 stories in height throughout the site.** Building height varies according to key facilities (such as those fronting Avenida Portugal in the central part of the main port area), whether there is a need to mark key open spaces or take in seaward views. Built form would take advantage of corner-turning sites, main open spaces, especially at key route intersections. **Spatial treatment is to be predominantly hard landscape with key open spaces defined by sculptures, fountains or other visual markers.** Tree planting grouped for shade, emphasizing key routes, or in a grid-iron layout in key spaces will form an essential part of the site landscape.

Development Feature	Proposed Implementation Approach
Integration of May 5th Gardens	May 5th Gardens would be kept as one park (in contrast to three separate gardens, as currently exists) and would have **a semi-pedestrianized link (across Avenida Portugal) to the main entrance of the port site**. Vehicular traffic would still be able to use Avenida Portugal, albeit with traffic calming measures (rumble strip, raised pedestrian crossings, pinch points etc.). The gardens would have to be redesigned, but with the mature trees in the West to be retained.
Public Transport Facilities	Taxi, ride-share, and *microlet* pick-up and drop off areas would be adjoining or close to site (as well as within the passenger ferry terminal site), **with a proposed BRT stop on the Avenida Portugal next to the passenger ferry entrance.**
Limited Vehicular Access and Parking	There would be **limited private vehicle access into parts of the site**. Around the port Site Area there would be some on-street parking, as well as off-street parking in adjoining sites along Avenida Portugal and Avenida Alm. America Tomas.
Storm Surge Protection and Resiliency	All of the site's **water frontage needs to be raised by one meter to protect against storm surge/site flooding**. The Japanese extension has already done this, but the eastern port area has not, in which case this would be part of a broad promenade walkway, or other combined use.

Building on this deconstruction of the conceptual parameters, development features, and intended scale, the digital renderings and illustrations of Option Two can now be presented to assist in the visualization of the site development plan.

VISUALIZING THE DEVELOPMENT OPTION

Presented below are digital renderings and designs for the proposed development of Option Two – Standard Development. Production of these graphical aids was dependent on strategic guidance and planning provided by members of the Project Team that visited the port site, as well as representatives of key stakeholders, particularly APORTIL.

As the first stage of the development visualization process, the Project Team prepared an Illustrative Master Plan that provides a detailed graphical presentation of what the layout of the port might look like within the parameters of Option Two. The focus of this graphic is to provide a macro-level or 'birds eye' view of the proposed development in order to fully conceptualize all potential project components. In this regard, *Figure 14* presents the Illustrative Master Plan for Option Two. Notable features of the development include:

- Reduced wharf facilities
- Semi-pedestrianized May 5th Gardens, which allows vehicular traffic to use this road section, albeit subject to traffic calming measures
- Limited building density
- The exclusion of most Context Area facilities

Figure 14: Illustrative Master Plan - Option Two Standard Development

This Illustrative Master Plan is the result of multiple rounds of review and revision, through which consensus was built on key decision-points by the Project Team and representatives from APORTIL. Some of these revisions are exhibited in *Figure 15,* which relate to improving pedestrian open space, revising architectural layout, and nominating building height.

