



PRIORITY PROJECT ACTION PLANS

USAID'S TOURISM FOR ALL PROJECT

August 15, 2019

This publication was produced for review by the United States Agency for International Development. It was prepared by Chemonics International Inc.

PRIORITY PROJECT ACTION PLANS REPORT

USAID'S TOURISM FOR ALL PROJECT

Contract No. 72042718C00001

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ACRONYMS

ADB	Asian Development Bank
APORTIL	Port Authority of Timor-Leste
CAPEX	Capital Expenditure
GOTL	Government of Timor-Leste
IFC	International Finance Corporation
KJFL	Knua Juventude Fila-Liman
MOF	Ministry of Finance
MOU	Memorandum of Understanding
MTCI	Ministry of Tourism, Commerce and Industry
NGO	Non-Governmental Organization
NPC	National Procurement Commission
OBA	Output-Based Aid
OPEX	Operating Expenditure
O&M	Operation and Maintenance
PFS	Pre-Feasibility Study
PPP	Public-Private Partnership
PPW	Pilot Project Workshop
SME	Small and Medium-Sized Enterprise
SWM	Solid Waste Management
SWOT	Strengths, Weaknesses, Opportunities, and Threats
TLTDA	Timor-Leste Tourism Development Authority
TEI	Tourism Enterprise Incubator
TIWG	Tourism Investment Working Group
UNDP	United Nations Development Programme
UNWTO	United Nations World Tourism Organisation
USAID	United States Agency for International Development
VFM	Value-for-Money
WBG	World Bank Group

EXECUTIVE SUMMARY

PROJECT BACKGROUND

The United States Agency for International Development (USAID) has contracted a Consultancy under USAID's Tourism For All Project to promote the competitiveness of Timor-Leste's tourism sector and preserve the country's rich cultural heritage and natural environment. A core component of this endeavor is to support the Government of Timor-Leste (GOTL) to facilitate private investment partnerships and foster sustainability in the tourism sector.

It is critically important to identify actionable strategies to implement the National Tourism Policy titled "*Growing Tourism to 2030: Enhancing a National Identity 2017.*" This Policy is itself aligned with the GOTL's primary development policy agenda, the "*Strategic Development Plan 2011–2030*". The Consultancy is tasked with supporting the tourism sector in a manner that is suitable in scale and scope for Timor-Leste's nascent business environment, while also upholding the core principles of environmental protection and social inclusion.

OBJECTIVE AND CONCLUSIONS OF THE REPORT

The objective of this *Priority Project Action Plans Report* is to present a set of time-phased Action Plans to develop as viable transactions. The five (5) designated projects that have been selected are the result of the Project Team's assessment and screening of the total thirty-six (36) initiatives included in the Master List. The utility of this report is to equip project sponsors (public, private, and donor) with a sound understanding of project viability to develop the Projects from concept to feasibility and, ultimately, to the bid and tender phases of implementation. This project analysis encompasses assessments of potential risks and opportunities, market interest and requirements, and stakeholder responsibilities, as well as additional data gathering and due diligence requirements.

The primary conclusion of the report is that all five (5) Priority Project are highly economically impactful and, with the support of the government, will likely attract private interest and investment, as well as donor / blended finance participation. Importantly, these initiatives are not unduly large in scope, nor will they pose undue fiscal risk to the GOTL in properly structured. On the contrary, with USAID support, these projects can demonstrate the role of the private sector in improving service delivery and promoting good governance in the economic and tourism sectors.

It is our view that all the project preparation work necessary to attract private investors/bidders can be completed in a relatively short period of time and begin demonstrating visible results in the near future. These Action Plans and subsequent project development models will serve as replicable templates for the consideration of further investment in the Tourism Sector in Timor-Leste which can serve as strategic platforms to generate employment, improve service delivery, and promote sustainable environmental management and conservation practices.

REPORT STRUCTURE

This report consists of seven (7) primary sections, which are presented as follows:

Action Plan Rationale and Objective

This Section provides a summary assessment of the importance of developing Action Plans for five (5) Priority Projects. Specific focus is devoted to deconstructing the scope of each Action Plan, underscoring the locus of each assessment, and identifying the core objectives in relation to how the results of the Action Plans are intended to influence and guide the development of viable investment partnership transactions.

Action Plan 1: Dili Port Site Redevelopment and Commercialization

This Section presents the Action Plan for *Dili Port Site Redevelopment and Commercialization*. The assessment demonstrates the project's potential for an overwhelmingly positive impact on the Timorese tourism sector through the landmark commercial development at the soon to be former Dili Port site. It was determined that extensive institutional coordination will be required for an initiative of this importance, which necessitates the formation of an Inter-Ministerial Task Force to oversee the planning and design stage.

Action Plan 2: Timor-Leste Tourism Development Authority

This Section presents the Action Plan for the *Timor-Leste Tourism Development Authority (TLTDA)*. The assessment demonstrates the growing international trend among successful tourism-led economies to establish mixed composition (public and private) tourism authorities charged with spearheading branding, development, and promotional campaigns. Identified concerns over financial sustainability necessitate the design and establishment of a Tourism Development Fund that would raise and “ring-fence” revenue from various sources to finance some or all of the Authority's critical tourism development activities.

Action Plan 3: Tourism Enterprise Incubator

This Section presents the Action Plan for the *Tourism Enterprise Incubator*. The assessment demonstrates that Timor-Leste's tourism sector would substantially benefit from a program targeting SMEs and entrepreneurs. It was concluded that forming working relationships between industry, investors, donors, and tourism “start-ups” to attract and leverage financial and business support to establish an Incubator would meet a critical gap in the current tourism enterprise “eco-system”.

Action Plan 4: “Green T” Transportation and Tourism Hub

This Section presents the Action Plan for the *“Green T” Transportation and Tourism Hub*. The assessment demonstrates that although the tourism sector would benefit from an integrated “Clean” transportation network, the current Tourism Information Center also requires significant investment to transform it to an attractive and functional commercial and logistical tourism hub. A strategic need is identified for a new approach to the operations of the Center to ensure that staff

are capable of delivering informational and promotional services to required standards and take advantage of its attractive location and seaside footprint.

Action Plan 5: Dili Plastic Waste Reduction Project (REDUCE)

This Section presents the Action Plan for the *Dili Plastic Waste Reduction Project (REDUCE)*. The assessment demonstrates the imperative need for the government, donor, and private sector to address Solid and Ocean Plastic waste management services in Timor-Leste in general and Dili in particular. It was concluded that a service contract to clean up urban/peri-urban rivers and streams that flow into the ocean addresses a serious environmental challenge that is not being managed by the GOTL, nor by any donor organizations. This partnership opportunity would be the first step to a more robust Ocean Plastic Waste Management program and would promote awareness and innovation to address this critical problem that directly affects tourism development.

Next Steps

This Section establishes a clear recommendation for the subsequent development of each Priority Project for which an Action Plan has been prepared. Succinct recommendations for each initiative are provided for implementing key Action Plan tasks. Given the organically evolving nature of USAID's Tourism For All Project, it is expected that the exact contours of each initiative will grow and adapt to on-the-ground opportunities as a result of stakeholder consultation and client priorities. Also provided is an indicative project development schedule that is intended to guide dialogue on the implementation strategy for each Priority Project and to measure progress.

POTENTIAL INVESTMENT AND EMPLOYMENT LEVERAGE

This report and those previously submitted clearly demonstrate that tourism and infrastructure investment can provide a significant boost to the local economy creating a multiplier effect on:

- Additional investment
- Access to capital
- Meaningful long-term employment
- Adoption of new technology
- Improved service delivery
- Tourism "Value Chain" development

Moreover, investment in tourism partnerships will foster the tourism value chain and eco-system, creating demand for additional services, stimulating new SME growth, and keeping Timorese revenues and profits in Timor-Leste. This will then lead to increases in property tax revenue, higher property values, increased sales tax revenue, tourism tax receipts, and reduced budgetary responsibility (and therefore costs) for Dili Municipality.

As long-term initiatives with substantial initial investment and ongoing operating investments required, one can see that the successful implementation of each Priority

Project would attract much needed finance, employment, and stimulus in the local economy and the tourism sector in particular. *Table 1* illustrates the estimated short- and long-term results of the Priority Projects in terms of investment, job creation, additional investment, and taxation/sales taxes. The *Cristo Rei Site Upgrade and Management* project has also been included, although that initiative is currently the subject of another report currently undertaken by the Project Team.

Given that most of the investment (capital, labor, expenses and revenues) would be spent and generated in Timor-Leste, the multiplier effect on the local economy would be substantial.

The parameters for these estimates are:

- **Estimated Capital Expenditure (CAPEX)** – CAPEX encompasses financial investment from the private sector, GOTL, and the donor community to operationalize the project. Most of this capital would be invested in the initial construction/establishment phase.
- **Estimated Operating Expenditure (OPEX)** – OPEX covers potential operational costs/investment required on an annual basis over the life of each partnership to ensure that they remain functional. As the time horizons of these projects is expected to vary significantly, estimated OPEX ranges from Medium Term Concessions (5-7 years such as the REDUCE Service Contract or Incubator) to longer term leases or Concessions (such as the Port Redevelopment Project) The combination of CAPEX and OPEX represent the estimated total investment required for each project.
- **Estimated Job Creation** – The estimate job creation figures include jobs that are both directly and indirectly created throughout the life of each project. The estimate includes both job creation in the “start up and operations” phase of the projects, to jobs created “downstream” in the value chain as a result of the investment and growth of the enterprise.

As demonstrated in *Tale 1*, the potential impact of these projects is clearly extremely significant, offering the potential to stimulate the Timorese tourism sector while also spreading the economic benefits across different social groups such as small business, women, and low income. With a total estimated investment outlay of US\$153 million over the life of assets, that would be a leverage ratio return of 153:1 for every US\$1.0 million of GOTL, USAID, and/or other donor funding.

It is worth noting that these estimated benefits are only based on the five (5) Priority Project and one (1) Pilot Project. If the entire TFA portfolio of thirty-six (36) projects from the Master List were successfully implemented, one could see these numbers increased dramatically, with a leverage factor of possibly 300:1, or 400:1. Similarly, the number of jobs created could foreseeably increase from 2050 to up to possibly 5,000 or even 10,000, of which most would be long-term and skilled or semi-skilled.

Table 1: Illustrated Economic Development Impact of Priority Projects

Project	Estimated CAPEX	Estimated OPEX	Estimated Job Creation (Direct and Indirect)
1. Dili Port Site Redevelopment and Commercialization	· \$75,000,000 ¹	· \$2,000,000 p/a · \$60,000,000 (over life of lease)	· 1,000-1,500
2. Timor-Leste Tourism Development Authority	· \$250,000 ²	· \$250,000 p/a · \$1,250,000(over 5 year term)	· 10-20
3. Tourism Enterprise Incubator	· \$2,000,000 ³	· \$250,000 p/a · \$1,250,000(over 5 year term)	· 300 -400
4. Green T” Transportation and Tourism Hub	· \$750,000 ⁴	· \$300,000 p/a · \$7,500,000 (over life of contract)	· 100-150
5. Dili Plastic Waste Reduction Project (REDUCE)	· \$500,000 ⁵	· \$200,000 p/a · \$2,000,000(over 10 year contract)	· 50-100s
6. Cristo Rei Management Contract	· \$500,000 ⁶	· \$250,000 p/a · \$2,500,000(over 10 year contract)	· 25-30
Total	· \$79,000,000	· \$74,000,000 (over asset and contract life)	· 2,050-3,000
Total investment	· \$153,000,000 and 3,000 jobs created · Leverage ratio of 153:1		

“CRITICAL PATH” IMPLEMENTATION SCHEDULE

Finally, a “critical path” implementation schedule has been developed by the Project Team in order to illustrate the project appraisal and business plan development activities that are realistically feasible over the next twelve (12) months.

Importantly, this schedule highlights the key activities that can be completed to demonstrate results to the GOTL, private sector and USAID who all, for different reasons, want to see opportunity become reality in tourism investment and development in Timor Leste.

¹ Estimated private sector commercial investment of CAPEX and OPEX over a 30 year lease period.

² Estimated grant funding from interested donors with OPEX covered by a combination of “ringfenced” user fees (such as through the Tourism Development Fund) and donor contributions.

³ Estimated grant funding from interested donors with USAID providing initial funding and other donors providing co-financing until financially independent.

⁴ Estimated private sector investment of CAPEX and OPEX over the 25 year Concession.

⁵ Estimated capital investment and blended finance from GOTL and interested donors in the operating 10 years of the business/contract.

⁶ Estimated private investment of CAPEX and OPEX for a 7-10 year performance management O&M contract.

This work schedule is intended to be indicative of the primary activities required for each of the five (5) Priority Projects and the Pilot Project. Each task has been color-coded to identify specific responsibilities of key stakeholders.

Figure 1: Illustrative Work Schedule

	Task Leadership - Project Team
	Task Leadership - Government of Timor-Leste
	Task Leadership - All Stakeholders
	Recommendation Evaluation and Decision to Proceed

Task No.	Priority Project	USAID Fiscal Year: October 2019 - September 2020								
		Oct '19	Nov '19	Dec '19	Jan '20	Feb '20	Mar '20	Apr '20	May '20	Jun '20
1	Cristo Rei Site Upgrade and Management									
1.1	Recommendation Evaluation and Decision to Proceed (Pre-Feasibility Study)									
1.2	Feasibility Study									
1.3	Recommendation Evaluation and Decision to Proceed (Feasibility Study)									
1.3	Transaction Task Force Established									
1.4	Transaction Strategy Adopted									
1.5	Procurement Documentation Developed									
1.6	Tender Proceedings Launched									
1.7	Preferred Bidder Selected									
1.8	Recommendation Evaluation and Decision to Proceed (Tender Transaction)									
2	Dili Port Site Redevelopment and Commercialization									
2.1	Signed Cooperation Agreement									
2.2	Formation of the Inter-Ministerial Task Force									
2.3	Site Survey, Assessment, and Data Collection									
2.4	Pre-Feasibility Study									
2.5	Inter-Ministerial Task Force Consultation									
2.6	Recommendation Evaluation and Decision to Proceed (Pre-Feasibility Study)									
2.7	Feasibility Study									
2.8	Inter-Ministerial Task Force Consultation									
2.9	Recommendation Evaluation and Decision to Proceed (Feasibility Study)									
2.10	Transaction Task Force Established									
3	Timor-Leste Tourism Development Authority (TLTDA)									
3.1	Formation of the Tourism Authority Working Committee									
3.2	Hold Public Consultations in the Tourism Investment Working Group									
3.3	Organizational Framework Design of TLTDA									
3.4	Tourism Authority Working Committee Consultations									
3.5	Recommendation Evaluation and Decision to Proceed (TLTDA Business Plan)									
3.6	Conceptual Design of the Tourism Development Fund (TDF)									
3.7	Tourism Authority Working Committee Consultations									
3.8	Recommendation Evaluation and Decision to Proceed (TDF Business Plan)									
4	Tourism Enterprise Incubator (TEI)									
4.1	Dialogue with Strategic Partners Launched									
4.2	Incubator Business Plan Developed									
4.3	Recommendation Evaluation and Decision to Proceed (TEI Business Plan)									
5	"Green T" Transportation and Tourism Hub									
5.1	Site Survey, Assessment, and Data Collection									
5.4	Feasibility Study									
5.5	Recommendation Evaluation and Decision to Proceed (Feasibility Study)									
5.6	Transaction Task Force Established									
6	Dili Plastic Waste Reduction Project									
6.1	Due Diligence and Data Collection									
6.5	Feasibility Study									
6.6	Recommendation Evaluation and Decision to Proceed (Feasibility Study)									
6.7	Transaction Task Force Established									

INTRODUCTION

This Report is the seventh 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. These previously submitted deliverables include the following:

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.

