The purpose of this Project Brief is to provide preliminary background information on a potential opportunity to interested investors, and to solicit comments and feedback on issues that may be of concern prior to the Government of Timor-Leste (GoTL) finalizing a decision to develop a public-private partnership (PPP) for the Tibar Bay Port project. The Project Brief does not constitute any liability on the GoTL as well as the International Finance Corporation (IFC) as to the accuracy and completeness of the information contained herein.
## Agenda

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Project Background

- **National Sea Transport Economics:**
  - Dili Port is the only international seaport in Timor-Leste, handled around 42,000 TEU and 250,000 tons of break bulk (2011)
  - Challenging operating conditions with limited draft and storage area
  - Mixed passenger ferry and cargo operations
  - Typical city port with no reasonable extension possibilities

- **Government of Timor-Leste (GoTL) Objectives for Tibar Bay Port:**
  - Create required port facilities to cope with expected traffic increase
  - Accommodate larger vessels to realize economies of scale in sea transport
  - Move all cargo handling operations from Dili port
  - Improve national economy by building stronger sea links
  - Improve the level of services and increase efficiency of seaport
  - Gain from experience of international container port operator
IFC is acting as GoTL’s Lead Transaction Advisor supported by *Hamburg Port Consultant* as Port Consultants, *Gide Loyrette Nouel* and *AFG Advogados* as Legal Consultants, and *EcoStrategic* as Environmental and Social Consultants.

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<th>Role</th>
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<td>Legal Consultants</td>
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<tr>
<td>AFG Advogados</td>
<td>Dili, Timor-Leste</td>
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</tr>
<tr>
<td>EcoStrategic</td>
<td>Brisbane, Australia</td>
<td>E&amp;S Consultants</td>
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Due Diligence & Structuring (Phase 1)

Mobilize Project: Team including IFC staff and external consultants.

- Information gathering and analysis by IFC port technical consultant
- IFC legal consultant reviews legal and regulatory framework
- IFC E&S consultant prepare E&S Scoping Study

GoTL mandates IFC

May 2012

Nov 2012

Jan 2013

Feb 2013

March 2013

April 2013

Ongoing consultations with GoTL on emerging technical, legal and E&S issues

Financial Modeling

Investor Market Sounding

Transaction Structuring Report (TSR)

Transaction Execution (Phase 2)

Pending GoTL decision

Strategic, Commercial and economic analysis

Technical and operational analysis

PPP design specifications
Legal Framework: Under Review & Discussion

- Decree-Law 42/2012, or the Law Regime on PPPs
  - GoTL with support from ADB is drafting PPP regulations and Project cycles
- Decree-Law 3/2003 establishing the Port Authority/Operator APORTIL
  - Port functions are reserved for the public sector
- Land ownership currently being reviewed
  - Ensuring no ownership claims and legal/illegal residents
- Tibar Bay site not protected but environmental laws being reviewed
  - No exception to sections 4 and 5 of UNTAET Regulation 2000/19
- Foreign Investment and International Labour laws under reviewed
- Possible difficulty to enforce international arbitrations
  - GoTL is considering ratifying the New York Convention
Dili Port 2006 to 2011:

- Strong container growth of 22.7 percent p.a.
- Dili port water depth limited to small multi-purpose and feeder vessels (max. 500 TEU)
- Congestion in port makes future container & other cargo growth impossible
Market & Competition Analysis

Container Trade Routes and Liner Patterns: Mainline Services

- Average ship size 3,500 to 4,300 TEU
- Main routes in north-south direction
- Presently not directly passing Timor Island
- Could change in future
Market & Competition Analysis

Container Trade Routes and Liner Patterns: Regional Services

- Average ship size 1,700 to 2,700 TEU
- Main routes in east-west direction
- Presently several services directly passing Timor Island
- Potential calls at Tibar Bay
- **Base case**: most likely development
- **High case**: Additional transit (to Indonesia Timor) and T/S traffic
- **Low case**: Strong competition with planned Suai port on South Coast
Traffic Forecast

Non-containerized cargo Timor-Leste

- **Vehicles**: Import will strongly increase with per capita income.
- **Cement**: Strong import growth from construction projects and private housing schemes.
- **Other break bulk cargo**: Only moderate growth
Possible Design & Phasing Scenario

- **Up to 2027**
  - Phase I
    - 100% Quay-Wall (630m)
    - 100% Dredging
    - 100% Reclamation
    - 60% Pavement & utilities

- **from 2028**
  - Phase II
    - 100% pavement & utilities

Length of Quay Wall at Dili Port

**DRAFT - UNDER REVIEW**
Port Layout Options

Basic requirements: Sheltered / Adequate wharf berthing length / Adequate land area / Low or acceptable impact on settlement
Port Layout Options

- Option 2A
- Option 2B

**Basic requirements**: Sheltered / Adequate wharf berthing length / Adequate land area / Low or acceptable impact on settlement
Port Layout Options

