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The Reform of Timor Leste's Investment Law in The Concept of The Welfare State

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Abstract. *Foreign direct investment (FDI) is one source of funding for national development. However, its application in Timor-Leste is currently still limited. FDI accounts for 45% of total domestic investment, while domestic investment (NDI) accounts for 55%. This shows that the country's main economic sector is still dominated by oil and gas. Legal and regulatory barriers are one of the main obstacles to attracting foreign investment, even though FDI has the potential to drive sustainable economic growth and improve people's welfare. However, reform is still needed in the Investment Law to emphasise that investment, including FDI, is not only about economic growth, but also a constitutional tool to achieve public welfare through job creation, strengthening public services, and protecting vulnerable groups. This research is normative in nature, analysing various laws and regulations applicable in Timor-Leste. Primary data was obtained from laws, regulations and government policies related to investment, while secondary data was sourced from books, journals and other relevant scientific literature. The findings show that investment barriers in Timor-Leste include a complicated bureaucratic licensing process, fragmented regulations, limited human resource capacity, inadequate infrastructure, and a small domestic market. Furthermore, foreign investment laws are not in line with the Timor-Leste Constitution in terms of achieving prosperity. These conditions have an impact on the investment climate and economic growth, which are not yet optimal in realising a welfare state. The results of the study emphasise the importance of integrated regulatory reform, such as simplifying licensing procedures, increasing legal certainty in investment, and adjusting national policies to Timor-Leste's international standards in the field of trade and investment.*

Keywords: *Foreign; Investment; Reform; Welfare.*

1. INTRODUCTION

The Investment Law forms the basis of the national investment framework, particularly with regard to foreign direct investment (FDI) in many economies. By clearly articulating investment policy objectives and establishing rules for entry, establishment, treatment and protection of investors, foreign direct investment (FDI) promotes sustainable economic and social development through technology transfer, skills development, innovation and management efficiency in both developed and developing countries (Hossain et al., 2019).

Timor-Leste's investment law, Law No. 15 of 2017 on private investment, can play an important role in shaping the legal framework for investment and promoting a transparent investment environment, which is expected by all investors and the host country. In Timor-Leste's investment law reform to achieve a welfare state, the focus is on aligning investment policies and regulations with the goals of inclusive, socially just, and sustainable development. Investment law reform generally involves updating the legal framework to increase investment attractiveness, simplify regulatory processes, and ensure legal certainty for both domestic and foreign investors (Nikiéma, 2023).

The Strategic Development Plan 2011-2030 (Government of Timor-Leste, 2011), sets out Timor-Leste's ambition to integrate its economy into the regional and global community by joining the membership of regional and international organizations such as ASEAN and the WTO, where Timor Leste has been approved to become a member of the Association of Southeast Asian Nation Member States (ASEAN), Timor Leste was officially announced as the 11th member of ASEAN on October 26, 2025 (ASEAN, 2022). Although previously it had received rejection from several fellow ASEAN members such as Singapore and Vietnam, bilateral relations between countries are still going well (Fadillah, 2025). ASEAN membership involves a commitment to regional economic integration, thus improving ease of doing business (EODB), signaling Timor-Leste's ability to contribute economically (TradeInvest Timor-Leste, 2023). Similar to Timor Leste's accession to the world trade organization, the World Trade Organization (WTO) in 2024 (Trade Policy Briefs, 2024), has indicated that Timor Leste is ready to face challenges in international and regional trade, so the opportunities for foreign investment to enter the country will increase. Theoretically, FDI is believed to improve people's welfare through several main channels, including increasing economic growth, creating jobs, and improving income distribution. Foreign investment also often brings more advanced managerial practices and production efficiency that have a positive impact on national competitiveness (Meyer, 2004). However, the benefits of FDI are not necessarily felt equally by all community groups. Inequality in income distribution and the dominance of foreign companies in the domestic market pose new challenges to sustainable development in Timor-Leste itself.

In the context of a welfare state, the government is required to solve the dynamics of problems quickly and appropriately by deciding on a policy. Because a welfare state is a government concept in which the state represented by the government carries out its role to protect and prosper its people in both legal, economic, and social contexts (Spicker, 2013). Investment is usually seen from the perspective of how the government allocates resources to improve the quality of life of citizens and maintain socio-economic stability. Welfare states are characterized by extensive social security, public health services, education, and sometimes economic interventions for income redistribution.

Investments in Timor-Leste in terms of helping people's welfare are concerned, the construction of health facilities (hospitals, clinics), education (schools, scholarships, vocational training), social housing and infrastructure (school facilities, roads). Social security and protection in old-age benefit programs (Idosu), Bolsa da Mãe, pensions, and assistance for vulnerable groups (elderly, disabled) (Climmins & Guterres, 2019). Investment here is not profit-oriented but rather social return on investment whose impact on improving the welfare and productivity of the people of Timor-Leste itself. Therefore, there is a need for changes to Timor-Leste's Private Investment Law, so that it can provide maximum confidence for foreign investors to invest in sectors that need development so as to help the wheels of economic growth to achieve social welfare. The Constitution of the Democratic Republic of Timor-Leste affirms that the state is obliged to realize social welfare, justice, and improve the quality of life of citizens (Jornal da República, 2002). Investment Law No. 15 of 2017 has not explicitly integrated investment objectives with the mandate of the welfare state.