Building on each of these deliverables, the objective of this current report is to present the Action Plan for the implementation of each of the five (5) nominated Priority Projects and present clear recommendations to improve their chances to attract investors and professional sponsors.

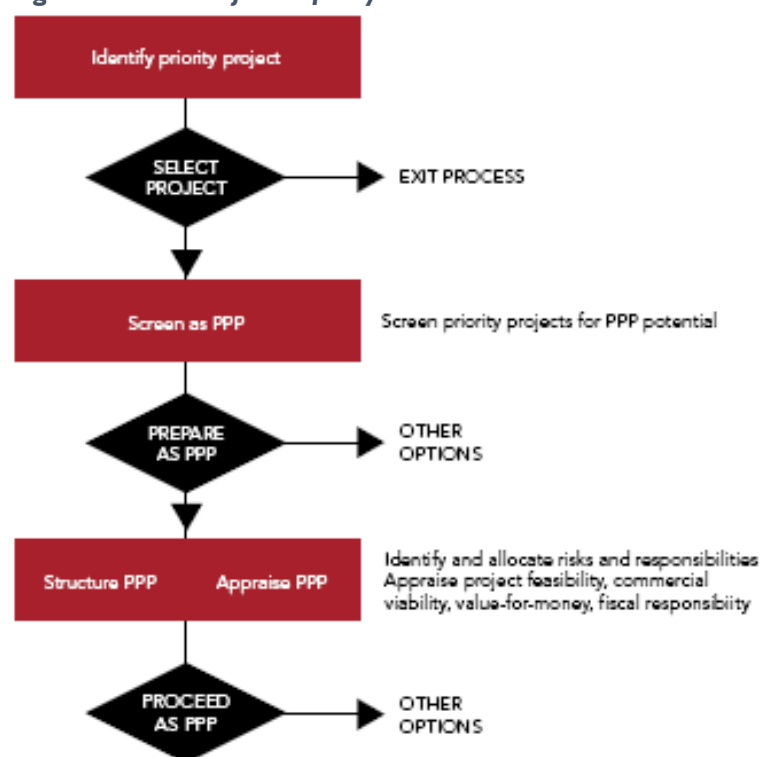
ACTION PLAN RATIONALE AND OBJECTIVE

As a tool of socio-economic governance and investment, Investment Partnerships and PPPs follow well-defined procedures through which projects are subjected to rigorous scrutiny across multiple stages of evaluation. *Figure 2* provides a useful visual illustration of the project identification, screening, and appraisal stages, as provided by the *Public-Private Partnerships Reference Guide Version 3 (2017)*⁷.

Under the auspices of USAID's Tourism For All Project, a Master List of 36 projects were identified over the course of multiple missions to Timor-Leste. Each initiative and potential partnership transaction was subsequently screened, ranked, and prioritized according to a set of criteria and analytical methodology customized to suit the local context. The results of this assessment were then critically analyzed during the Project Team's most recent mission to Timor-Leste in June 2019 at the TIWG, PPW, and meetings with key project actors.

The appraisal stage is the point at which USAID's Tourism For All Project currently stands. This means the potential partnership transaction projects that successfully cleared the preceding preliminary assessments must be subjected to more in-depth analysis culminating in a feasibility study before they are "investment ready". However, before launching feasibility studies, it is necessary to conduct analyses to support the effective and efficient allocation of human and financial resources, a particularly important issue in countries facing extensive resource limitations.

Figure 2: PPP Project Life Cycle



⁷ This seminal report is a joint publication of the Asian Development Bank, European Bank for Reconstruction and Development, Global Infrastructure Hub, Inter-American Development Bank, Islamic Development Bank, Organization for Economic Cooperation and Development, United Nations Economic Commission for Europe, United Nations Economic and Social Commission for Asia and the Pacific, and the World Bank Group.

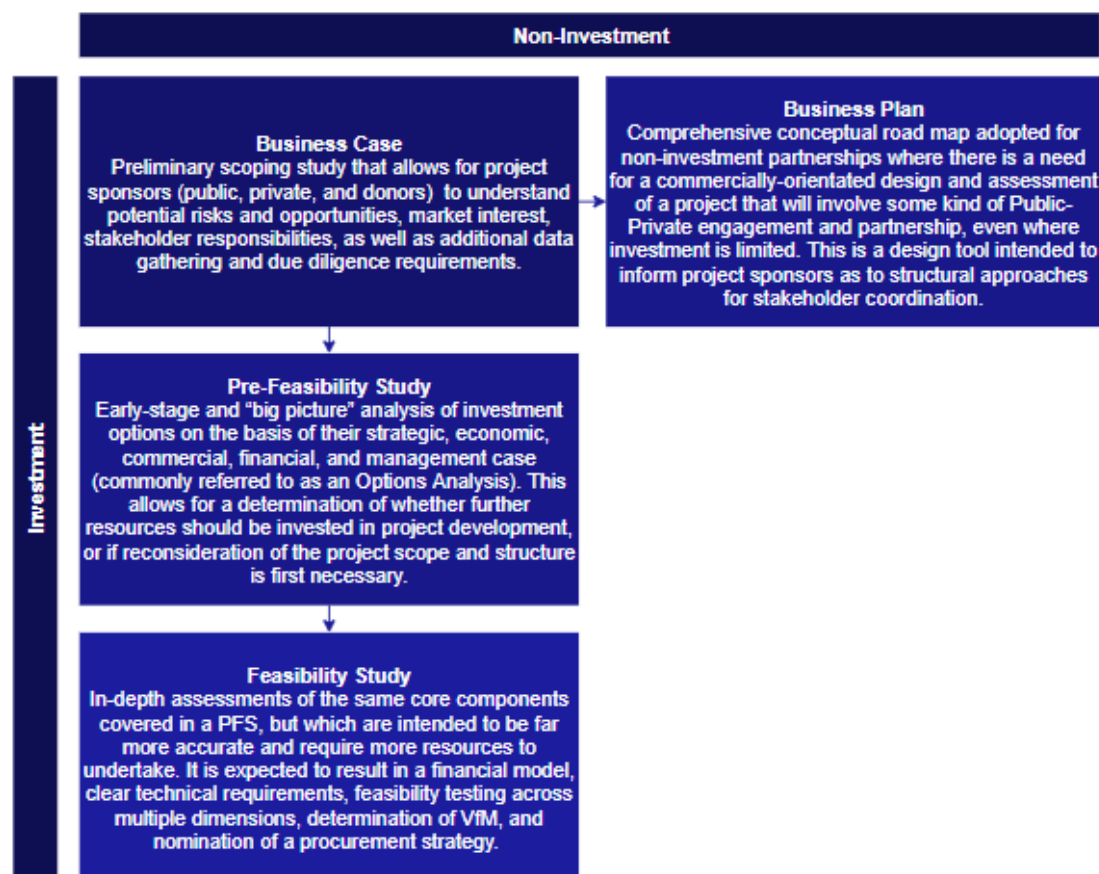
Comprehensive feasibility studies consider technical, commercial, economic, financial, fiscal, environmental, social, and legal viability. This culminates in a Value-for-Money (VfM) determination as to whether engaging the private sector (in any form) is the best value approach in each given project. Undertaking such analyses requires dedicated assessments from technical and financial specialists to ensure that the project is suitable and viable for both the public and private sector.

The danger for governments in fiscally constrained countries is that extensive resources will be expended on feasibility studies for projects that are not deemed to deliver VfM, or which are otherwise not found to be feasible for various reasons. For this reason, prudent public management of small-, medium-, and large-scale investment projects necessitates a phased approach to project design and planning.

This ensures that certain design flaws that cannot be overcome are identified early and projects abandoned before additional resources are invested in unproductive ventures. Alternatively, where projects appear to be feasible, but the VfM assessment results in a negative determination then governments may decide to move ahead under a public investment model without private involvement that uses public financial resources. Both approaches require risk management but are necessary to attract high quality investment and successful outcomes.

The appraisal phase generally consists of multiple assessment stages depending on whether the project features private investment (CAPEX and OPEX), as described in Figure 3.

Figure 3: Project Appraisal Methods: Capital Investment vs Non-Investment



This concern over the proper utilization of resources is certainly applicable to USAID's Tourism For All Project. Without technical assistance, it is unlikely that viable tourism partnership investments would occur, or worse, might be undertaken or awarded without proper financial and environmental due diligence and result in failure.

Rather than starting the appraisal stage with a business case assessment of each Priority Project, the Project Team has elected to go a step further than is customary to develop Action Plans. The distinguishing feature is that rather than consisting of an open-ended assessment, an Action Plan results in targeted recommendations that enable forward-looking refinement of the project scope to improve the likelihood of investor interest, efficiency, and implementation success.

From there, the Project Team has determined that it is necessary to undertake preliminary assessments for each of the five (5) Priority Projects before advancing to the PFS and/or Feasibility Study stage. Critically, only projects that are expected to involve significant CAPEX and OPEX investment will require the additional step of conducting a PFS, rather than proceeding directly to the Feasibility Study. Conducting a PFS for projects that entail significant complexity adheres to best practice principles by determining early if the project is viable or not, and if viable, improves the quality of the Feasibility Study and the attractiveness to potential investors, as well as improves the Governments ability to generate "value for money" in tendering due to better analytics and data to allow the private sector to bid on "outputs" not "inputs"

Developing Action Plans address both resource and time constraints by ensuring that USAID and the GOTL only support the ongoing development of initiatives that respond to an identified need, are ready for market, and will materially improve the performance of the tourism sector. Action Plans also provide confidence to both the public and private sector that investment opportunities are inclusive, transparent and key implementation issues (such as legal, environmental, social, etc.) have been identified and addressed.

Each Action Plan is broken down into five (5) components, described as follows:

A. Detailed Project Description

Component A provides a deconstruction of the project scope, scale, structure, and sector impact. Focus is on creating tightly defined conceptual boundaries to be adhered to during the development of the PFS and, dependent on a positive result, the eventual Feasibility Study and procurement strategy.

B. Market Assessment

Component B provides an analysis of the market demand to which the project is responding. Priority is given to determining how and whether it will impact the tourism sector in relation to the overall objectives of USAID's Tourism For All Project.

C. SWOT Analysis

Component C provides a multidimensional assessment of the Strengths, Weaknesses, Opportunities, and Threats (SWOT) that face each project as currently conceptualized. Emphasis is on examining each project through a

commercial lens to ensure the assessment is as pragmatically realistic and useful as possible.

D. Stakeholder Roles and Responsibilities Assessment

Component D provides an evaluation of the various roles and responsibilities of all project stakeholders, including from the public and private sector, as well as civil society as relevant. The objective is to identify concerns related to stakeholder capacity to perform required functions.

E. Proposed Development Model

Component E nominates the project evaluation, design, and structuring mechanism that is most suited to the type of partnership that is required by each of the respective Action Plans.

F. Additional Data Gathering and Due Diligence Requirements

Component F identifies additional data gathering and due diligence activities that will be necessary to progress with the Business Plan or PFS and, dependent on a positive result, the Feasibility Study.

Importantly, each Action Plan is intended to be read in isolation, which is why there is limited repetition between Priority Projects. Additionally, certain changes were made to the parameters of various Priority Projects during the Project Team's most recent mission to Timor-Leste. The explanation underpinning the conceptual evolution of these initiatives is provided in Component 3 of the *Tourism Investment Working Group Support and Pilot Project Workshop Report*.

This report concludes with a section devoted to recommending key "Next Steps" and proposing a viable schedule of milestones moving forward. Lastly, a clear list of targeted recommendations is presented that features transaction development strategies, tasks, and responsibilities necessary to attract investment in each of the priority partnership opportunities.

SECTION NO. 2

ACTION PLAN I: DILI PORT SITE REDEVELOPMENT AND COMMERCIALIZATION

A. DETAILED PROJECT DESCRIPTION

CONTEXTUALIZING THE PROJECT

The financial close of the International Finance Corporation (IFC)-sponsored Tibar Bay project in 2018 partially addressed the significant economic bottleneck that Dili Port represented as a constraint on trade, limitation on tourism, and generator of congestion throughout the city.

Centrally located in the heart of Timor-Leste's capital city along the historical waterfront area adjacent to Avenida Portugal, Dili Port is ideally situated to become a hub of commerce and tourism.

Long-term economic strategies require proactive assessment of various development options for the port facility once industrial operations at Tibar Bay are fully operational by the end of 2021. Responsible economic and financial utilization of the port facility cannot depend on last minute development planning.

In recognition of these factors, the Project Team has advocated on behalf of USAID's Tourism For All Project to the GOTL through the Port Authority of Timor-Leste (APORTIL) for advance assessment of various redevelopment and commercialization approaches. The Project Team, including Mr. Peter Semone, Chief of Party, and Mr. Macario Sanches, Partnership Lead, met with the President of APORTIL and its Resident Legal Advisor on June 12th, 2019.

At the conclusion of this meeting, it was agreed that USAID's Tourism For All Project and APORTIL would enter into a Cooperation Agreement, the objective of which is to evaluate redevelopment and commercialization strategies and options that would result in the port site becoming a landmark commercial and tourism hub in one of the prime locations in Dili.

ACTION PLAN OBJECTIVE

The objective of the Project Team through this Action Plan is to conduct a preliminary assessment of how Dili Port, depicted in *Figure 4*, could become an integrated, multi-purpose facility that maximizes the use and value of the prime waterfront location for tourists and residents alike while creating a centralized commercial entertainment and arts district.

Figure 4: Dili Port Industrial Waterfront Area



This approach serves the dual purpose of redeveloping Dili Port following the shift of industrial operations to Tibar Bay, as well as creating a central business zone for local entrepreneurs and enterprise. Combined with an inclusive commercial and social vision, the port redevelopment would integrate the cruise, ferry, yachting, and customs infrastructure into the central “Waterfront” location.