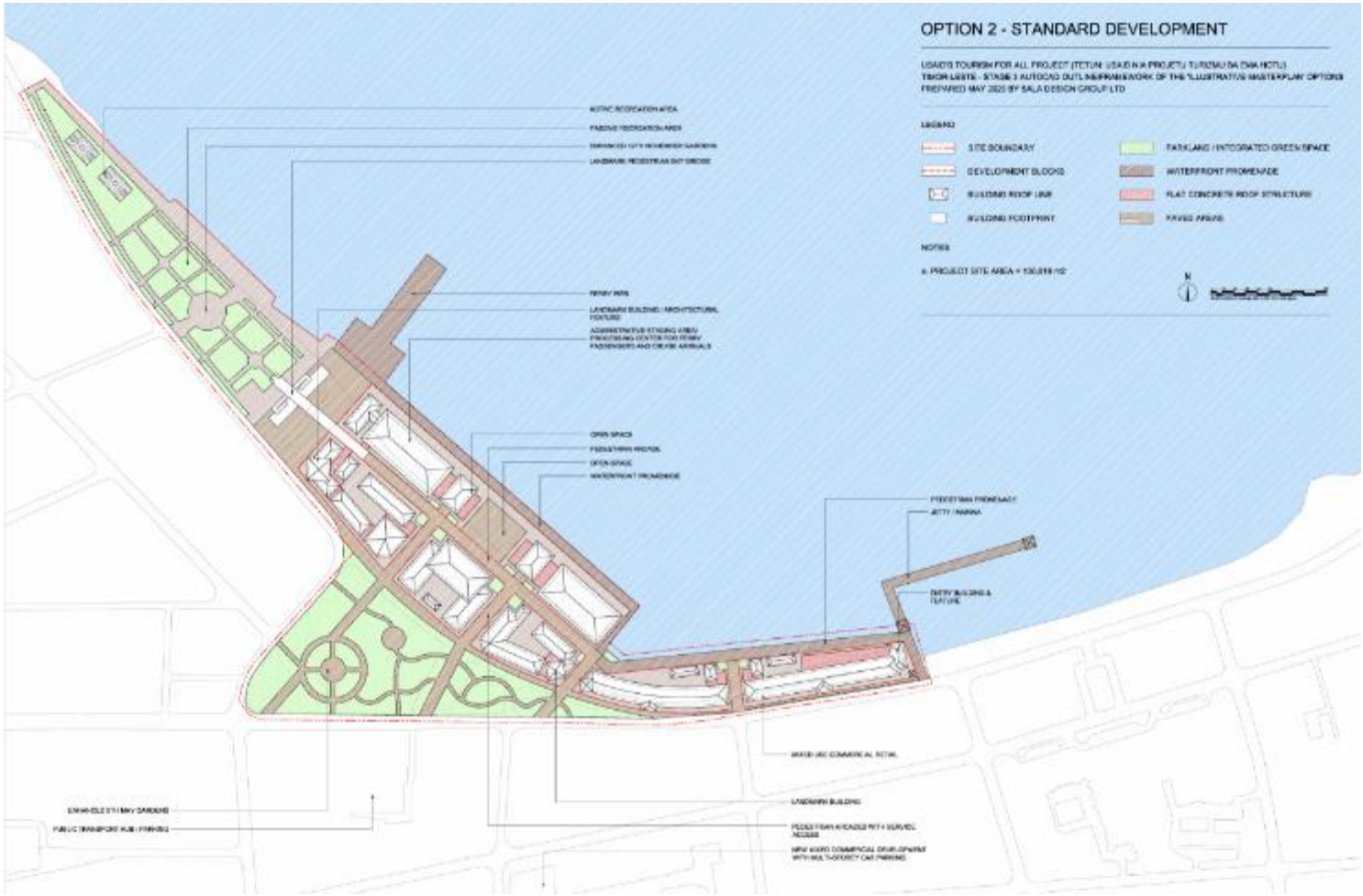
Figure 15: Revised Illustrative Master Plan – Option Two Standard

Subsequently, a revised version of the Illustrative Master Plan was generated to include interpretive guidance for readers in the form of an image overlay that identifies specific features of the Site and Context Area, as presented in *Figure 16*.

