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Tibar Bay Port: Timor-Leste's first-ever PPP

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Originally conceived in 2012, Timor-Leste's first-ever PPP – Tibar Bay Port – has reached financial close and is expected to serve as the template for other transactions going forward.

Following its independence from Indonesia in 2002, Timor-Leste enjoyed an influx of investment in its oil and gas sector, which in turn drove up economic growth by over 10% every year between 2007 and 2010.

That growth has also driven a rise in imports and cargo volumes handled at Timor Leste's existing port at Dili, which was often overloaded, inefficient and unsafe. Ships calling at Dili port could find themselves paying demurrage charges – fees paid to ship contractors for delays in unloading – for up to 10 days.

"The existing Dili port had become an economic bottleneck due to congestion and high costs," International Finance Corporation (IFC) senior operations officer Christopher Bleakley says. The government of Timor-Leste appointed the IFC as transaction adviser on the deal in October 2012.

The new greenfield international cargo terminal at Tibar Bay will include a 630-metre, two-berth facility and a large container terminal with the capacity to handle up to 750,000 containers, as well as cargo, customs and administration buildings. The concession period to operate the port is 30 years.

"Tibar Bay Port is Timor Leste's first ever PPP and a key economic priority for the government," Bleakley says.

The RFQ was issued in October 2013, with four bidders prequalified in March 2014. They were:

- Bolloré Africa Logistics
- International Container Terminal Services
- Mota-Engil – Ambiente e Serviço
- Peninsular and Oriental Steam Navigation Company

The key variable for the bid was the size of viability gap financing (VGF), with the group offering the lowest VGF subsidy to be the winner. All other variables were fixed in the concession agreement with the sponsor, so that investments in infrastructure and equipment could be adjusted in line with demand growth.

"The government took a methodical approach to preparing the transaction, building confidence with stakeholders, addressing bidders' concerns, and adjusting the risk allocation," according to Bleakley.

Eventually, Bolloré was awarded the concession and signed the concession agreement in June 2016.

Bolloré is responsible for all investment apart from the initial government subsidy and assumes the traffic risk. Charges for services are based on a tariff schedule defined in the concession agreement. The government will receive a twentyfoot-equivalent royalty fee and other revenue.

The Tibar Bay port cargo terminal will require an initial investment of $280 million and a further $210 million in expansion costs. The Timor-Leste government is providing the $129 million VGF upfront during the construction phase.

“The project required a government contribution to be viable as a PPP, and this has leveraged substantial private financing. The private sector has committed $150 million under a blend of 70:30 debt-to-equity,” Bleakley says.

Bolloré reached financial close on the project in October (2018). Commercial close on the project was reached in 2016, following the award of the concession to Bolloré’s local subsidiary Timor Port.

Along with the IFC, other advisers on the transaction included:

- AFG Advogados – legal
- Gide Loyrette Nouel – legal
- Hamburg Port Consultant – technical
- EcoStrategic – environmental and social