• Option 3

• Possible Option 4

Basic requirements: Sheltered / Adequate wharf berthing length / Adequate land area / Low or acceptable impact on settlement
Environmental & Social Context

- Mangrove
- Coral Reef
- Seagrass
Environmental & Social Context

- Desktop study & Field surveys
  - Completed, his included initial discussions with stakeholders (government, NGO, local communities)
  - Early engagement with local communities

- Scoping Report
  - due early April
  - identification and initial assessment of major E&S issues

- Criteria being assessed
  - Bay marine habitat types & unique species
  - Terrestrial habitat
  - Local settlements & livelihoods
  - Other developments
Port Layout Options: Evaluation Process

- The commercial/financial, technical/operational and environmental/social evaluation process will include:
  - Matrix 1: technical and operational evaluation of alternative locations

<table>
<thead>
<tr>
<th>Criterion/Alternative</th>
<th>1-A</th>
<th>1-B</th>
<th>1-C</th>
<th>2-A</th>
<th>2-B</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Navigational Access</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
<td>Good</td>
<td>Difficult</td>
</tr>
<tr>
<td>Wave Protection (tentative)</td>
<td>Good</td>
<td>Good</td>
<td>Bad</td>
<td>Bad</td>
<td>Bad</td>
<td>Good</td>
<td>Good</td>
</tr>
<tr>
<td>Dredging Volumes</td>
<td>Medium</td>
<td>Medium</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Very High</td>
</tr>
<tr>
<td>Dredging Material to be dumped ¹</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Medium</td>
<td>Very High</td>
</tr>
<tr>
<td>Quay Wall Construction Cost</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Operational Land Area Availability</td>
<td>Good</td>
<td>Moderate</td>
<td>Good</td>
<td>Difficult</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Limited</td>
</tr>
<tr>
<td>Land Operating Costs</td>
<td>Low</td>
<td>Higher</td>
<td>Low (like 1A)</td>
<td>Higher</td>
<td>Between 1A and 1B</td>
<td>Between 1A and 1B</td>
<td>Highest (equipment needs)</td>
</tr>
</tbody>
</table>

Extension Possibilities:
- Berth extension: Possible | Possible | Possible | Limited | Limited | Not possible | Not possible
- Yard extension: Possible | Possible | Possible | Not possible | Not possible | limited | limited

¹ Difference between dredging and land reclamation

Source: HPC, 18 Feb 2013
PPP Options: Private Sector Participation

- Preliminary findings suggest a Landlord Port Model

<table>
<thead>
<tr>
<th>Basic Port Management Models</th>
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<tbody>
<tr>
<td><strong>Type</strong></td>
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<tr>
<td>Public Service Port</td>
</tr>
<tr>
<td>Tool Port</td>
</tr>
<tr>
<td>Landlord Port</td>
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<tr>
<td>Private Service Port</td>
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</tbody>
</table>

- With a Design-Build-Operate-Transfer (DBOT) contract:
  - With (sensible) tariff & performance control
  - Exclude ownership of land by private operator
  - Transfer Port to GoTL at end of concession period

DRAFT - UNDER REVIEW
## PPP Options: Key Project Components (Landlord Port Model)

### Possible Distribution of Roles and Responsibilities

<table>
<thead>
<tr>
<th></th>
<th>Harbour Development</th>
<th>Terminal Infrastructure</th>
<th>Terminal Superstructure/Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Master Plan</strong></td>
<td>GoTL: definite plan for operationally feasible, environmentally accepted, and legally available location; conceptual layout of harbour and terminal; basic geotechnical data for location.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Investment</strong></td>
<td>GoTL</td>
<td>GoTL or Private Operator</td>
<td>Private Operator</td>
</tr>
<tr>
<td><strong>Detailed Design &amp; Construction Implementation</strong></td>
<td></td>
<td>Private Operator under single point provider strategy</td>
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</table>
PPP Options: Key Project Components (Landlord Port Model)

- Private port operator to design & construct TBP according to GoTL’s requirements and time frame
- Port operator responsible for specification/acquisition of equipment
- Container handling by private port operator
- Non-containerized cargo to be handled at TBP
- Tariffs to be part of concession agreement
- Triggers for capacity extension
- Structure to support bankability of the project
- Marine services (tug/pilotage) by private sector (separate contract)
PPP Options: Bidder Pre-Qualifications

Example of best practice

- Expertise in operation of small and/or medium sized container port operations
- Construction / Project Management Expertise (aggregate experience on $[x]m of projects & single project worth $[x]m)

- Minimum Net Worth
- Capital raising/financing track record
Next Steps

• Complete Legal & Technical Due Diligence Reports

• Complete E&$ Scoping Study

• Complete financial analysis and market sounding of PPP transaction structure

• Prepare and present Transaction Structure Report to GoTL

• Launch PPP tendering process
## IFC Key Contacts

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