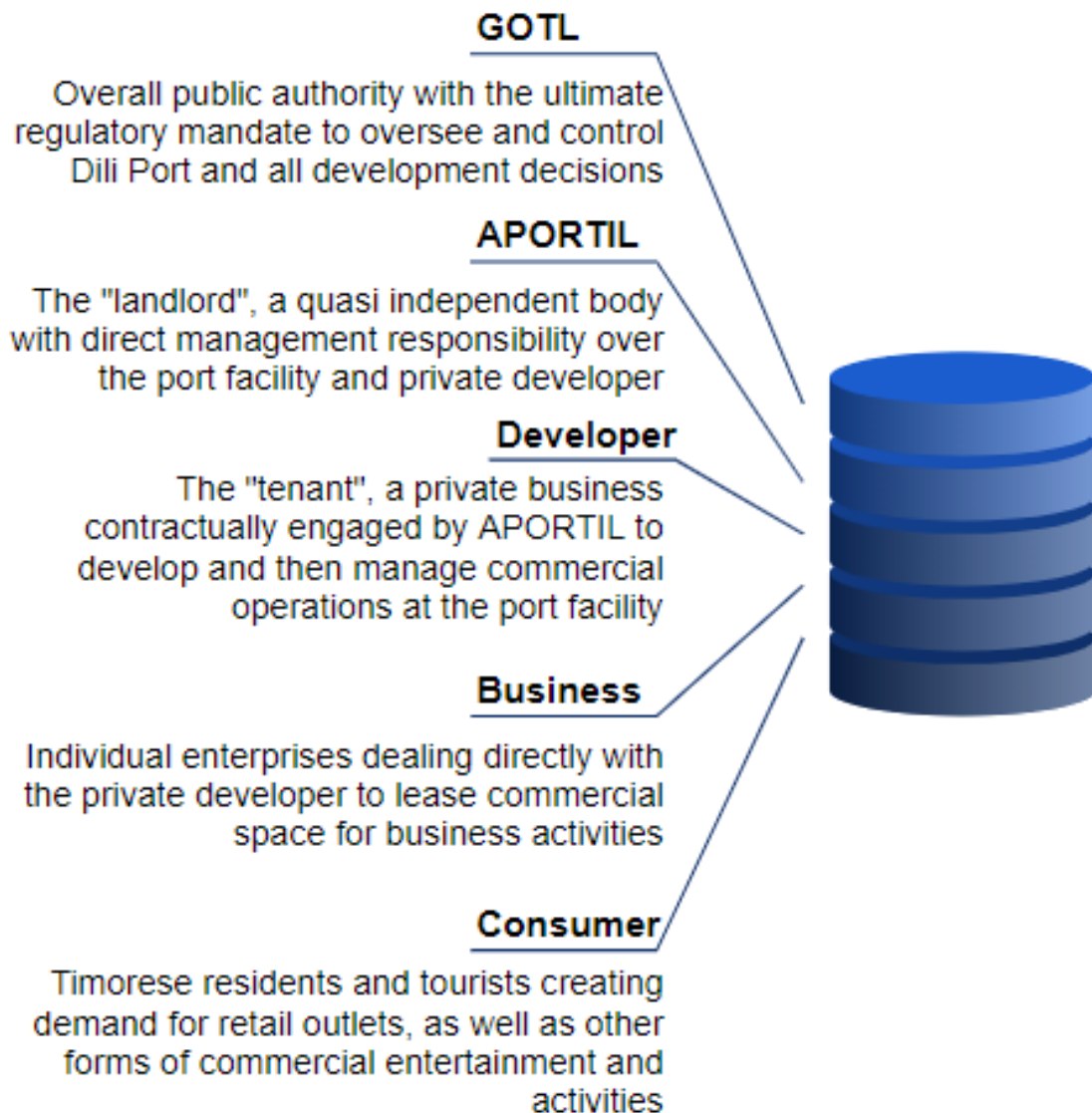
CONCEPTUAL PARAMETERS

The project vision features a landlord-tenant commercial development concept. Under this model, the site would have multiple tenants, attractions, and functions in a single space for the local community and tourists alike. This is expected to include retail activities (restaurants, bars, shops), a cultural center (museum, art gallery, music venues etc.), and office and co-working spaces, as well as other venues for commerce and business that promote Timorese products, business, and style.

In recognition of other successful similar international examples, the Project Team refers to this concept as the “Mercado Modelo”. *Figure 5* provides a visual illustration of the different layers of actors that would be involved in the envisioned project.

Under the landlord-tenant mode, a private developer would be awarded a lease or concession 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 (e.g. partners, subcontractors, tenants, local organizations, etc.) committed to establishing a presence within the Mercado Modelo district.

Figure 5: Conceptualizing Dili Port Redevelopment and Commercialization



The conceptual plan will be designed to optimize an investment-friendly transaction, create employment, stimulate business, and facilitate sustainable tourism by establishing Dili Port as the city's easily accessible "Crown Jewel" attraction.

Site revenue would be generated through commercial development and operations including rental payments from businesses leasing space in the facility, 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.

B. MARKET ASSESSMENT

After centuries of colonial rule by Portugal that was quickly followed by an extended period of occupation by Indonesia, Timor-Leste's struggle for independence has been marred by conflict, depravation, and economic depression. In spite of this turbulent history, the country and people have come a long way in a short period of time. However, there remains a long road ahead for the tourism sector to become an

appealing destination on the international stage.

In this regard, a key tourism offering that is currently lacking in Dili, as the national gateway for tourism, is a centrally located and accessible multi-purpose venue that offers a variety of attractions and activities for visitors and residents, while also stimulating development in the core of Dili.

Built in 2011 by Dili Development Lda, one of the Jape Group of Companies, Timor Plaza is the most comparable site development offering the kind of commercial appeal that is envisioned for the Mercado Modelo at Dili Port. However, there are three (3) key distinguishing features that underscore the market potential for the port commercialization vis-à-vis other existing commercial developments in Dili. These features are described in detail in *Table 2*.

Table 2: Distinguishing Features of the Dili Port Redevelopment

Distinguishing Feature	Description
Activities and Offerings	<ul style="list-style-type: none"> Timor Plaza primarily offers retail options, fast-food chains, banking services, conference spaces, and accommodation. While Dili Port would also likely offer retail options, dining venues, and business space, it would be designed to provide a more immersive and culturally authentic experience. The premise of the Mercado Modelo is to highlight the unique cultural and historical identity of the Timorese people through museums, galleries, and music venues to draw in tourists, who would then enjoy retail activities in restaurants, bars, and shops in an open-air, pedestrian-only site. As an example of the importance of this market segment, the <i>2014 Survey of Travelers to Timor-Leste</i>, sponsored by the Australian Department of Foreign Affairs and Trade and AusAid, found that 69% of the 1,666 surveyed individuals identified “History” and “Culture” as priority leisure activities. In order to promote Timor-Leste’s unique cultural heritage, commercial space may be dedicated to businesses that promote Timorese products and performances, such as coffee, Tais, music, dance, and cuisine, for example.
Location	<ul style="list-style-type: none"> Centrally located along the waterfront adjacent to the Avenida Portugal thoroughfare, the Port site offers an easily accessible area with spectacular harbor, city, and hinterland views. In many major tourism cities internationally, it is the waterfront that represents the most high-value real estate that has intrinsic appeal to locals and foreigners alike as a result of the climate and overall ambience offered by such a locale. This is particularly true in a tropical climate such as Timor-Leste, which is renowned for its natural beauty and pristine environment.
Transportation Connections	<ul style="list-style-type: none"> By virtue of its central location, Dili Port holds the potential to act as a transportation hub where microlets, taxis, and regularly scheduled shuttles could move tourists across the city to key attractions, such as the Resistance Museum, Tais Market, and Cristo Rei. The Port could also serve as the gateway to Atauro, Oe-Cussi, Com Port, and Beaco via ferry, and Liquica and Bacau via car / bus. Tour operators could establish a permanent presence within the port facility location to act as a “one-stop shop” for visitors looking to book activities and explore destinations in Timor-Leste both within and outside of the capital city. The project would stimulate a tourism and Timor Business “Value Chain” of small enterprise and international brands, including specialized Timorese products, firms, and entrepreneurs.

The Mercado Modelo concept draws its inspiration from cultural and commercial centers established in colonial areas of Lusophone countries, such as Brazil and

Mozambique, as a “gathering place” for the community. Establishing such a venue in Timor-Leste would provide a pedestrian-only central retail and commercial district that would act as the focal point for tourists and residents in Dili.

The green spaces, art, and design elements would feature Timorese motifs, architecture, and styles from the Pre-Colonial, Post-Colonial, Independence, and Contemporary eras. The objective would be to bring together these different enterprises to create a business cluster where synergies are established between the different locales. Anchor investors and tenants could co-exist with community and arts organizations.

In addition to the commercial activities, there are other complementary development options. Dili provides a safe harbor for yachts travelling throughout the Indo-Pacific region. However, there are currently limited facilities for private vessels to refuel, restock supplies, and carry out any required maintenance.

Without a dedicated pier accessible to non-industrial vessels, a dinghy must be used to travel between moored vessels and shore. Investing in a dedicated marina development initiative as part of the redevelopment initiative holds great potential to create linkages with nearby yachting destinations at the Indonesian islands of East Nusa Tenggara (e.g. Flores, Komodo, Alor, etc.) and the northern Australian city of Darwin. This would attract private and commercial vessels and bolster potential revenue sources for the port development.

Cruise ships, as well as private and commercial yachts, would naturally funnel arrivals into this Mercado Modelo area. Given the prime real estate location on Dili waterfront, there would be natural appeal for tourists staying in nearby hotels to explore this commercial district. Private businesses would also likely establish operations in proximity to the marina area to capitalize on the potential for new customers coming from moored yachts and commercial vessels.

This source of visitors would likely be more frequent than large cruise liners, which visit Timor-Leste only intermittently. Developing this facility would allow Dili to make a great step forward to becoming a yachting center and maritime tourism destination within the Indo-Pacific region, as well as the development of a local tourism yachting industry using traditional vessels. This would also serve as a hub for “adventure” tourism offerings and even environmental and nature education exhibits.

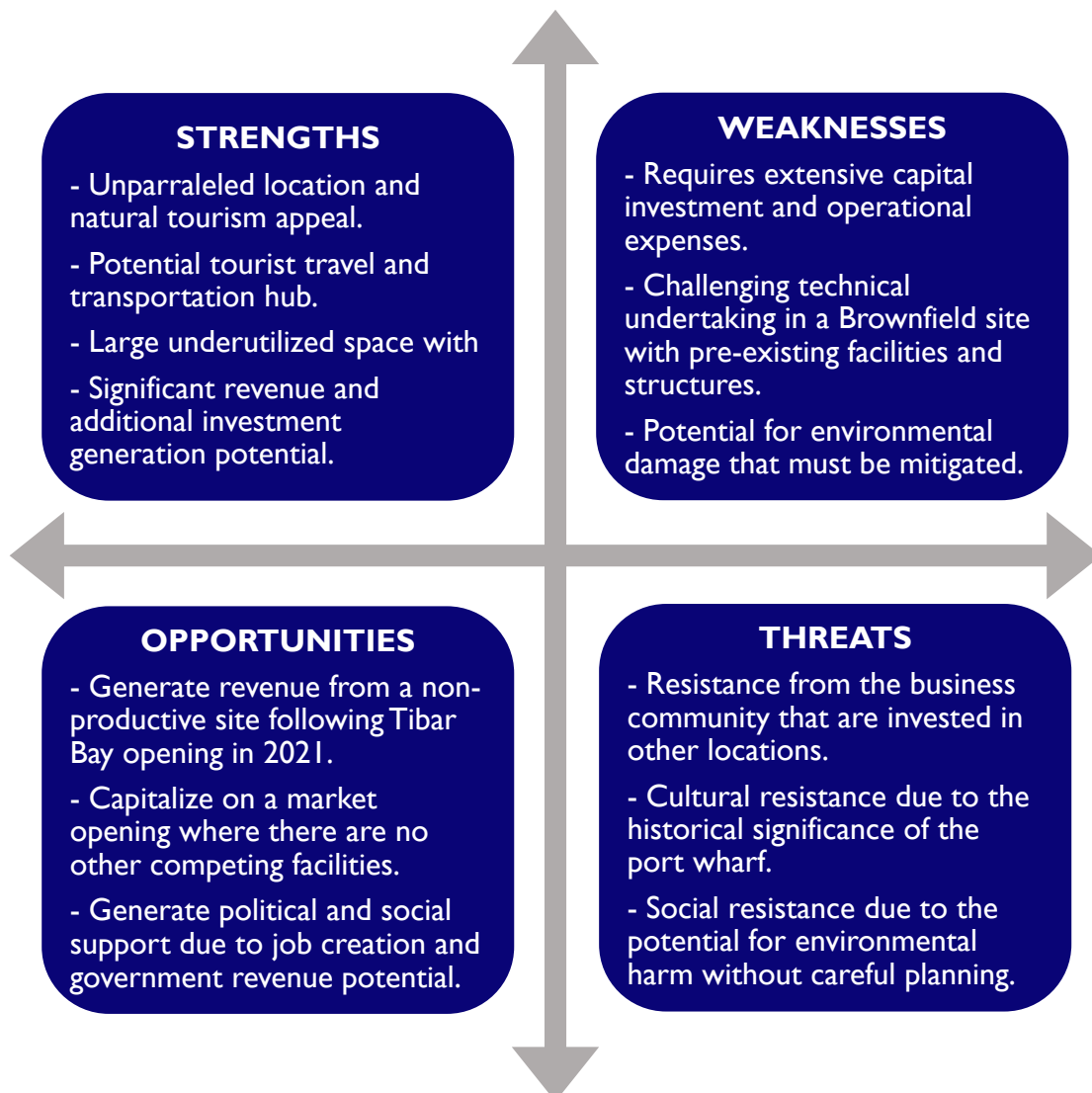
There is no single development in Timor-Leste that offers the comparable tourism impact potential of Dili redevelopment and commercialization centered around the Mercado Modelo concept. If determined commercially and economically viable, this initiative would provide a tourism and business development stimulus unmatched in Timor-Leste today, while also promoting a model and approach that features sustainability and local participation.

C. SWOT ANALYSIS

As with all investment opportunities, the redevelopment and commercialization of Dili Port will need to consider a range of possible scenarios, both positive and negative. Under the SWOT framework, the “Strengths” and “Weaknesses” are internally

orientated, whereas the “Opportunities” and “Threats” consider only external factors. Figure 6 presents the SWOT Matrix for this Action Plan.

Figure 6: Action Plan I SWOT Matrix



D. STAKEHOLDER ROLES AND RESPONSIBILITIES ASSESSMENT

In order for this project to be successful, there are a number of stakeholders involved in the port redevelopment and commercialization, both from the public and private sector. On undertakings of this magnitude, it is imperative that all key actors understand the exact scope of their role and responsibilities to ensure that it is fully executed throughout the project implementation process.

Figure 7 prevents a visual breakdown of the primary tasks that would necessarily be entrusted to each of the major stakeholders.

Figure 7: Action Plan | Stakeholder Roles and Responsibilities



While it is critical for each of these stakeholders to understand their various roles and responsibilities, it is equally essential that they communicate and coordinate throughout the planning and design phase. This is particularly true for public institutions that may be more accustomed to working in silos without close interaction with other government agencies.

Without effective engagement between key project actors there will be more difficulty in identifying implementation obstacles and developing mitigation strategies, which can cause lengthy delays and associated financial and reputational repercussions. Both a

Project and Inter-Ministerial Task Force should be established to spearhead and manage the key activities in this project as well as coordinate stakeholders.

E. PROPOSED DEVELOPMENT MODEL

In line with the project parameters established in this Action Plan, the Project Team recommends that the *Dili Port Redevelopment and Commercialization* initiative be developed through a Concession contract or similar model. The size, scale, and investment requirements of this project necessitates that a PFS is undertaken in order to ensure that the PPP development model is in fact the most appropriate approach. Dependent on a positive result to this study and approval from USAID and the GOTL, a comprehensive Feasibility Study would then be launched.

