

Policy framework of the Chamber of Commerce and Industry Timor-Leste



Introduction

The Chamber of Commerce and Industry Timor-Leste (CCI-TL) represents the interests of the business community and promotes sustainable economic development in Timor-Leste. CCI-TL is strongly committed to advocating for a conducive business environment that supports the establishment of business operations, encourages fair competition and economic long-term success.

In this context, the International Labour Organization (ILO) collaborated with CCI-TL using the Enabling Environment for Sustainable Enterprises (ESEE) methodology to analyse political, economic, social and environmental factors of the enabling business environment in Timor-Leste. Building upon the ESEE findings and with the support of the ILO, CCI-TL developed policy recommendations in six priority areas that call for concrete action to boost private sector growth and increase foreign investment into Timor-Leste.

This brief outlines main issues and challenges impacting the six priority areas and CCI-TL's policy proposals to advance economic development in Timor-Leste.

1. Legal and regulatory environment: establish a clear and strong legal structure to facilitate business development

In Timor-Leste, issues impacting the legal and regulatory environment include limited legal support for business development, regulations perceived to favour foreign investors over domestic ones, and a weak judicial system which jeopardizes the safety of business owners and managers. CCI-TL proposes the following policy recommendations to the government in order to address these issues and facilitate long-term business development:

- Ensure that rules and regulations are transparent, fair and consistent. For this, consultations and briefings could be regularly held to discuss regulatory changes with private sector actors.
- Enforce business rules and regulations to promote fair competition, local investment and overall growth of local businesses. This could be supported by local job creation and training of local workers to upgrade skills.
- Ensure law enforcement to promote justice and protect business interests through speedy trials and equal treatment and for all, regardless of nationality, gender or other factors.

2. Good governance: improve good governance for fair business competition and protection

Bribery and corruption are key challenges to Timor-Leste's political, economic, and social development. As a way to promote fair opportunities for everyone, particularly local enterprises, CCI-TL proposes two policy recommendations to the government:

- Boost confidence in the national economy market by combatting unfair and corrupt practices and penalizing wrongdoings;

- Improve the competitive advantage of Timorese enterprises through the allocation of a minimum quota of participation in big consortiums.

3. Infrastructure: enhance infrastructure accessibility and efficiency for private sector development

Main infrastructural issues in Timor-Leste include limited accessibility to roads, seaports, and airports, which increase transportation times and business operation costs; poor quality of infrastructure service providers including customs or port authorities that reduce business productivity due to delays; and a lack of government oversight to ensure efficiency and transparency of infrastructure contract bidding, which results in administrative difficulties and delayed payments.

CCI-TL offers the following policy recommendations to the government so as to enhance infrastructure accessibility and efficiency for all:

- Improve accessibility to basic infrastructure based on the needs of top economic sectors, and keep collaborating with developmental partners on key infrastructure projects.
- Monitor accuracy and speed of infrastructure services to increase administrative efficiency and encourage service improvement. The government could also consider privatizing infrastructure services to incentivize a more competitive environment and better customer services.
- Improve the construction project procurement process with the enforcement of practices to exert quality control and monitor companies that won construction bidding.

4. Entrepreneurship: institutionalize support for entrepreneurship to turn innovative ideas into real businesses

Entrepreneurship in Timor-Leste is impacted by limited access to finance, which becomes difficult due to requirements such as credit history and business experience to access commercial loans; and lack of incentives to turn good ideas into successful business ventures.

Recognizing that entrepreneurship is key to sustainable economic growth, CCI-TL proposes the following policy actions to promote entrepreneurship:

- Establish a legal definition of micro, small and medium-sized enterprises (MSMEs) aligned with international standards to provide smaller enterprises with financial benefits related to business registration fee, taxes, interest rate on loans, and access to training opportunities, among others.
- Collaborate with the private sector to improve the education system so that it provides hard and soft skills and vocational training to future entrepreneurs.
- Encourage business representatives and entrepreneurs to teach and share skills and experience in technical vocational education training (TVET) institutions to support practical learning and encourage innovation.
- Promote private sector mentorship by encouraging information sharing between experienced and potential entrepreneurs.
- Establish public-private partnerships to support public recognition of entrepreneurs through awards and prizes.

5. Skills development: strengthen the education system and provide improve workers' skills

The key issue in the area of skills and education is the shortage of workers with professional and technical skills due to limitations of the current TVET system, and low productivity of local workers. As a result, some companies prefer to hire foreign workers because they are considered more skilled and productive.

In order to strengthen the education system and enhance skills and productivity, CCI-TL proposes the following policy recommendations to the government to be conducted jointly with the private sector:

- Update general education and TVET curricula to better respond to skills demands in the labour market.
- Establish a multi-stakeholder platform to upgrade soft and hard skills according to skills demands by economic sector.
- Promote linkages between general education and TVET institutions and the private sector. For this, apprenticeships and internships could become part of formal educational curricula.

6. Access to finance: increase access to finance for all businesses and improve financial accountability in the market

Access to finance is difficult due to high interest rate on bank credits and loans, and a lack of customized financial rules and regulations that encourage financial competitiveness of enterprises, particularly MSMEs. This is aggravated by the low confidence that financial institutions have in Timorese businesses resulting from the perceived high risk of payment default.

CCI-TL proposes the following policy recommendations to the government so as to increase access to finance for everyone and improve financial accountability:

- Introduce policies and regulations to support MSMEs such as credit schemes and funds to facilitate access to finance under preferential conditions.
- Establish training programmes to improve financial literacy, management and marketing skills.
- Set up an official communication channel through which MSMEs can communicate with the government and share information about new regulations impacting the private sector.
- Establish a strong legal and regulatory oversight for financial accountability of consumers and enforce legal action on individual and commercial borrowers' who incur in payment default.

Conclusion and next steps

This brief outlined the CCI-TL's policy recommendations in six priority areas, namely, legal and regulatory environment, good governance, infrastructure, entrepreneurship, skills development and access to finance.

It is critical that the government establishes interactive consultation mechanisms with all stakeholders, especially the private sector, for the effective implementation of the CCI-TL's policy recommendations included in this brief.