Figure 16: Illustrative Master Plan - Option Two Key Features

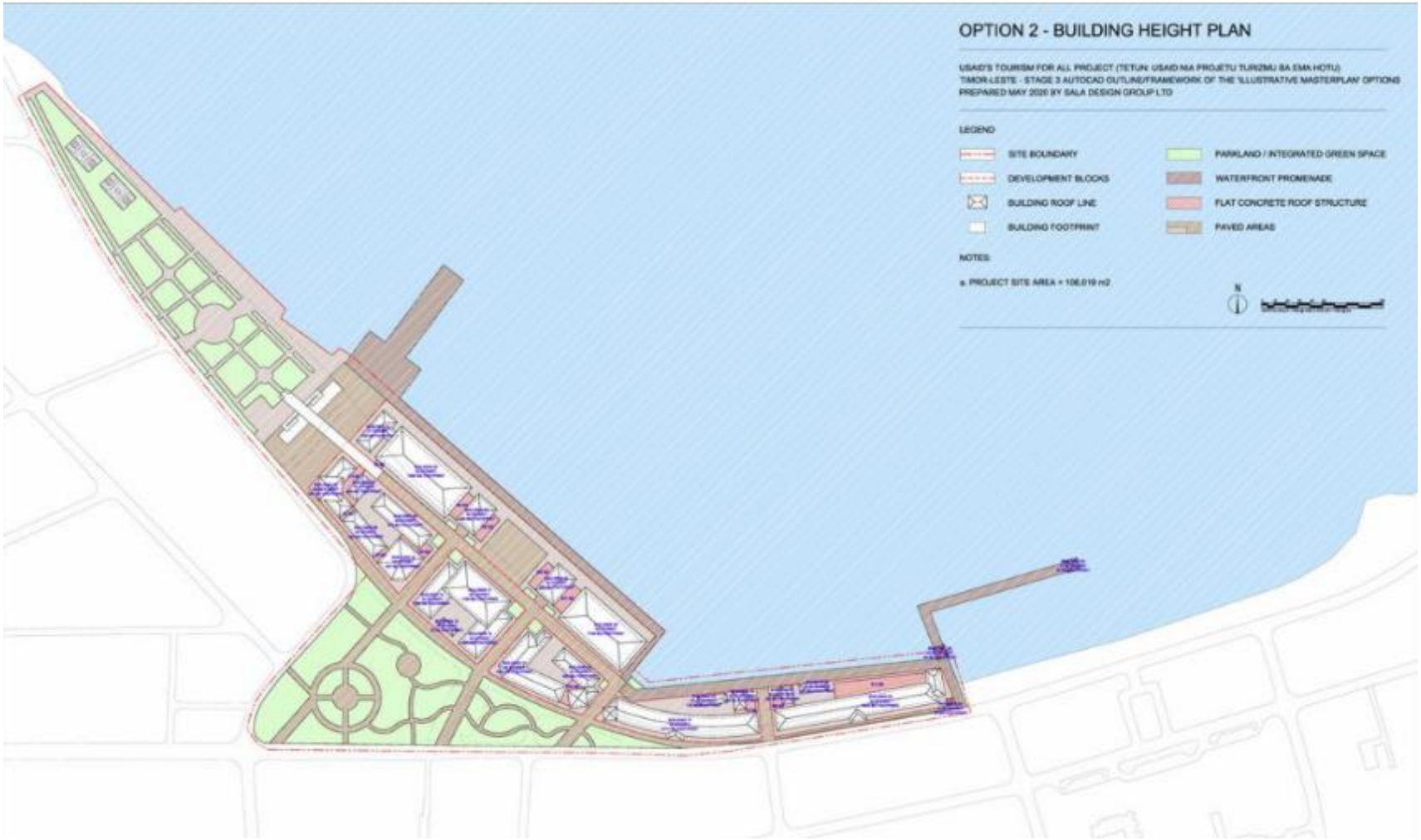
After finalizing the Illustrative Master Plan an AutoCAD Plan was developed in order to generate accurate and reliable data to inform the investment and construction cost estimating. This is presented in *Figure 17*.

Figure 17: AutoCAD Plan - Option Two Standard Development



From this AutoCAD Plan it was also possible to specifically define building height in order to enable footprint calculations. This is presented in *Figure 18*.

Figure 18: Building Height Plan - Option Two Standard Development



As the final stage of the digital imagery development, the Project Team prepared Perspective Renderings from two vantage points – Ground and Aerial. The preliminary block versions of both vantage points are presented in *Figure 19* and *Figure 20*.