F. ADDITIONAL DATA GATHERING AND DUE DILIGENCE REQUIREMENTS

The PFS will need to begin with important data collection and analysis activities. To this end, presented below are a number of studies, documents, and data sources that will be important to the overall accuracy of subsequent project appraisals:

- Master Plan for Dili Port
- Construction Costs
- Maintenance Costs
- Eligibility of PPPs at Dili Port
- Legal Barriers to Waterfront Development
- Tourist Visitor Numbers by Cruise Ship
- Tourist Visitor Arrival Projections
- Environmental Restrictions on Waterfront Developments
- Risk Assessment
- Dimensions of Site Location
- Utility Connection Costs
- Market Demand Assessment

ACTION PLAN 2: TIMOR-LESTE TOURISM DEVELOPMENT AUTHORITY

A. DETAILED PROJECT DESCRIPTION

CONTEXTUALIZING THE PROJECT

Targeted marketing, branding, and advertising campaigns are an integral component of all successful tourism promotion strategies. Destination promotion is critical to generating a steady stream of international visitors to the shores of Timor-Leste. In an increasingly competitive international market where countries are vying for tourists against their neighbors, each country must dedicate resources to promote their tourism product offerings to prospective visitors.

Breaking into new markets and distinguishing themselves from the competition requires a coordinated approach that presents a strong vision and appealing tourism profile. This is reliant on not only traditional marketing and branding campaigns, but on a truly multifaceted approach that encompasses promotional events, partnerships with travel and tour companies, television and radio advertisement, social media engagement, and promotional videos, among other strategies.

Being competitive in the international tourism market requires that countries are innovative, creative, adaptive, and reflexive across all dimensions of their strategic approach to tourism promotion. This, in turn, requires effective institutions that are capable of defining a clear tourism identity and engaging with their target market and demographics. In many countries, these are qualities and characteristics that public institutions do not commonly exhibit.

In fact, governments are often the unwitting source of commercial constraints, including unnecessary regulation, inefficient transport services, distorted tax regulations, and confused land laws, for example. It is the private sector, on the other hand, that can excel in understanding markets and developing commercial strategies that are targeted at creating opportunities and finding niches.

ACTION PLAN OBJECTIVE

The objective of the Project Team through this Action Plan is to conduct a preliminary assessment of institutional design options to create a Public-Private Association, referred to as the Timor-Leste Tourism Development Authority (TLTDA). It is envisioned that as a mixed composition body, the TLTDA would allow for a pooling of resources and collaborative dialogue to facilitate a customized strategy that reflects the tourism priorities of the country as seen through the eyes of different stakeholders.

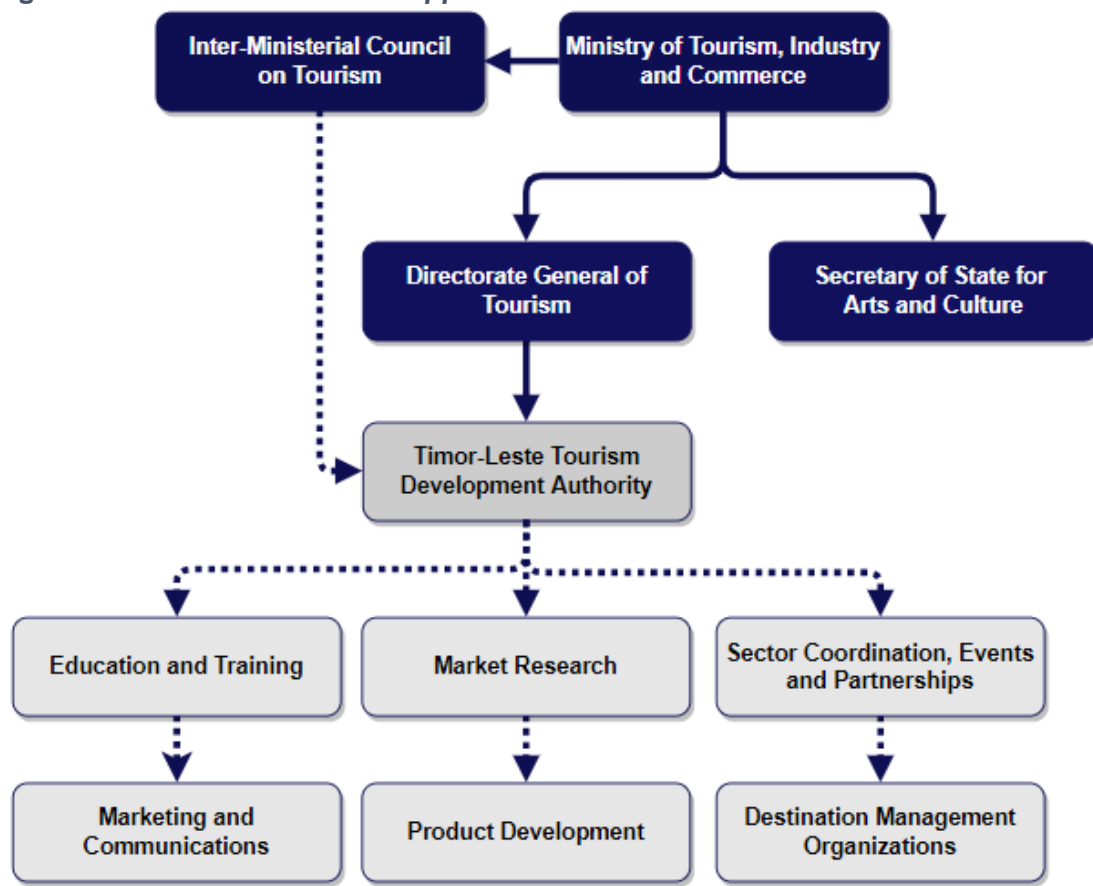
CONCEPTUAL PARAMETERS

Establishing such an organization would enable the GOTL to focus on managing the tourism industry, rather than administering the entire sector. Creating a Public-Private Association in this endeavor would reflect the growing global practice that features innovative approaches to including the private sector in tourism planning and governance, particularly by countries with high-performing sectors. It would also reflect the imperative need for a modernized approach to planning and marketing tourism in support of Timor-Leste's economic diversification and prosperity.

The TLTDA would also act as a bridge to partner with the private sector and identify strategies and solutions for complex challenges that represent significant constraints on tourism. It would assume responsibility for acting as the coordinator between government ministries, local authorities, civil society, and the private sector.

In line with successful examples from other countries, the TLTDA might be established as a quasi-governmental agency with an independent Board of Directors that act as the relevant decision-making body. This Board of Directors could be composed of 50 percent public sector representatives, such as Ministers, Vice-Ministers, Secretaries of State, and Director-Generals, and 50 percent representation by distinguished members of the private sector and leaders of industry bodies, such as the Hotel Owners Association, Marine Tourism Association, and Chamber of Commerce. There might also be an Executive Secretariat to manage key tasks and support timely decision-making.

Figure 8: Potential Institutional Apparatus



While still at the preliminary stage of conceptualization, it is expected that the TLTD would have a lean organizational structure with varied but complementary functions. This structure would be staffed by officials reassigned from existing posts within MTCL, as well as potentially new hires directly from the private sector. This division of responsibilities would necessarily include the distribution of various technical functions. *Figure 8* provides a visual illustration of the potential institutional hierarchy.

In addition to this new institutional apparatus, it is necessary to consider new funding arrangements that ensure the entity has dedicated and sustainable funding and that the GOTL will not bear sole responsibility for entirely funding the TLTD. This approach not only alleviates the government of direct responsibility for administering the tourism sector, but it also lessens the fiscal obligations associated with performing such functions.

By adopting what is increasingly common international practice, the GOTL can secure at least partial funding for tourism promotion, branding, and advertising related initiatives from traditional and “non-traditional” sources. The proceeds of this funding would then be deposited into a Tourism Development Fund, the management of which would be a responsibility for the Board of Directors of the TLTD. It would also be possible for the TLTD to utilize the Tourism Development Fund to fund small-scale community-based initiatives that directly impact the appeal of Timor-Leste as a tourism destination, such as rubbish cleanups for example.

Examples of potential financing sources that would support the Tourism Development Fund are provided in *Figure 9* and could include user fees, surcharges on utility bills, “bed charges” for overnight visitors, special tourism and conservation charges, and other fees that would be “ring-fenced” to ensure transparency and accountability.

Figure 9: Tourism Development Fund Financing Examples



B. MARKET ASSESSMENT

As a concept, “institutional good governance” is not guided by rigid prescriptions of best practice. Instead, guidance is provided through core principles, such as transparency, probity, efficiency, responsiveness, accountability, inclusivity, and equity. In the context of the tourism sector, there is no set formula as to how a national tourism authority is supposed to be structured in order to be successful. International practice demonstrates wide variance in this regard.

The core tenet of effective sectoral governance is adaptation to the local operating environment. This ensures institutional actors are capable of meeting the unique challenges of any given country, as well as exploiting potential market opportunities.

Nevertheless, lessons can be learned from countries with successful tourism sectors, which includes both developed and developing economies. In this regard, the United Nations World Tourism Organisation (UNWTO) found that in those countries with a well-developed tourism sector, the national tourism association is “usually a public-private sector partnership – with funding at least in part from the national tourism industry, as well as (in some cases) from regional and local tourism organisations.”⁸

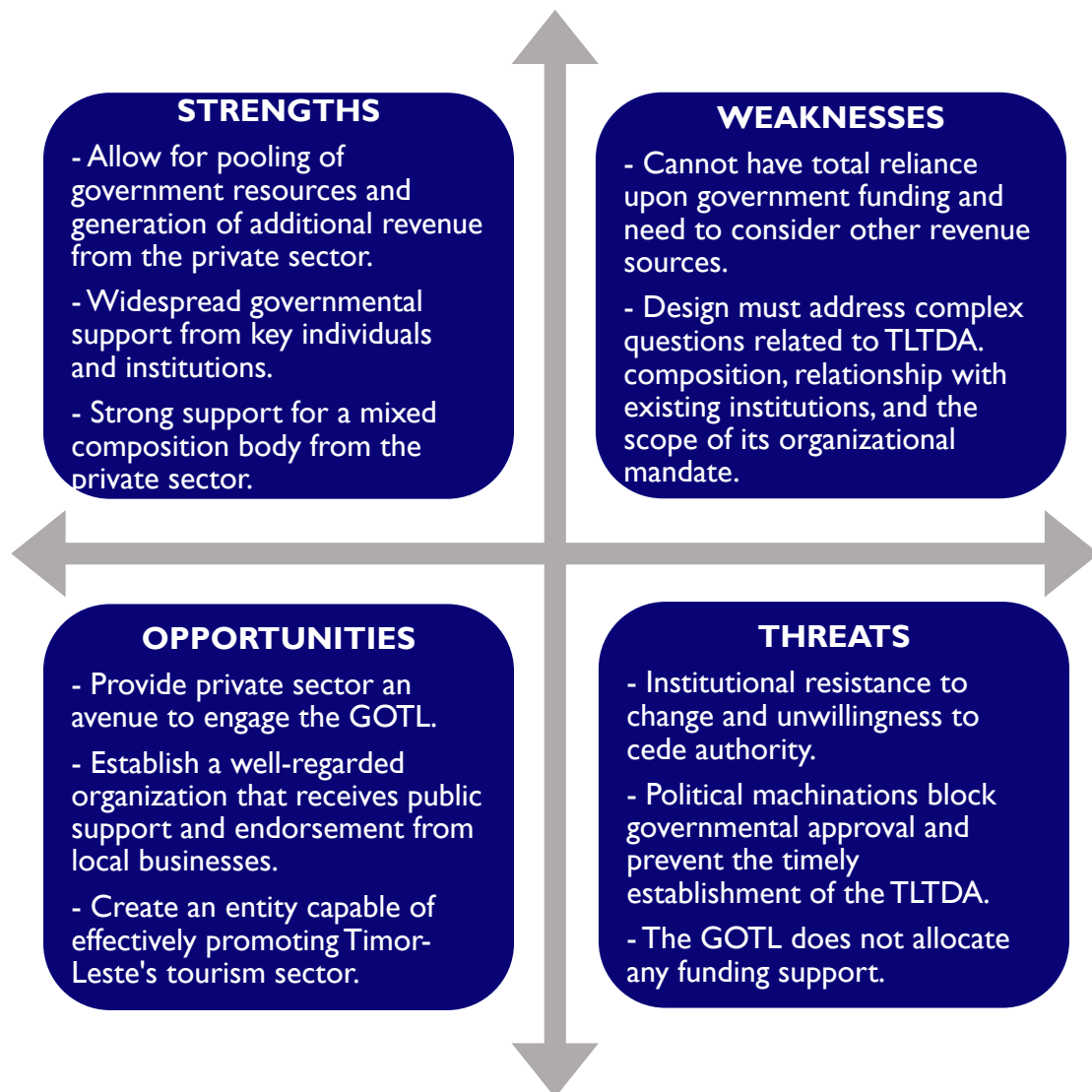
In line with the relative size of Timor-Leste, the political importance of tourism development to economic diversification, as well as the prospect for administrative and fiscal relief, there are compelling reasons to pursue a national tourism promotion authority under the Public-Private Association model.

C. SWOT ANALYSIS

As with all investment opportunities, the establishment of the TLTDA will need to consider a range of possible futures, both positive and negative. Under the SWOT framework, these “Strengths” and “Weaknesses” are internally orientated, whereas the “Opportunities” and “Threats” consider only external factors. *Figure 10* presents the SWOT Matrix for this Action Plan.

⁸ UNWTO, *Budgets of National Tourism Organisations* (2008–2009): <https://www.e-unwto.org/doi/book/10.1811/9789284413416>

Figure 10: Action Plan 2 SWOT Matrix



D. STAKEHOLDER ROLES AND RESPONSIBILITIES ASSESSMENT

In order for this project to be successful there are a number of stakeholders involved in the TLTD, both from the public and private sector. On undertakings that result in significant institutional reorganization it is imperative that all actors understand the exact scope of their role and responsibilities to ensure objectives are accomplished and the project vision realized.

Figure 11 prevents a visual breakdown of the primary tasks that would necessarily be entrusted to each of the major stakeholders to operationalize the TLTD.

Figure 11: Action Plan 2 Stakeholder Roles and Responsibilities



While it is critical for each of these stakeholders to understand their various roles and responsibilities, it is equally essential that they communicate and coordinate throughout the planning and design phase. This is particularly true for public institutions that may be more accustomed to working in silos without close interaction with other government agencies.

Without effective engagement between key project actors, there will be more difficulty in identifying implementation obstacles and developing mitigation strategies, which can cause significant delays and associated financial and reputational repercussions.

E. PROPOSED DEVELOPMENT MODEL

In line with the project parameters established in this Action Plan, the Project Team recommends that the *Timor-Leste Tourism Development Authority* be developed under a Public-Private Association model. This will require a comprehensive Business Plan to assess the best options, determine market demand, and recommend the best organizational development strategy and structure. This also includes a road map for

establishing the entity and how to become operational and effective in the very near future. This entity will have a major responsibility for perhaps the largest contributor to the Timor-Leste economy in the future if the Tourism Policy is implemented successfully. Making it operational and effective is critical for the GOTL and the donors that believe in the economic potential and benefits of sustainable tourism. The sector demands and deserves an institutional champion and the business plan must match that objective.

F. ADDITIONAL DUE DILIGENCE REQUIREMENTS AND OUTPUTS

The Business Plan will need to begin with important data collection and analysis activities. To this end, presented below are several studies, documents, and data sources that will be important to the overall accuracy of subsequent project appraisals:

- Market Assessments and Mandate
- Institutional Organogram
- Comparative Best Practice Assessment of Tourism Promotion Boards Internationally
- Legal and Regulatory Road Map (i.e. Corporate Charter, Roles and Responsibilities, Founding Documents, etc.)
- Institutional Structure and Stakeholder Diagnostic
- Personnel Plan and Job Descriptions
- Organizational Plan and Five-Year Operating Budget

ACTION PLAN 3: TOURISM ENTERPRISE INCUBATOR

A. DETAILED PROJECT DESCRIPTION

CONTEXTUALIZING THE PROJECT

It is a well-recognized principle among development scholars and practitioners that Small and Medium-Sized Enterprises (SMEs) have a greater direct impact on economic development in both developed and developing countries alike. They are an important job creator that offer the flexibility and adaptability to respond to market opportunities by leveraging innovation and creativity to solve both complex and everyday problems.

