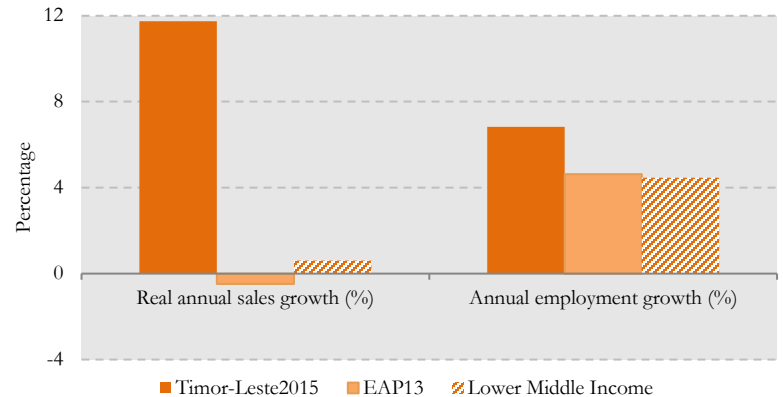


The World Bank Group conducted face-to-face interviews with top managers and business owners of 126 enterprises in [Timor-Leste](#) from September 2015 through June 2016. The Enterprise Survey (ES) sample is representative of Timor-Leste’s formal private sector. The ES covers several aspects of business environment along with measures of firm performance. Below are the main highlights from the survey.

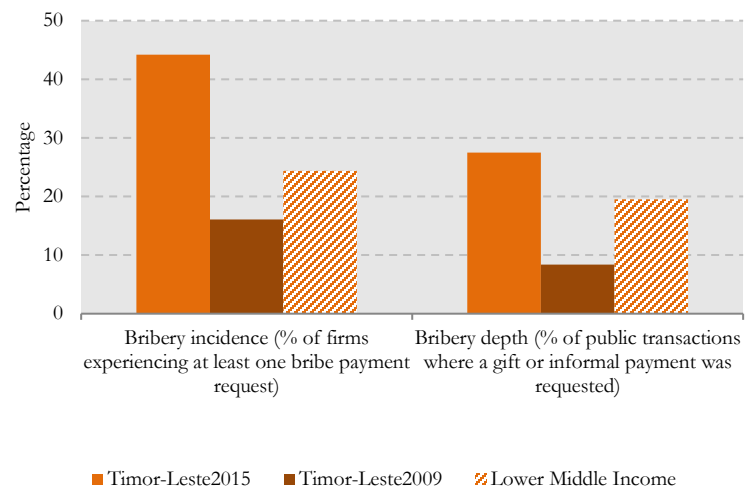
*Timorese firms experience robust annual sales growth compared to similar economies*

Between 2012 and 2014, Timor-Leste’s private sector experienced robust annual sales [growth](#) (11.7%), while the average sales growth rate in East Asia and Pacific (EAP) and in lower middle income economies was much smaller or even negative (-0.5% and 0.6% respectively). During the same period, employment in the average Timorese firm outpaced comparator economies growing by 6.8% annually, compared to the 4.6% average for EAP and 4.5% average for lower middle income economies.



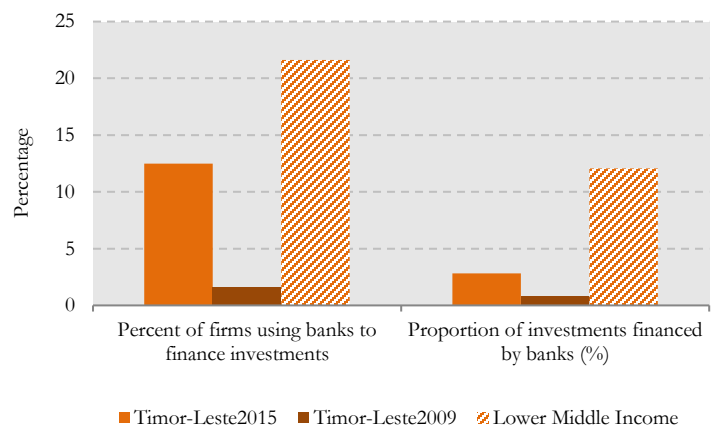
*Firms experience higher levels of corruption than in 2009*

Compared to 2009, Timor-Leste’s firms are facing higher levels of [corruption](#). In 2016, 44% of Timorese firms experienced at least one bribe request across 6 transactions dealing with access to utilities, permits, licenses, and taxes as compared to 16% in 2009 and 24% in lower middle income economies. Similarly, the bribery depth index -the percentage of public transactions involving a bribe request- has remarkably increased in Timor-Leste in 2015, as bribes were requested or expected in 27% of the transactions, compared to 8% in 2009 and 20% of transactions in lower middle income economies.