Figure 199: Aerial Perspective - Option Two Standard Development

Figure 2020: Ground Perspective - Option Two Standard Development

COST AND INVESTMENT ESTIMATES

OBJECTIVES OF PRELIMINARY INVESTMENT AND FINANCIAL ANALYSIS

The objective of this preliminary financial analysis is to prepare initial estimates of cost and investment to guide the GOTL and USAID with regard to the expected development impact of the port redevelopment. This is not a Feasibility Study and the results of this preliminary assessment must be rigorously analyzed and validated in subsequent stages of project development on the basis of further due diligence and modeling.

Armed with these preliminary cost and investment estimates the GOTL is better prepared to understand the likely fiscal ramifications and economic outcomes of commercializing Dili Port. This information must then be utilized to evaluate potentially viable site development models, namely various PPP implementation approaches. These estimates will then serve as the foundation for a more detailed and accurate financial and economic analysis undertaken during the Feasibility Study.

COMPONENTS AND ASSUMPTIONS

1. Preliminary Investment and Financial Parameters

Considering the various characteristics and differentiating factors for Option Two – Standard Development, the Project Team has developed cost estimates for the proposed site development, as presented in *Table 15*.

Table 15: Cost Estimates Per Land Category

Land Category	Meters Square	Cost Estimate
Grade A	3,713	$4,826,640
Grade B	26,157	$26,156,900
Grade C	17,540	$14,032,000
Outdoor	2,353	$235,300
Reclamation	0	$0
Park Land	22,813	$684,390
Total		**$45,250,840**

Based on the above cost and investment estimate, the projected break-even points are presented in *Table 16*.

Table 16: Project Breakeven

Category	Estimate
Gross Margin on Sales	55%
Annual Long-term Yield on Rental	18%
Breakeven Point	Q2, 2030
Estimated IRR	11%

As interpretative guidance for readers, a definition of each line item presented in *Table 16* is presented below:

Gross Margin on Sales

- The price at which a development (such as a residential unit) is sold, divided by the total cost of construction, and expressed as a percentage. For example, if a unit costs US$250,000 to build and is sold at US$400,000, the Gross Margin is: (400,000-250,000) ÷ 250,000 = 150,000 ÷ 250,000 = 60%.

Annual Long-term Yield on Rental

- The annual rent is expressed as a percentage of the build cost. For example, if a unit costs US$250,000 to build and is rented out for $50,000 per annum, the yield is 50,000 ÷ 250,000 = 20%. The long-term yield takes account of inflation and other financial metrics.

Breakeven Point

- The minimum revenue required to ensure that the project pays for itself over the total lifespan. In this regard, 'breakeven' is defined at the point where a developer neither generates a profit nor a loss.

Estimated IRR

- The IRR is the profit annualised over the lifetime of the project, accounting for various financial metrics such as inflation and the cost of debt and equity, among other matters. The IRR is largely determinative of commercial viability for private developers.

SECTION NO. 7

CONCLUSIONS AND NEXT STEPS

PRIMARY CONCLUSIONS

This *Options Description Report* presents Option One – Premium Development and Option Two – Standard Development, describing the respective features and characteristics of each approach. This includes a breakeven analysis based on preliminary cost and investment estimates, although the purpose of this information is early-stage guidance rather than definitive decision-making instruction.

On the basis of the analysis presented in this report, the Project Team is able to make a preliminary recommendation on the Preferred Development Model to guide the GOTL in its decision-making. However, this recommendation is qualified by the early-stage nature of this assessment, which does not amount to the more detailed financial, environmental, and investment analysis required. Thus, the recommendation provided in this report is intended as guidance for the GOTL, rather than a definitive statement of which development option is more viable for the public and private sectors.

For reasons outlined in *Table 17*, the Project Team recommends Option One – Premium Development as the Preferred Development Option.