In the new “Services” and “Digital” economy of today, the SME value chain is even more important in terms of employment, innovation, and contribution to growth. This is especially true in the Tourism “Eco-System” in emerging markets in the ASEAN region.

As recognized by Soares, Fatchur Rohman, and Solimun in their publication “*Effect of Entrepreneurial Orientation on Business Performance Moderated by Government Policy*” (2014)⁹, SMEs in Timor-Leste are facing many of the challenges shared by their peers in developing countries that limit their growth potential.

Specific areas in which Timorese SMEs are considered to underperform include adapting to consumer and market demands, creating business clusters along the value chain, exhibiting strong managerial and technical skills, and utilizing effective business planning techniques.

As evidenced by Buhalis and Costa in *Tourism Management Dynamics: Trends, Management and Tools*¹⁰, in many European counties with strong tourism sectors it is SMEs rather than large enterprises that drive employment, as well as sectoral economic performance at large. In the case of Timor-Leste, it is imperative to the long-term sustainability, performance, and prosperity of the sector that effective structures are established to support the expansion of SMEs in order to expand and deepen the tourism ecosystem.

The majority of tourism companies are SMEs that provide essential services to the industry. While they do not need to be scalable and large to be successful, most of them require support to get off the ground and finance early-stage growth. Even micro-enterprises that are essential in the tourism value chain often require start-up guidance and equity to launch commercial operations.

⁹ International Journal of Business and Management Invention (Volume 3, Issue 8), 64-71.

¹⁰ (2005), Routledge, 1st Edition.

Without an eco-system of tourism companies, tourism promotion efforts will not be realized. Without SMEs facilitating tourism services, only large firms will reap the benefit of any tourism growth in the economy. This is especially true of small island economies, such as Timor-Leste, where the possibility of monopolies gaining irreversible advantages are strong.

The GOTL has an explicit policy objective of the tourism sector contributing over 25% to the GDP of the economy by 2030. To make that a reality, Timor-Leste needs tourists, attractions, and a number of healthy, vibrant, tourism competitors of all sizes. Tourism entrepreneurs and “start-ups” have to be promoted and encouraged. The cost of incubating and nurturing an SME in the tourism sector is small compared to its overall benefit to the local economy.

Tourism entrepreneurs in Timor-Leste need to be “bootstrapped” and supported with modest levels of technical and financial support, as well as access to investors offering debt, equity and invaluable business knowledge, contacts, network, and expertise. This incubator model is being successfully utilized by donors all over the ASEAN region, yet no such Tourism incubator exists in Timor-Leste, in spite of the GOTL’s policy objective that tourism will be the leading source of employment and revenues in the future. Therein lies both the demand and the opportunity.

ACTION PLAN OBJECTIVE

The objective of the Project Team through this Action Plan is to undertake a preliminary assessment of how USAID’s Tourism For All Project may support the design, establishment, and management of a Tourism Enterprise Incubator (TEI), with the support and participation of various stakeholders of the TIWG and private sector.

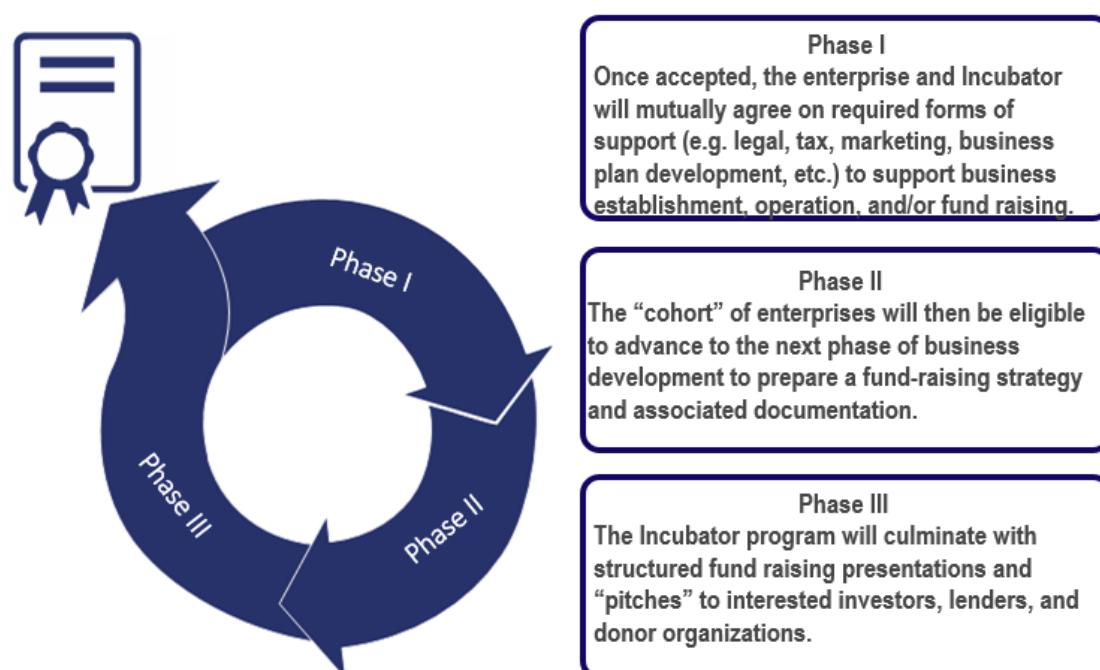
The TEI would be established with the goal of providing start-up support services, mentoring, investors matchmaking, and advice to Timorese entrepreneurs that apply for and are accepted into the program.

CONCEPTUAL PARAMETERS

It is envisioned that the Incubator program would be broken down into three Phases, as depicted in *Figure 12*. The business case for the TEI would be to support and incubate up to twenty (20) Timorese enterprises under two (2) biannual cohorts of ten (10) entrepreneurs.

The goal would be to focus on successfully facilitating access by tourism SMEs to financial support such as debt, equity, and grant funding from various donor organizations and supporters.

Figure 13: Three-Phase Enterprise Development Program



Although the Incubator would be launched and sponsored by USAID’s Tourism For All Project, it would also engage with other institutions and organizations to ensure viability over the long-term. In this regard, *Figure 13* identifies and describes the potential functions of three organizations that the Project has Cooperation Agreements with and their relevance to the functioning of the Incubator.

Figure 12: Strategic Partners for the Tourism Enterprise Incubator



In addition to these organizations, local and external financial institutions will be engaged to explore available financing streams of support for the entity and its applicants. Of particular relevance in this regard is the International Finance Corporation (IFC), Asian Development Bank (ADB), and an array of interested social

development funds, NGOs, and private sector investors that provide seed funding to emerging startups in ASEAN.

While designed to operate as a “stand alone” PPP in the long-term, the Incubator would initially be established as a technical assistance sub-project or “stream” under USAID’s Tourism For All project. This allows it to operate and establish itself as a market leader and provide critical support to deserving start up enterprises.

It is also foreseen that it may be necessary to roll out the TEI as a pilot concept that is first tested against an initial cohort of participating beneficiary SMEs. Once the viability of this initiative is proven further resources would be invested to solidify it as a long-term organization.

A business plan would be prepared that outlines a phased strategy to transition the Incubator into a “stand alone” entity supported by a combination of donors and private sector firms interested in the tourism-driven economy. It is also possible that the business plan will identify an NGO or private investor model for the long-term Incubator, as has been in the case in other ASEAN countries.

B. MARKET ASSESSMENT

Business incubators have been used around the world to foster successful enterprises in every sector. Within ASEAN, business incubators (many of which are funded by bilateral and multilateral donor organizations and private investors) have been instrumental in creating the “start-up eco-system” that is driving economic growth in sectors such as technology, “FINTECH” logistics, and tourism. Most of these incubators focus on supporting existing or new businesses with the development of business plans, market analysis, new product development, and fund raising.

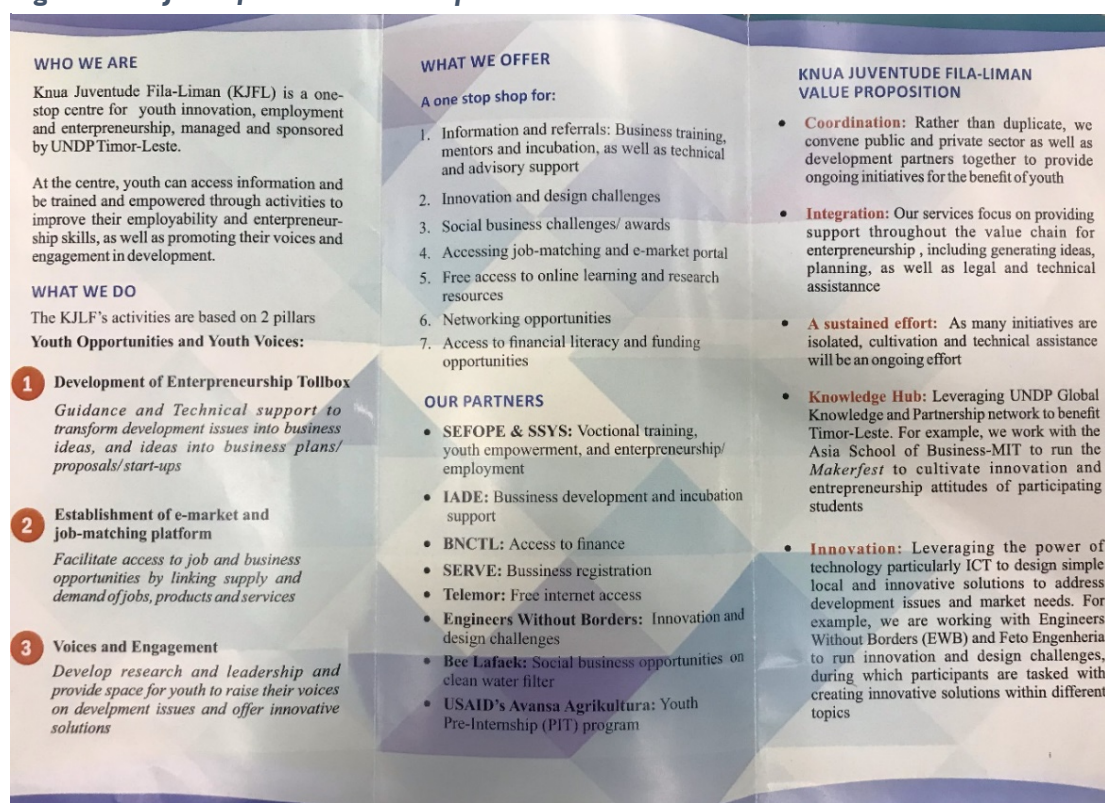
In this regard, Timor-Leste is already home to one organization funded by the United Nations Development Programme (UNDP) that provides business support services to entrepreneurs; the Knua Juventude Fila-Liman (KJFL). *Figure 14* and *Figure 15* present KJFL's informational pamphlet on the services it offers to targeted demographics. While KJFL and the Tourism Incubator have totally different business missions and

Figure 14: KJFL Information Pamphlet Part I



strategies, there are potential synergies that could be leveraged to mutually reinforce one another.

Figure 15: KJFL Informational Pamphlet Part 2



In that regard, it is first important to note a number of differentiating factors between KJFL and the TEI that would fall under the auspices of USAID's Tourism For All Project, as presented in Table 3.

Table 3: Distinguishing Features of the Tourism Enterprise Incubator

Distinguishing Feature	Description
Target Demographics	• Whereas the KJFL facility is targeted toward young entrepreneurs, the TEI would have no age limitations and entry would be open for application by people of all ages.
Sector Focus	• Unlike the KJFL facility whose thematic focus mirrors the 15 Sustainable Development Goals, the TEI is specifically focused on SMEs within the tourism sector.
Business Support Services	• The KJFL facility provides a one-stop shop for business training, innovation challenges, job-matching, networking, and access to financial literacy programs. The TEI instead focuses on operationalizing tourism SMEs through structured support to develop a business plan, design a financing strategy, and guide investor pitches.
Revenue and Funding Model	• The KJFL facility does not directly provide access to financing opportunities for youth entrepreneurs. The TEI will be designed with the end objective of supporting tourism SMEs gain access to various sources of credit and potentially internal grant funding.
SME Development Objectives	• Unlike the KJFL facility, which provides general business support and networking opportunities, the TEI will be founded on a competitive model in which participants benefit from dedicated business development services and structured support in gaining access to finance from an array of strategic partners.

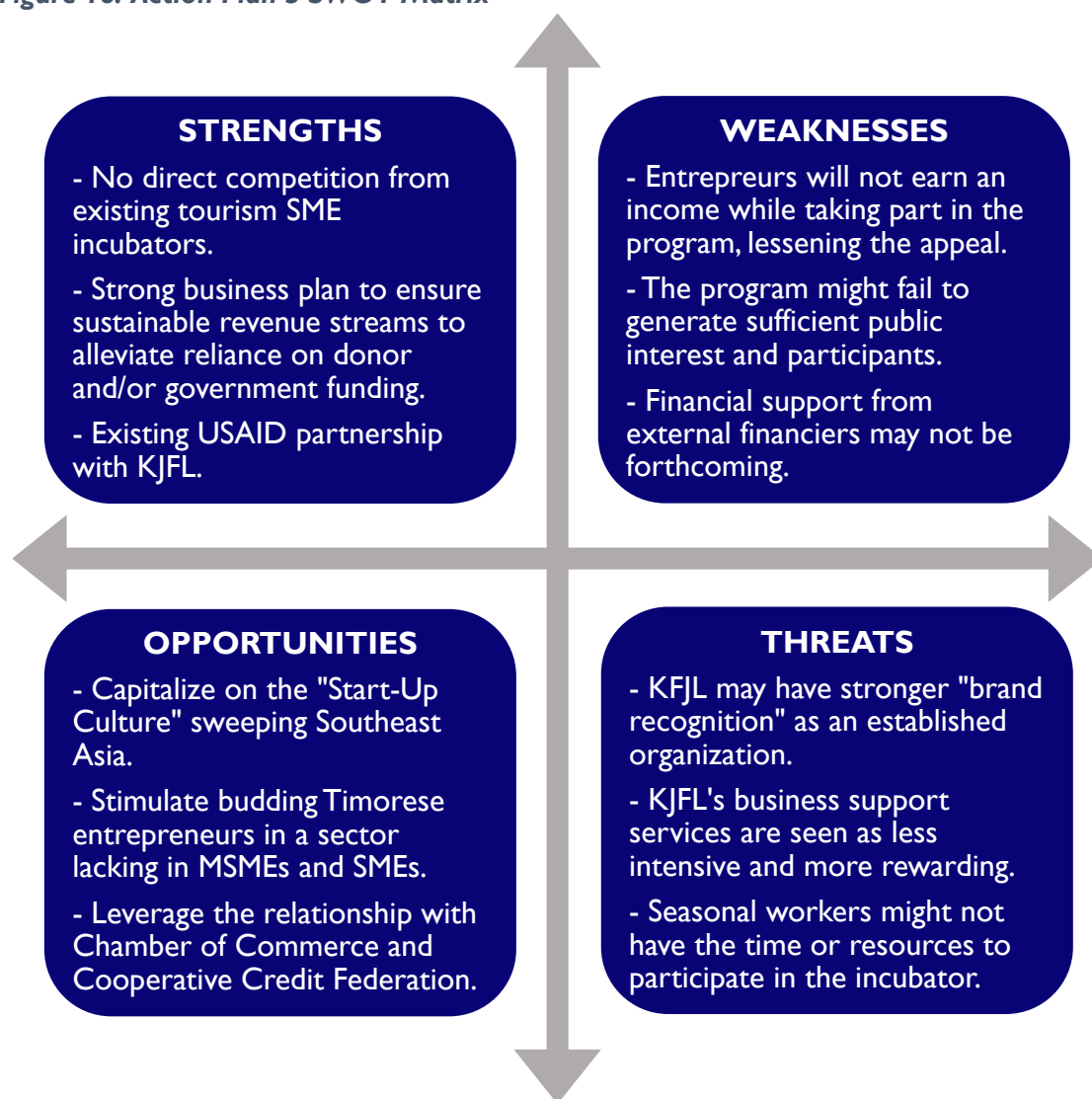
Without any direct competition from existing organizations targeting tourism businesses there is significant opportunity for the TEI to fill this market gap and stimulate entrepreneurship among local SMEs. Instead of KJFL being a competitor, as *Table 3* demonstrates, it would be a complementary facility that could also operate as a strategic partner.