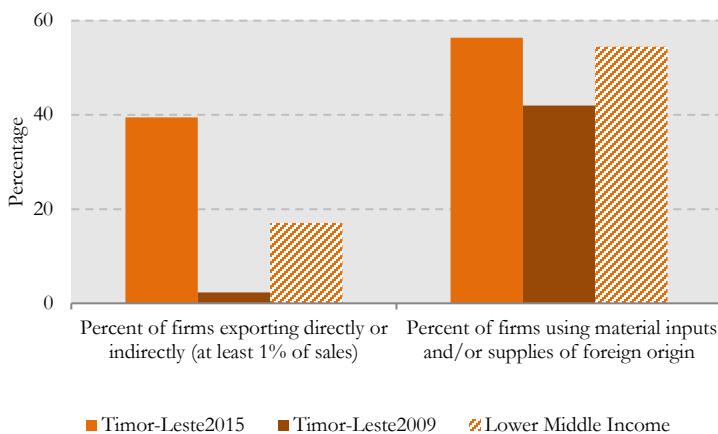
*More firms are using banks for investment financing than in 2009, but still fewer than in comparator economies*

Investment [financing](#) from banks has improved since 2009, but it is still less common than in lower middle income economies. The percentage of firms that use banks to finance investments has remarkably improved (12% in 2015 compared to 2% in 2009); however, Timorese firms underperform the average of 22% in lower middle income economies. The proportion of investments financed by banks has improved as well, to 3% in 2015 compared to about 1% in 2009; however, this is still well below the average 12% in lower middle income economies.



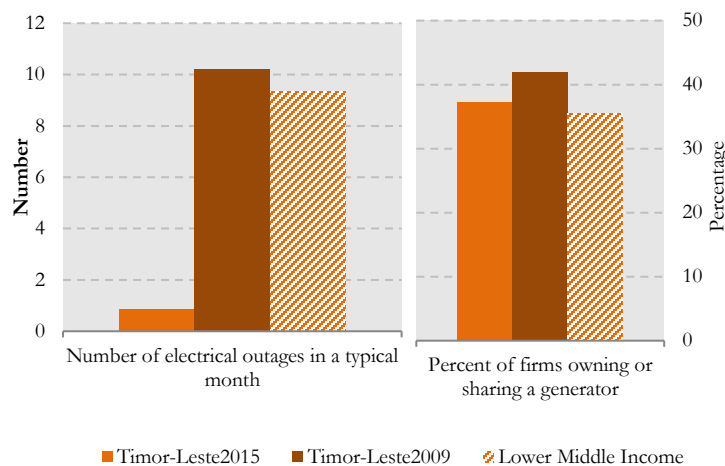
**Compared to 2009, a higher percentage of Timorese firms are engaged in international trade**

More Timorese firms are engaged in international trade compared to 2009, in both exporting and importing activities. Compared to 2009 when only 2% of firms exported directly or indirectly at least 1% of sales, exporting activity has increased significantly in 2015 (39% of firms), and is also higher than the average for lower middle income economies (17% of firms). The percentage of firms using material inputs of foreign origin has also increased (from 42% in 2009 to 56% in 2015) and is comparable to the average in lower middle income economies (55%).



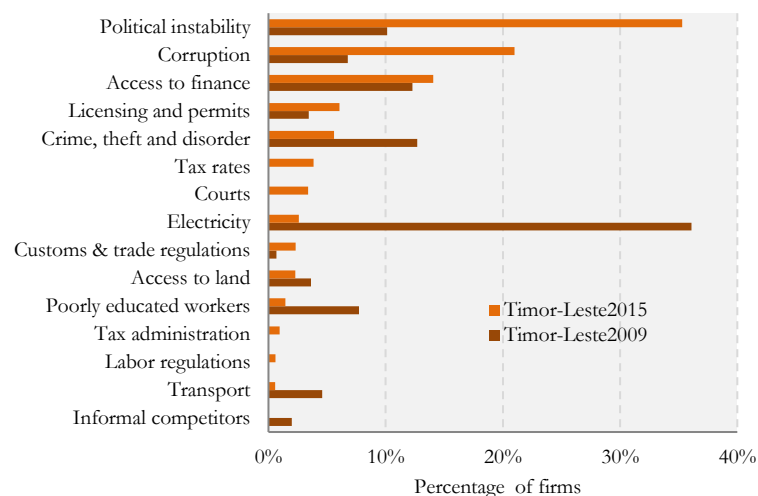
**Electricity supply has also improved since 2009 and is better than in comparator economies**

The supply of electricity received by firms in Timor-Leste has improved since 2009 and it now outperforms its income comparators. In 2015, firms experience approximately less than 1 electrical outage in a typical month, compared to 10 outages in 2009 and 9 outages per month in lower middle income economies. This improvement in electricity supply is also reflected in the decreased percentage of firms that own or rent generators. In 2015, 37% of Timorese firms indicate they own or share a generator, less than in 2009 (42%) but comparable to the average for lower middle income economies (35%).



**Firms consider political instability as the biggest business environment obstacle**

Among 15 areas of the business environment, 35% of firms in Timor-Leste chose political instability as the biggest obstacle to their daily operations. Corruption is ranked second (cited by 21% of firms) and access to finance and licensing and permits are ranked 3<sup>rd</sup> and 4<sup>th</sup> (cited by 14% and 6% of firms respectively). Electricity, which was ranked as the top obstacle by 36% of firms in 2009, is not among the top 5 obstacles in 2015. This is consistent with the firms' experience presented above, which indicated improvement in electrical service. Crime, theft and disorder and access to finance were ranked 2<sup>nd</sup> and 3<sup>rd</sup> respectively in 2009 and are still among the top 5 obstacles in 2015.



The Enterprise Analysis Unit is a joint World Bank and IFC team of economists, survey experts specialized in private sector development. Surveys implemented by the team reveal what businesses and firms experience across the world by interviewing representative samples of the formal, non-agricultural, non-extractive, private sector with 5 employees or more. The resulting globally comparable firm-level data is used to construct business environment indicators and measure firm performance. The findings and recommendations help policy makers identify, prioritize, and implement policy reforms that support efficient private economic activity.

For more information on the survey visit <http://www.enterprisesurveys.org>