Table 17: Justification for Recommendation of Preferred Development Option

Reason	Rationale
Investment Scale and Scope	The larger the development scale and scope, the greater the investment and financing needed. This in turn requires a higher ratio of revenue generating assets on public land and green space to achieve financial viability. This creates a more attractive opportunity for investors while also providing a more attractive asset for the GOTL. A balance needs to be struck between the optimal level of commercial development for the community and visitors. There is great scope for public and private investment, as well as collaboration between the public and private sector in Option One – Premium Development.
Development Priorities	The redevelopment of Dili Port under Option One – Premium Development will address several of the GOTL's national and local strategic priorities. However, the scale of ferry and cruise facilities, land reclamation for marina development, and publicly accessible green space must be pragmatically realistic, with grounding in demand projections and market dynamics. Both options address several development priorities, incorporating transportation, urban development, and tourism. They both also must comply with environmental standards and a vision of a "Clean and Green Dili". Nonetheless, Option One – Premium Development will have greater development impact in terms of employment, economic development, and sustainable tourism.
Economic Benefits	The redevelopment of Dili Port in Option One – Premium Development will undoubtedly create substantial economic benefits. This includes job creation, investment linkages, private sector development, as well as long-term commercial and tourism activities that will improve the economy and quality of life in Dili. The project can also showcase, stimulate, and curate

	Timorese culture. It will represent a development milestone for the City of Dili as a place to live and a destination for foreign travelers.
Tourism Impact	Revitalizing the waterfront promenade around Dili Port will create an all in one landmark tourist destination, activity, and attraction. Careful planning and strategic guidance are required to ensure that a desirable and sustainable development vision is realized, but the fundamental objective of commercializing the area will have significant tourism impact regardless of the option selected. Situated as an urban hub between pristine Ataúro Island and a rehabilitated Cristo Rei Park and Monument, the new waterfront and marina site will be a must-visit site for tourists and Timorese visitors alike, and an ideal center for Timorese tourism firms and promotions. Dili as a gateway to Timor-Leste will be enhanced by an urban area that can be enjoyed by the community and visitors alike.

Although the Project Team has concluded that both development options have prima facie business viability and economic impact, Option One – Premium Development is recommended as the Preferred Development Option. In line with international best practice and following the accepted project lifecycle process, validating this recommendation requires further structural, environmental, financial, economic, and legal analysis to determine that implementation approach that presents the best value to GOTL and subsequently other stakeholders.

NEXT STEPS

Without carefully appraised, structured, procured, and managed partnerships with the private sector, the GOTL will face steep fiscal, technical, and operational obstacles to redeveloping Dili Port. These obstacles could result in failed and expensive state-led redevelopment projects that are neither creative, innovative, or consumer-oriented. A better vision is to create and manage a strategic transaction in which private enterprise develops, finances, and operates a world-class urban redevelopment, sharing risks and rewards with government. APORTIL, as the anchor agency of the overall development, is positioned to drive this effort and enhance the government's responsibility for the management of port activities as a whole.

The next steps for project development are defined in the roadmap presented in *Table 18*, with an indicative timeframe provided for the completion of each stage.

Table 18: Transaction Execution Roadmap

Stage	Description	Estimated Timeframe
Stakeholder Engagement	In order to move forward with the next stages of project development, the results of the analysis presented in this report and the *Site Development Brief* will be presented to key institutional decision-makers. Dili Port redevelopment and commercialization must be demand-driven with political support and buy-in across government, ranging from the Council of Ministers to Dili Municipality. Securing this support requires considered and open engagement with government representatives in relation to the expected impact and cost of pursuing this course of action. This strategic engagement and next phase should begin with a presentation to APORTIL, and USAID. The presentation would condense and summarize the results of the Project Team's work to-date and the recommendations for required next steps. At the conclusion of this presentation, the Project Team	1 Month