It is envisioned that USAID's Tourism For All Project would establish a working relationship with the KJFL facility that is targeted at connecting youth entrepreneurs with the TEI. This would be a mutually beneficial arrangement whereby KJFL would act as the SME 'feeder system' by helping youth entrepreneurs refine their business concepts through training and associated support before they apply to the Incubator program. Once accepted, these tourism SMEs would receive more structured business support services and access to financing opportunities that are not offered by KJFL.

C. SWOT ANALYSIS

As with all investment opportunities, before establishing the TEI a range of possible futures, both positive and negative will need to be considered. Under the SWOT framework, the "Strengths" and "Weaknesses" are internally orientated, whereas the "Opportunities" and "Threats" consider only external factors. *Figure 16* presents the SWOT Matrix for this Action Plan.

Figure 16: Action Plan 3 SWOT Matrix



D. STAKEHOLDER ROLES AND RESPONSIBILITIES ASSESSMENT

In order for this project to be successful, there are a number of public and private sector stakeholders that contribute to the Tourism Incubator development and management.

Given that this project will initially begin as a technical assistance program before evolving into a self-sustaining facility, it is key that all actors understand the exact scope and duration of their role to ensure that it is fully executed throughout the project implementation process.

Figure 17 prevents a visual breakdown of the primary tasks that would necessarily be entrusted to each of the major stakeholders.

Figure 17: Action Plan 3 Stakeholder Roles and Responsibilities



A particularly important dynamic that must be proactively accounted for during the Incubator design is the scale and scope of functions to be performed by the three (3) Strategic Partners identified above in *Figure 13*. It will also be important to engage with other potential partners to examine their interest in supporting the Incubator. This will be necessarily dependent on the conclusion of further study and assessment through the proposed development model.

E. PROPOSED DEVELOPMENT MODEL

In line with the project parameters established in this Action Plan, the Project Team recommends that the *Tourism Enterprise Incubator* be developed under a Public-Private Association model. This will require a comprehensive Business Plan to inform institutional design decision-making.

F. ADDITIONAL DATA GATHERING AND DUE DILIGENCE REQUIREMENTS

The Business Plan will need to begin with important data collection and analysis activities. To this end, presented below are a number of studies, documents, and data sources that will be important to the overall accuracy of subsequent project appraisals:

- Incubator Demand Study
- Market Demand Assessment
- Willingness to Pay Study
- Financial and Business Plan
- Survey of Existing Tourism “Value Chain” Enterprises
- Portfolio Diversification Strategy
- Fund raising strategy
- Incubator Outreach, Coaching, Mentoring, and Business Support Services
- Eligibility Requirements, Intake Strategy, Marketing, and Initial “Cohort” Development Activities Plan
- Consultation with Other Donors Interested in Business Incubators and Tourism
- Operational Plan and Budget

ACTION PLAN 4: “GREEN T” TRANSPORTATION AND TOURISM HUB

A. DETAILED PROJECT DESCRIPTION

CONTEXTUALIZING THE PROJECT

Efficient, affordable, and safe transportation is essential in modern tourism destinations. In fact, mobility is often considered a pre-requisite condition for tourists since it is crucial to the accessibility of tourism attractions, activities, and destinations, as well as to the overall comfort and security of visitors. Moreover, “integration” of tourism, commercial, and “lifestyle/recreational” assets via a transportation system is a key element of successful urban communities.

Making this integration “GREEN” and “CLEAN”, as well as efficient, attractive, and affordable, is a hallmark feature of new urban development in tourism success stories, small and large, in places like Singapore, Honolulu, Lisbon, Miami Beach, and Copenhagen. Dili should be no exception.

As analyzed in detail by Maria Dinu in *The Importance of Transportation to Tourism Development (2018)*¹¹, transport has a direct impact on tourism not just at the international level, but also with regards to travel between destinations within countries and cities.

In fact, road transportation, such as by bus, is considered by most tourists (both foreign and domestic) to be one of the primary elements in a successful holiday. According to Mammadov in *The Importance of Transportation in Tourism Sector (2012)*¹², the overall satisfaction with this form of transportation is largely dependent on three key factors, namely: price, distance, and time.

As elaborated upon by Alain Fausch, Secretary General of the International Association of Public Transport, in 2015¹³, effective transport systems do not just benefit tourists. Instead, they also facilitate the spread of economic benefits across cities and regions as visitors gain access to areas that would otherwise be too costly or difficult to visit without public transportation.

It also supports local employment and education opportunities as residents are able to venture further for work and university and/or school via public transportation at less cost than a private automobile would provide. Public transportation systems also generate substantial tax revenue for municipal authorities, thereby enabling the

¹¹ Academic Journal of Economic Studies (Volume 4, No. 4), 183–187.

¹² 7th Silk Road International Conference “Challenges and Opportunities of Sustainable Economic Development in Eurasian Countries”.

¹³ How Public Transport Supports Business and Tourism in Cities,
<http://2015.internationaltransportforum.org/public-transport-tourism>.

allocation of public investment to other areas of need. The Green T Transport and Tourism Hub has the potential to serve as one of Timor-Leste's first integration hubs and would feature promotion of clean vehicles, bike and ride share, as well as corporate sponsorship and linkages city-wide.

ACTION PLAN OBJECTIVE

The objective of the Project Team through this Action Plan is to conduct a preliminary assessment of how USAID's Tourism For All Project might support the establishment of a formalized and integrated public transportation hub system in Dili.

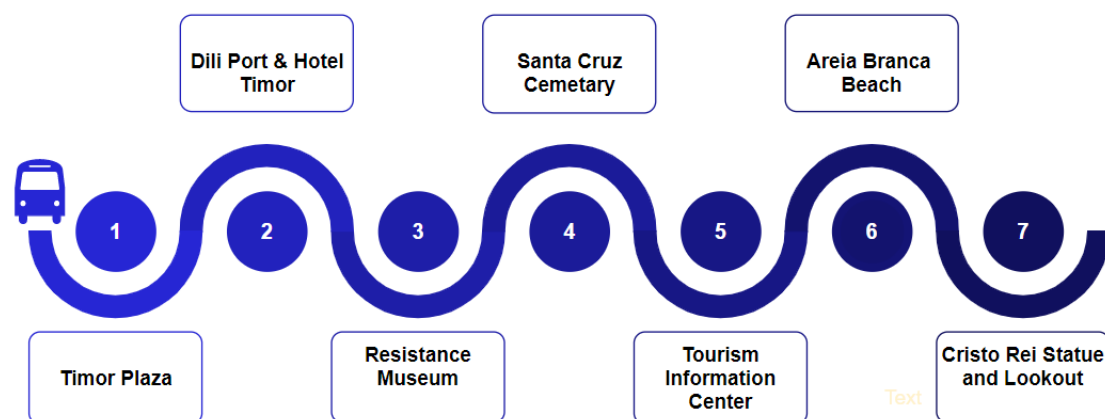
Establishing green transportation linkages for tourists and residents between stops positioned at strategic intervals throughout the city would encourage visitors to move beyond their hotel and nearby attractions. This not only decentralizes the economic benefits of tourism, but also increases the range of available tourist attractions. Moreover, the "hub" would promote and stimulate tourism business and activities along the routes and at the key terminal points.

CONCEPTUAL PARAMETERS

The project vision would entail a transportation loop that would encapsulate key tourism attractions. Providing a "green" transportation linkage these and other sites would improve the overall accessibility of Dili and channel citizens and visitors between key locations.

The transportation system would be targeted at creating a green mode of transport for tourists between various tourist sites throughout Dili to stimulate tourism and commercial linkages. *Figure 18* presents a visual depiction of the potential route such a transport system would take, stopping at seven (7) landmark sites between Timor Plaza in the West and Cristo Rei in the East.

Figure 18: Potential "Green T" Transportation Route



It is envisioned that revenue will be generated through subsidized ticket sales differentiated between tourists and residents, as well as from advertising space on vehicles and kiosks, rent paid by vendors operating retail and commercial businesses from the Tourist Information premises, as well as commission generated from tour packages sold from the Center on behalf of participating businesses. Other forms of financial support for the NGO or enterprise will be examined including social impact funds, grant funding, and corporate sponsorship.

B. MARKET ASSESSMENT

While Dili has an extensive informal transportation system with Microlet buses, this is not the typical mode of public transport expected by international tourists. Given the lack of regulation on pricing, information on regular schedules, demarcated pick-up and drop-off spaces, identified routes with corresponding vehicles, and English signage, utilizing the Microlet system is a daunting endeavor for many tourists to Timor-Leste.

Creating an integrated transport hub between the leading tourist destinations within Dili is a substantial step to address this limitation and stimulate tourism mobility. It is envisioned that within the network the key terminal would be the Dili Tourism Information Center. Under-utilized space at the Center and the adjacent green space on Avenida Portugal would be re-developed to act as the central node of a transportation network and the site of a new commercial and retail space to promote and enhance the Tourism Center operations. This area is exhibited in *Figure 19*.

Figure 19: Map of the Tourism Information Center Site



Functioning as the central “Hub” in this system would necessitate that the Center receives certain infrastructure upgrades to address inefficiencies in space utilization. This would ensure the site is equipped to function as the transportation and commercial hub with parking for vehicles, enclosed shelters for passengers, and dedicated commercial space for retail and concession stands to generate revenue.

Most importantly, there would also need to be investments made to improve the quality and type of services provided by staff at the Center. As identified in the conclusions of the *Tourist Information Center Final Report* submitted to USAID’s Tourism For All Project at the conclusion of the training course held on June 17th – 19th, 2019, there are substantial inadequacies in status quo arrangements.

These shortcomings include the following:

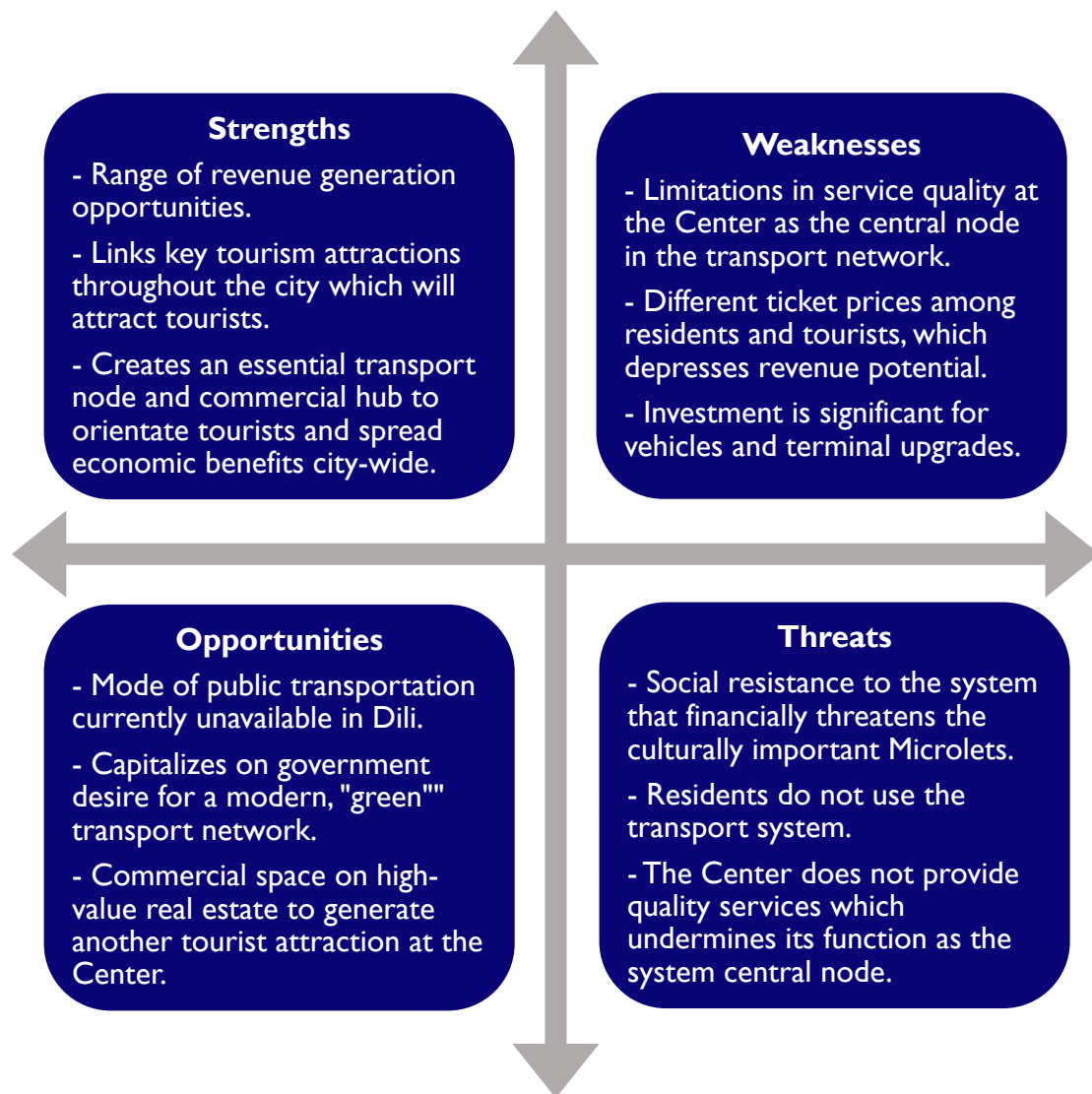
- Numerous facility deficiencies, such as a lack of running water, no working toilets, no telephone, lack of site maintenance, and no kitchen area for staff or visitors.
- No in-house training program for staff, nor is any training provided before hiring on Standard Operating Procedures to welcome and orientate visitors.
- Staff are provided with incomplete, outdated, and often contradictory information on available lodging venues, activities, and destinations.
- No ability to provide tourists with direct contact information so they may make inquiries regarding the location, availability, and price of various attractions.

There is a clear imperative for the quality of services and availability of critical facilities at the Center to be improved. This is a prerequisite activity prior to the launch of a transportation system that functions with the Center as its operational, commercial, and logistical hub. By enhancing the use of the existing Tourism Center footprint to maximize value and revenue, as well as marketing channels, it is envisioned that the GREEN T and the Tourism Center would generate more traffic, business, and utility.

C. SWOT ANALYSIS

As with all investment opportunities, before commencing implementation of the “Green T” program a range of possible futures, both positive and negative will need to be considered. Under the SWOT framework, the “Strengths” and “Weaknesses” are internally orientated, whereas the “Opportunities” and “Threats” consider only external factors. *Figure 20* presents the SWOT Matrix for this Action Plan.

Figure 20: Action Plan 4 SWOT Matrix



D. STAKEHOLDER ROLES AND RESPONSIBILITIES ASSESSMENT

In this project, there are several stakeholders that must understand the exact scope of their role and responsibilities. *Figure 21* presents a visual breakdown of the primary tasks that would necessarily be entrusted to each of the major stakeholders.

Figure 21: Action Plan 4 Stakeholder Roles and Responsibilities



E. PROPOSED DEVELOPMENT MODEL

In line with the project parameters established in this Action Plan, the Project Team recommends that Phase One (I) of the *Green T Transportation and Tourism Hub* initiative be developed through an Operation and Maintenance (O&M) contract. Given the relative simplicity of the O&M contract as a PPP model, it is not foreseen that a PFS will be required. Instead, a Feasibility Study should instead be launched that could be brought to market in a shorter period of time.

F. ADDITIONAL DATA GATHERING AND DUE DILIGENCE REQUIREMENTS

The PFS will need to begin with important data collection and analysis activities. To this end, presented below are a number of studies, documents, and data sources that will be important to the overall accuracy of subsequent project appraisals:

- Dimensions of the Tourism Information Center
- Construction Costs
- Maintenance Costs

- Dili Tourist Visitor Numbers
- Avenida Portugal Traffic Projections
- Traffic Forecast
- Environmental Regulations for Public Transport Vehicles
- Risk Assessment

ACTION PLAN 5: DILI PLASTIC WASTE REDUCTION PROJECT

A. DETAILED PROJECT DESCRIPTION

CONTEXTUALIZING THE PROJECT

The most popular tourist destinations internationally provide not only a world-class experience to visitors, but also ensure a high quality of life for residents. Such destinations are increasingly referred to as “smart cities” that offer integrated transport linkages, efficient public services, and prioritize well-maintained municipal spaces. This extends not only to recreational and green areas like parks and fields, but also to waterfront and watershed systems of rivers, streams, and estuaries that flow into lakes and oceans.

The link between high profile tourism destinations with effective Solid Waste Management (SWM) and Ocean Plastic policies, regulations, and services is clear. As tourism is one of the most economically impactful sectors, accounting for 10.4% of global GDP and generating approximately one (1) in every ten (10) jobs internationally per the World Travel & Tourism Council¹⁴, the benefits of promoting tourism are manifold.

While generating substantial economic return, the European Union’s 2017 study *Urban Strategies for Waste Management in Tourist Cities*¹⁵ found that the annual 1.1 billion tourists globally cause extensive environmental harm, from transport emission to exceptionally high levels of plastic waste production as compared to residents.

Solid waste has direct impacts on the environment, as well as the health and well-being of communities. Ineffective waste management systems lead to plastic waste contamination in oceans, river systems, and throughout urban areas. Plastic is often an insidious factor that contributes to the spread of vector-borne diseases and, when burned, degrades air quality causing respiratory diseases among humans and animals. The impact of poor waste management is both economic and environmental. Pollution causes significant damage to sectors such as tourism that rely to a large degree on pristine natural environments for commercial appeal.

Solid waste is a particularly challenging environmental consequence of increased tourism. This creates unique waste management challenges stemming from the seasonality of visitor arrivals, concentration of waste in certain “hot spots”, elevated utilization of single-use plastic, and climactic impact on rubbish pileups, for example.

Consequently, waste treatment, recycling, collection, and disposal is an important component of environmental sustainability that not only improves tourism destination

¹⁴ Travel & Tourism: Economic Impact 2019. <https://www.wttc.org/-/media/files/reports/economic-impact-research/regions-2019/world2019.pdf>.

¹⁵ <http://www.urban-waste.eu/wp-content/uploads/2017/02/URBANWASTE-Compendium-of-waste-management-practices.pdf>.

appeal but also ensures that cities have effective and efficient public services to manage the environmental impact of foreign and domestic visitors, as illustrated in Figure 22.

Figure 22: Impact of Environmentally Sustainable Solid Waste Management



The World Bank’s seminal publication titled *What a Waste 2.0: A Global Snapshot of Solid Waste Management to 2050*¹⁶ highlights the scale of the problem as it concludes that global municipal waste generation is expected to reach 3.4 billion tons annually, which is an almost 60% increase from 2018 levels. Countering a challenge of this magnitude requires action that goes beyond the “Three R’s” of Reduce, Reuse, and Recycle. Instead, municipal authorities must take a leading role to take in identifying community-driven initiatives that address municipal solid waste proliferation, particularly where it is entering the ocean.

Improved ocean plastic mitigation and management is a top priority of all ASEAN countries, as well as the international donor agencies, international investors, and tourists interested in sustainable development. It is also emerging as a key element of

¹⁶ <https://openknowledge.worldbank.org/handle/10986/30317>.

USAID's global environmental strategy including in the Asia Pacific region. This Action Plan features a practical, market-based approach to rapidly addressing Ocean Plastic Waste in Dili.

ACTION PLAN OBJECTIVES

The objective of the Project Team through this Action Plan is to conduct a preliminary assessment of how USAID's Tourism For All Project could facilitate improvements to Dili's SWM system to improve its tourism appeal and ability to handle increased rubbish and Ocean Plastic waste production caused by a number of factors.

Specific emphasis has been placed on identifying a simple yet effective partnership model that will complement the efforts of the GOTL and other donor organizations active in this space. This business model is also integrated and scalable with other SWM initiatives discussed with GOTL policy makers in Dili as well as with partner organization such as the Asian Development Bank.

CONCEPTUAL PARAMETERS

Poor maintenance of public spaces in Dili has led to most green spaces becoming significantly overgrown with substantial rubbish piles accumulating throughout, thereby lessening their appeal to tourists and residents alike.

There is some budget allocation by the Dili Municipality to manage and maintain parks, but these efforts are constrained by resources and capacity.

A more challenging situation is the drastic levels of plastic waste in rivers and streams flowing through Dili into the ocean. Removing rubbish from these areas does not appear to be a function that the Municipality performs in practice. As an illustration, a small stretch of a polluted stream near Areia Branca Beach is presented in *Figure 23*.

Figure 23: River Plastic Waste in Dili



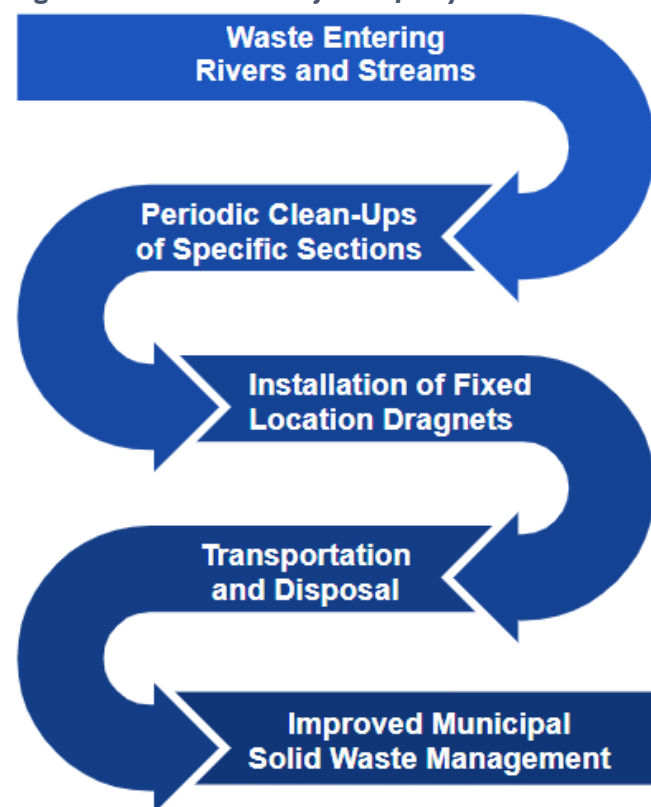
During the torrential rain that continuously inundates the city during summer, this waste is expelled into the ocean where it damages and pollutes coral, fisheries, mangroves, and beaches.

It is envisioned that the REDUCE project would be targeted at addressing the extensive accumulation of plastic and other waste material in rivers and streams throughout the entire city.

USAID's Tourism For All Project would support Dili Municipality design a service contract to task a private organization with responsibility for conducting periodic clean-ups along designated sections of specific rivers and streams.

The project might also entail the installment of waste-collecting dragnets fixed at strategic locations to prevent rubbish from entering the ocean. The contractor would be required to periodically empty these dragnets and then either transport the contents to municipally managed waste bins or take it directly to the Tibar Bay Rubbish Dump.

Figure 24: REDUCE Project Life Cycle



This initiative could be rolled out on a pilot project basis in one area of Dili before being scaled-up to cover the entire municipality. Figure 24 provides a visual depiction of this project structure.

Investing in clean, hygienic, and safe municipal environments is not only good for tourists, communities, and businesses, but it can also lead to budgetary savings for local governments if done well. According to Lohri, Camenzind, and Zurbrugg (2014), World Bank and USAID data reveals that developing countries often spend 20 – 50% of available municipal budgets on SWM while only delivering services to 50% or less of the population.¹⁷

In Timor-Leste, municipal budgets are limited and resources available for investment in SWM are already stretched thin. The challenge is that the *REDUCE* project would be a non-revenue generating partnership, meaning it would require ongoing external financing. However, creative approaches to using blended finance are available to support a variety of Partnership options including public, private, donor, corporate sponsorship, and social impact funding scenarios.

The Project Team recommends that the GOTL explore “non-traditional” sources of financing for initiatives that promote environmental sustainability and combat pollution. Drawing from an array of potential revenue sources, a Tourism Development Fund could be established to fund, among other initiatives, the *REDUCE* project whereby payments would be disbursed as the private contractor fulfills certain obligations and meets specified outputs. This is referred to as Output-Based Aid

¹⁷ *Financial Sustainability in Municipal Solid Waste Management: Costs And Revenues in Bahir Dar, Ethiopia, Waste Management (Volume 4, No. 2), 542-552.*

(OBA) and the *REDUCE* project concept meets many of the OBA eligibility requirements.

Potential funding sources for the Tourism Development Fund are exhibited in *Figure 25*. In addition to the revenue sources identified in this graphic, there may also be the potential to secure grant funding from interested donor agencies for some and or all of the phases of the partnership initiative. Nothing attracts financial supporters like visible success, and the results of the *REDUCE* project would be highly and quickly visible.

Figure 25: Tourism Development Fund Financing Examples



B. MARKET ASSESSMENT

Some waste management facilities currently exist in Dili, with the Tibar Bay Rubbish Dump being the primary refuse collection site. However, Dili Municipality faces stark challenges in SWM related to financing the collection of municipal rubbish and transport to the dump site. This must change and change often comes from a variety of committed change agents both in the public and private sector.

Fortunately, the ADB is currently supporting the transaction of a Design-Build-Operate-Transfer solid waste landfill near Tibar Bay. The ADB is also facilitating the purchase and installation of numerous rubbish bins for plastic, green, and mixed waste. A separate entity will be engaged to manage the collection and transportation of municipal waste under a stand-alone contract. Procurement of this program will commence late 2019 and construction is expected to commence shortly thereafter.

The ADB program is sorely needed in Timor-Leste. However, on the basis of the information provided to the Project Team by Mr. Tiago De Jesus Ribeiro, Urban Development Specialist at the ADB on June 17th, 2019, this initiative will not extend to financing SWM initiatives specifically focused on pollution in rivers and streams that enter the ocean.

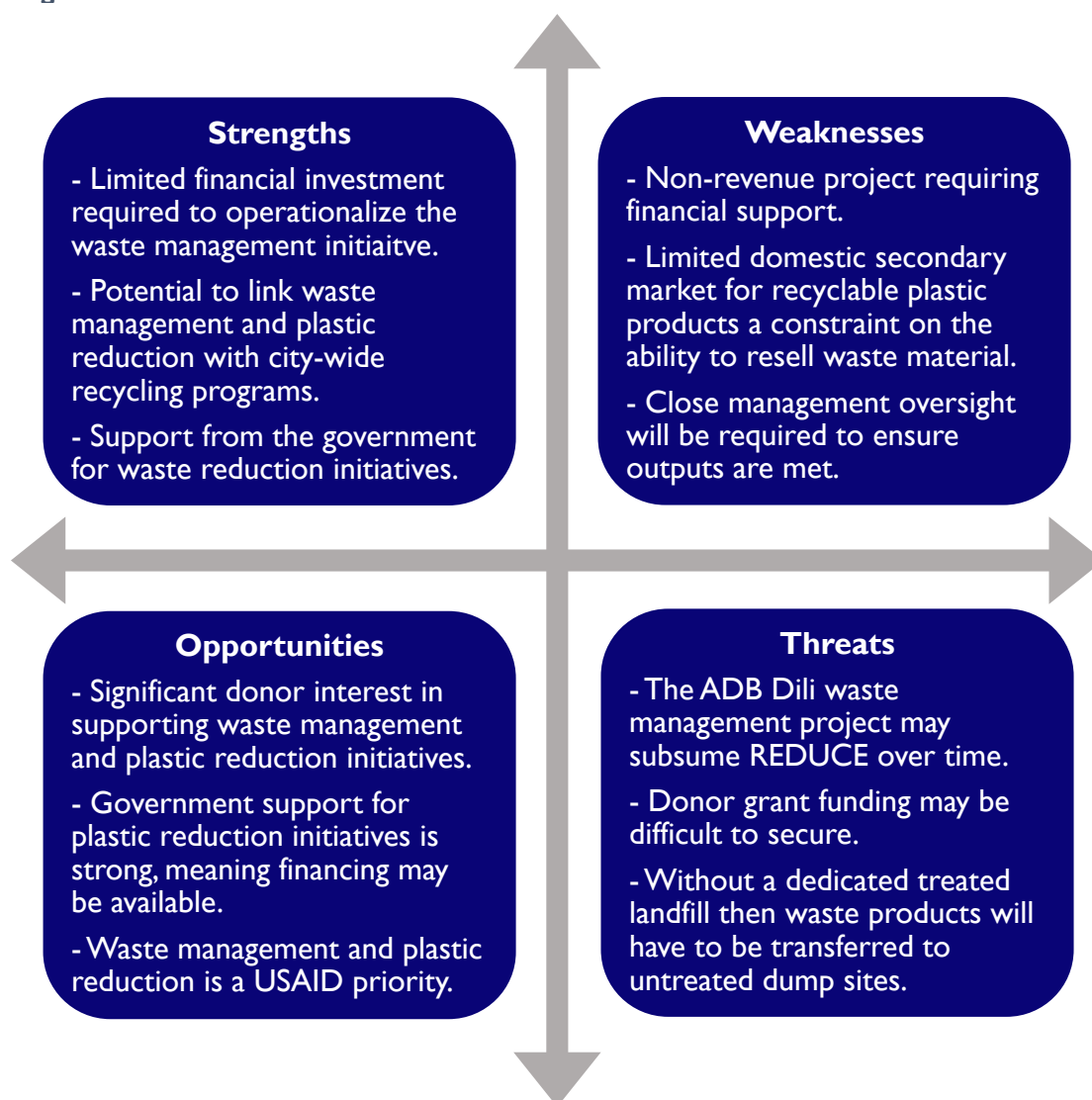
Establishing a plastic waste collection and management initiative is an important first

step to socialize Timorese society to the importance of plastic reduction, test secondary markets for recyclables, and cultivate support from civil society, business, and government alike to promote a market for plastics.