	will need confirmation of the following points in order to move forward with subsequent phases of project development: · Confirmation of agreement with the recommended Preferred Development Option. · Confirmation that the GOTL wishes to move forward with the Feasibility Study, Infrastructure Design and Coordination Plan, and (pending the results of those assessments, the Tender Development, Promotion, and Issuance. · Confirmation that the GOTL favors a PPP or similar investment model, subject to a viability determination in the Feasibility Study. · Confirmation of the intention to redevelop Dili Port along the lines outlined in this *Options Description Report* and the *Site Development Brief*. · Confirmation that a Government Working Group composed of key stakeholders has been established to ensure a whole-of-government approach to the Port redevelopment and revitalization.	
Feasibility Study	The next stage of project appraisal and structuring is a detailed investment analysis of the Preferred Development Option based on economic, financial, legal, technical (engineering and architectural), environmental, and social inputs. This will address a range of critical issues as broken down in bullet points in the Executive Summary. Importantly, **a Feasibility Study must be undertaken for the Preferred Development Option prior to moving to the transaction phase. This is not only the recommendation of the Project Team, but is required by Timorese law and international best practice as defined by international donor organizations.**[31]	6 Months
Infrastructure Design and Coordination Plan	Once the Preferred Development Option is nominated, an Infrastructure Design and Coordination Plan will be developed to define in detail the output specifications from which transaction documents and the draft contract may be prepared. This material will be instructive when engaging with potential investors to solicit feedback, comments, and criticism of the proposed Infrastructure Design and Coordination Plan. This analysis will provide the GOTL with a comprehensive breakdown of all dimensions of the proposed implementation model in order to inform judgement about the concept and the project timeline to go from "vision to reality".	6 Months

[31] For a clear statement of international best practice refer to the following resources that demonstrate the compliance of the Project Team with industry standards for successful investment transactions:

- Joint Publication of the Asian Development Bank, European Bank for Reconstruction and Development, Global Infrastructure Hub, Inter-American Development Bank, Organization for Economic Co-Operation, Public-Private Partnership Infrastructure Advisory Facility, United Nations Economic Commission for Europe, Economic and Social Commission for Asia and the Pacific, and the World Bank Group. (2017). *Public-Private Partnerships Reference Guide (Version 3.0)*. Retrieved from: https://library.pppknowledgelab.org/documents/4699/download.
- World Bank's Benchmarking Public-Private Partnerships Procurement 2017 (https://ppp.worldbank.org/public-private-partnership/sites/ppp.worldbank.org/files/documents/Benchmarking_PPPs_2017_ENpdf.pdf)
- Procuring Infrastructure Public-Private Partnerships 2018 (https://ppp.worldbank.org/public-private-partnership/sites/ppp.worldbank.org/files/documents/Procuring%20Infrastructure%20Public-Private%20Partnerships%20_2018_EN2_0.pdf

Tender Development, Promotion, and Issuance	The subsequent step in the project development process is the preparation of a transaction roadmap and procurement package. This would define procedural requirements for projects of this scale and present knowledge products for institutional actors, such as Request for Qualification (RFQ) and/or Expression of Interest (REOI), Draft Contract, Request for Proposal, and an Investor Engagement and Promotion Plan. Each of these instruments is of paramount importance for the procurement process as they form the foundation of all successful urban redevelopment public/private transactions and are expected and often required by national and international investors, lenders, and Environmental, Social, and Governance organizations.	3 Months

To demonstrate that the indicative time presented above is not completely linear as certain activities will overlap, *Table 19* graphically presents an indicative work schedule.

Table 19: Indicative Work Schedule

Next Steps	1	2	3	4	5	6	7	8	9	10	11	12
Stakeholder Engagement												
Feasibility Study												
Infrastructure Design and Coordination Plan												
Tender Development, Promotion, and Issuance												

ANNEX A – DIGITAL RENDERINGS AND DESIGNS PACKET

The various graphical aids presented in this report are viewable in more detail electronically. Two resources have been made available for readers as follows.

1. To view a consolidated PDF packet containing all final versions of the digital imagery presented in this report, reference may be had to this link:

   https://drive.google.com/drive/folders/1GhhnvFihro-F2M0jsLCX6f4V28NxXKX-?usp=sharing

2. To view each individual file in .jpeg format which has the highest resolution, reference may be had to this link:

   https://drive.google.com/drive/folders/1_zXTlkIsFC8Ak0YbVXatOujPSPihtUYT?usp=sharing

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