C. SWOT ANALYSIS

As with all investment opportunities, before commencing the *REDUCE* initiative a raft of possible futures, both positive and negative will need to be considered. Under the SWOT framework, the “Strengths” and “Weaknesses” are internally orientated, whereas the “Opportunities” and “Threats” consider only external factors. *Figure 26* presents the SWOT Matrix for this Action Plan.

Figure 26: Action Plan 5 SWOT Matrix



D. STAKEHOLDER ROLES AND RESPONSIBILITIES ASSESSMENT

In order for this project to be successful, there are a number of stakeholders involved in the *REDUCE* project. On undertakings of this magnitude it is imperative that all key actors understand the exact scope of their role and responsibilities to ensure that it is fully executed throughout the project implementation process.

Figure 27 presents a visual breakdown of the primary tasks that would necessarily be entrusted to each of the major stakeholders.

Figure 27: Action Plan 5 Stakeholder Roles and Responsibilities



E. PROPOSED DEVELOPMENT MODEL

In line with the project parameters established in this Action Plan, the Project Team recommends that the *REDUCE* initiative be developed through a service/management contract. Given the relative simplicity of the service contract as a PPP model, it is not foreseen that a PFS will be required. Instead, a Feasibility Study should instead be launched.

F. ADDITIONAL DATA GATHERING AND DUE DILIGENCE REQUIREMENTS

The PFS will need to begin with important data collection and analysis activities. To this end, presented below are a number of studies, documents, and data sources that will be important to the overall accuracy of subsequent project appraisals:

- Study on waste generation in potential Pilot Project locations

- Map of rivers, streams and creeks in Dili
- Environmental Studies on Waste Management in Timor-Leste
- Market Demand Studies and Waste Generation Assessments
- Outreach to Public and Private Sector Plan
- Public Awareness Campaign Plan
- Tariff and Pricing Models
- Cost Assessments
- Model Operating Plan and Preliminary Budget

SECTION NO. 7

NEXT STEPS

The objective of this report is to establish a roadmap for the development of each Priority Project to advance as viable transactions for investment and/or support. However, as demonstrated through each of the five (5) Action Plans, not all the Priority Projects are necessarily structured as typical investments, and do not all need Pre-Feasibility Analysis to proceed. These nuances between projects and their recommended development models are discussed below.

EXPECTED INVESTMENT RESULTS

This report clearly demonstrates that tourism and infrastructure investment can provide a significant boost to the local economy with a multiplier effect on additional investment, access to capital, employment, adoption of technology, and improved services. Moreover, investment in tourism partnerships can foster the tourism value chain and eco-system, creating demand for additional services, stimulating new SME growth, and keeping Timorese revenue and profit in Timor-Leste. It will also lead to increases in property taxes, property value, sales tax, tourism tax receipts, and reduced budget responsibility for Dili Municipality.

The potential impact of these partnership initiatives is clearly extremely significant, offering the potential to stimulate the Timorese tourism sector while also spreading the economic benefits across different social groups such as small business, women, and low income. With a total estimated investment outlay of US\$153 million over the life of assets, that would be a leverage ratio return of 153:1 for every US\$1.0 million of GOTL, USAID, and/or other donor funding. Creating an **estimated 2050 – 3,000 jobs** would represent a significant turning point in establishing tourism as a core pillar of Timor-Leste's diversified economy.

As long-term initiatives with substantial initial investment and ongoing operating investments required, one can see that the successful implementation of each Priority Project would attract much needed finance, employment, and stimulus in the local economy and the tourism sector in particular. *Table 1* illustrates the estimated short- and long-term results of the Priority Projects in terms of investment, job creation, additional investment, and taxation/sales taxes. The *Cristo Rei Site Upgrade and Management* project has also been included, although that initiative is currently the subject of another report currently undertaken by the Project Team.

The parameters for these estimates are:

- **Estimated Capital Expenditure (CAPEX)** – CAPEX encompasses financial investment from the private sector, GOTL, and the donor community to operationalize the project. Most of this capital would be invested in the initial construction/establishment phase.
- **Estimated Operating Expenditure (OPEX)** – OPEX covers potential operational costs/investment required on an annual basis over the life of each partnership to ensure that they remain functional. As the time horizons of

these projects is expected to vary significantly, estimated OPEX ranges from Medium Term Concessions (5-7 years such as the REDUCE Service Contract or Incubator) to longer term leases or Concessions (such as the Port Redevelopment Project) The combination of CAPEX and OPEX represent the estimated total investment required for each project.

- **Estimated Job Creation** – The estimate job creation figures include jobs that are both directly and indirectly created throughout the life of each project. The estimate includes both job creation in the “start up and operations” phase of the projects, to jobs created “downstream” in the value chain as a result of the investment and growth of the enterprise.

Table 4: Illustrated Economic Development Impact of Priority Projects

Project	Estimated CAPEX	Estimated OPEX	Estimated Job Creation (Direct and Indirect)
1. Dili Port Site Redevelopment and Commercialization	· \$75,000,000 ¹⁸	· \$2,000,000 p/a · \$60,000,000 (over life of lease)	· 1,000-1,500
2. Timor-Leste Tourism Development Authority	· \$250,000 ¹⁹	· \$250,000 p/a · \$1,250,000(over 5 year term)	· 10-20
3. Tourism Enterprise Incubator	· \$2,000,000 ²⁰	· \$250,000 p/a · \$1,250,000(over 5 year term)	· 300 -400
4. Green T” Transportation and Tourism Hub	· \$750,000 ²¹	· \$300,000 p/a · \$7,500,000 (over life of contract)	· 100-150
5. Dili Plastic Waste Reduction Project (REDUCE)	· \$500,000 ²²	· \$200,000 p/a · \$2,000,000(over 10 year contract)	· 50-100s
6. Cristo Rei Management Contract	· \$500,000 ²³	· \$250,000 p/a · \$2,500,000(over 10 year contract)	· 25-30
Total	· \$79,000,000	· \$74,000,000 (over asset and contract life)	· 2,050-3,000
Total investment	· \$153,000,000 and 3,000 jobs created · Leverage ratio of 153:1!		

¹⁸ Estimated private sector commercial investment of CAPEX and OPEX over a 30 year lease period.

¹⁹ Estimated grant funding from interested donors with OPEX covered by a combination of “ringfenced” user fees (such as through the Tourism Development Fund) and donor contributions.

²⁰ Estimated grant funding from interested donors with USAID providing initial funding and other donors providing co-financing until financially independent.

²¹ Estimated private sector investment of CAPEX and OPEX over the 25 year Concession.

²² Estimated capital investment and blended finance from GOTL and interested donors in the operating 10 years of the business/contract.

²³ Estimated private investment of CAPEX and OPEX for a 7-10 year performance management O&M contract.

It is worth noting that these estimated benefits are only based on the five (5) Priority Project and one (1) Pilot Project. If the entire TFA portfolio of thirty-six (36) projects from the Master List were successfully implemented, one could see these numbers increased dramatically, with a leverage factor of possibly 300:1, or 400:1. A ratio of 10:1 would be considered a huge success in most environments, therefore the opportunity is enormous. Similarly, the number of jobs created could foreseeably increase from 2050 to up to possibly 5,000 or even 10,000, of which most would be long-term and skilled or semi-skilled,

STRATEGIC RECOMMENDATIONS

Provided below is a succinct set of recommendations for each of the Priority Projects that are intended to inform their ongoing development under subsequent phases of USAID's Tourism For All Project.

It is envisioned that these recommendations will improve the likelihood for implementation success and more accurately reflect on-the-ground dynamics with respect to the state of Timor-Leste's tourism sector, economic status quo, institutional apparatus, and GOTL priorities.

1. DILI PORT SITE REDEVELOPMENT AND COMMERCIALIZATION

The following recommendations have been developed to provide a road map to project sponsors as to the kind of activities that will streamline and facilitate subsequent stages of project appraisal:

- The size and scale of the Port redevelopment and commercialization necessitates a "whole of government" approach with significant cooperation and communication between various public sector stakeholders. To facilitate this process, the Project Team recommends the formation of an Inter-Ministerial Task Force. This Task Force would be composed of senior-level members of relevant Ministries, APORTIL, as well as representatives of Cabinet as deemed appropriate. They would work in close liaison with USAID's Tourism For All Project throughout the project life cycle. This initiative could be tied in with the Ministry of Finance's ongoing initiative to develop a Coordination Platform for PPP Projects in the Tourism Sector.
- The Project Team has engaged experts with specialized knowledge in economics, finance, engineering, law, and project management. The nature of the Port redevelopment and commercialization initiative necessitates the engagement of an Urban Planner who specializes in such undertakings to visit the facility and support the team during subsequent stages of project development. The Project Team recommends that an individual bringing the required competencies is engaged for this reason.

2. TIMOR-LESTE TOURISM DEVELOPMENT AUTHORITY

The following recommendations have been developed to provide a road map to project sponsors as to the kind of activities that will streamline and facilitate subsequent stages of project appraisal:

- Establishing a Public-Private Association that performs certain functions which currently fall under the exclusive purview of MTCL will create certain

challenges. For this reason, the Project Team recommends establishing a Tourism Authority Working Committee to evaluate institutional design options, specifically regarding the creation of the mixed composition Board and Tourism Development Fund. This Committee would need to work in close coordination with and report to the recently established Inter-Ministerial Tourism Council.

3. TOURISM ENTERPRISE INCUBATOR

The following recommendations have been developed to provide a road map to project sponsors as to the kind of activities that will streamline and facilitate subsequent stages of project appraisal:

- The long-term sustainability of the TEI cannot depend on USAID's Tourism For All Project. For this reason, the Project Team recommends that priority is given to the need to engage with Strategic Partners to determine how they might support and promote the Incubator and participating tourism enterprises. Additionally, the TIWG represents an important venue through which the TEI initiative may be socialized amongst the wider tourism industry and synergies with different businesses and/or groups organically evolve.

4. "GREEN T" TRANSPORTATION AND TOURISM HUB

The following recommendations have been developed to provide a road map to project sponsors as to the kind of activities that will streamline and facilitate subsequent stages of project appraisal:

- The ultimate success of the Green T initiative will depend in large part on the ability of the Tourism Information Center to function as an effective commercial and logistical hub of the broader transport network. This requires that informational and promotional services are delivered to tourists at standards required to be competitive on the international market. For this reason, the Project Team recommends that the initiative be developed under a phased approach. Phase One would focus on infrastructure upgrades to the Tourism Information Center and delivery of training to staff by a private contractor. Phase Two of the project would be the implementation of the transportation network itself.

5. DILI PLASTIC WASTE REDUCTION PROJECT

The following recommendations have been developed to provide a road map to project sponsors as to the kind of activities that will streamline and facilitate subsequent stages of project appraisal:

- Given the potentially expansive nature of the project the Project Team recommends that the most appropriate approach toward implementation of the *REDUCE* initiative is through a Pilot Project approach. This would allow for initial testing of project financing through the proposed Tourism Development Fund, as well as eventual scaling-up of the initiative following success of the Pilot. At the point when the Pilot is considered for scaling-up there might be additional funding available from other donor agencies, such as the Millennium Challenge Corporation.

“CRITICAL PATH” IMPLEMENTATION SCHEDULE

The final component of this report is to provide USAID and the GOTL with an indicative work schedule that reflects the timeframe that the Project Team believes is sufficient for the appraisal and advancement of each Priority Project in Year Three of the project. Importantly, this schedule demonstrates that tangible results are clearly achievable during a 12 month period which would be very attractive to GOTL, USAID and the private sector.

This schedule features the logical transaction development steps and Primary Tasks for each project to be successful in attracting investment and or donor support.

Obviously, those projects which are more investment intensive require more time and resources, while other projects are able to move with greater speed towards implementation. The proposed work schedule presented in *Figure 28* reflects this and indicates key primary tasks and their logical sequencing. Each task has been color-coded to identify specific responsibilities of key stakeholders.

	Task Leadership - Project Team
	Task Leadership - Government of Timor-Leste
	Task Leadership - All Stakeholders
	Recommendation Evaluation and Decision to Proceed (USAID)

Figure 28: Illustrative Work Schedule

Task No.	Priority Project	USAID Fiscal Year: October 2019 - September 2020							
		Oct '19	Nov '19	Dec '19	Jan '20	Feb '20	Mar '20	Apr '20	May '20
1	Cristo Rei Site Upgrade and Management								
1.1	Recommendation Evaluation and Decision to Proceed (Pre-Feasibility Study)								
1.2	Feasibility Study								
1.3	Recommendation Evaluation and Decision to Proceed (Feasibility Study)								
1.3	Transaction Task Force Established								
1.4	Transaction Strategy Adopted								
1.5	Procurement Documentation Developed								
1.6	Tender Proceedings Launched								
1.7	Preferred Bidder Selected								
1.8	Recommendation Evaluation and Decision to Proceed (Tender Transaction)								
2	Dili Port Site Redevelopment and Commercialization								
2.1	Signed Cooperation Agreement								
2.2	Formation of the Inter-Ministerial Task Force								
2.3	Site Survey, Assessment, and Data Collection								
2.4	Pre-Feasibility Study								
2.5	Inter-Ministerial Task Force Consultation								
2.6	Recommendation Evaluation and Decision to Proceed (Pre-Feasibility Study)								
2.7	Feasibility Study								
2.8	Inter-Ministerial Task Force Consultation								
2.9	Recommendation Evaluation and Decision to Proceed (Feasibility Study)								
2.10	Transaction Task Force Established								
3	Timor-Leste Tourism Development Authority (TLTDA)								
3.1	Formation of the Tourism Authority Working Committee								
3.2	Hold Public Consultations in the Tourism Investment Working Group								
3.3	Organizational Framework Design of TLTDA								
3.4	Tourism Authority Working Committee Consultations								
3.5	Recommendation Evaluation and Decision to Proceed (TLTDA Business Plan)								
3.6	Conceptual Design of the Tourism Development Fund (TDF)								
3.7	Tourism Authority Working Committee Consultations								
3.8	Recommendation Evaluation and Decision to Proceed (TDF Business Plan)								
4	Tourism Enterprise Incubator (TEI)								
4.2	Incubator Business Plan Developed								
4.3	Recommendation Evaluation and Decision to Proceed (TEI Business Plan)								
5	"Green T" Transportation and Tourism Hub								
5.1	Site Survey, Assessment, and Data Collection								
5.4	Feasibility Study								
5.5	Recommendation Evaluation and Decision to Proceed (Feasibility Study)								
5.6	Transaction Task Force Established								
6	Dili Plastic Waste Reduction Project								
6.1	Due Diligence and Data Collection								
6.5	Feasibility Study								
6.6	Recommendation Evaluation and Decision to Proceed (Feasibility Study)								
6.7	Transaction Task Force Established								

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