Reform of the Private Investment Law is needed to affirm that investment, including foreign investment, is not only an instrument of economic growth, but also a constitutional tool to achieve public welfare through job creation, strengthening public services, and protecting vulnerable groups. Without this normative affirmation, investment policy has the potential to be independent of the state's social goals. In sectors that still need to invest such as Industry, Agriculture, Livestock, Tourism, Health and Infrastructure sectors, these sectors need development, the role of FDI is very important in investing (Serano, 2025).

Investment Law No. 15 of 2017 on Timor-Leste's Private Investment was drafted in an international economic and political context that is different from Timor-Leste's current condition. Since the enactment of the Law, Timor-Leste has undergone strategic changes, including accession to the World Trade Organization (WTO) and official membership in ASEAN by 2025 (ASEAN, n.d.). Amended legal regulations must be updated to match the latest developments. Timor-Leste's Private Investment Law needs to be revised to align with Timor-Leste's international commitments in the areas of trade and investment, including the principles of non-discrimination, transparency, and legal certainty, without compromising national interests and social welfare (Serano, 2025).

2. RESEARCH METHODS

This research uses a normative approach method, namely legal, conceptual, and comparative approaches. Normative research generally examines the philosophy of norms related to the subject matter being studied. In this study, the main point discussed is the legal interpretation of the Timor Leste Foreign Investment Law to achieve a welfare state. In normative research, it is a scientific process in order to find an answer to questions related to legal issues (Garner, 2011). Legal sources are taken from primary legal materials and secondary legal materials. Primary legal materials are in the form of laws and regulations or official records or treatises in the making of laws and regulations contained in laws and regulations on legal certainty, application of law and dispute resolution bodies in investment (Marzuki, 2016). Secondary legal materials are all legal publications, such as books, textbooks, legal dictionaries and legal journals (Marzuki, 2016).

3. RESULTS AND DISCUSSION

3.1. Reform of Timor Leste's Investment Law in Achieving a Welfare State

The reform of the FDI law is directed at creating a conducive investment climate through legal protection and certainty while fulfilling the principles of the welfare state which demands the role of the state to ensure social welfare. This includes providing public services to protect against violations, and ensuring that investment does not harm society or the environment. The reforms needed are enough to remove administrative barriers that facilitate investment without sacrificing the interests of the wider community (Spicker, 2018). In the context of the welfare state, investment law reform must ensure that investments contribute to broader welfare, including social, economic and environmental aspects.

The government should help the private sector through several important things that focus on strengthening human resource capacity, developing basic infrastructure, as well as investing in potential sectors such as tourism, agriculture, and irrigation systems (Climmins & Guterres, 2019). And the government must make more efforts to create a conducive environment for private sector growth by reducing high costs, facilitating the development of local industries and creating jobs. Pay attention to integrated investment in the field of human resources and upskilling to support innovation (Climmins & Guterres, 2019). Although the PMA law itself has gained significant attention in recent years (Douglas, 2009). Especially less developed countries such as Timor Leste.

The argument in reforming the Timor-Leste Private Investment Law is very clear because it is seen from the regulatory aspect of the Timor-Leste FDI Law that must be in accordance with the mandate of the Constitution of the Republic of Timor-Leste where investment must provide welfare for the community, as well as the argumentum from the changing economic context and global integration as well as the details of legal certainty and investor confidence, because legal certainty is a fundamental principle in international investment law. Foreign investment requires clear, consistent, and predictable regulations in order to be willing to invest capital in the long term. In practice, Law No. 15 of 2017 still leaves a wide range of interpretations, especially regarding licensing mechanisms, investment protection, and the relationship between the central government and related institutions, such as the investment management agency in Timor-Leste (TradeInvest Timor-Leste, 2017). Law reform is needed normatively to strengthen the principle of legal certainty, so that investment law not only protects the interests of investors, but also strengthens the legitimacy of the state as a credible host country (Marsal et al., 2024). Without legal certainty, risky investments are speculative and do not contribute sustainably to national development.

Law No. 15 of 2017 on Private Investment of Timor-Leste, does not specifically mention the minimum capital for investment and reinvestment (Government of Timor-Leste, 2017). The minimum investment capital has been regulated in Government Regulation No. 2 of 2018 concerning Procedures for Private Investment in Timor-Leste. The changes made by the researcher are not the minimum capital in investment or reinvestment but regarding the government's decision policy regarding investment capital which will follow the government's decision for investors. In Article 34 paragraph (2) of Law No. 15 of 2017 concerning Timor-Leste Private Investment, which states that the Minimum Capital for Foreign and National Investors is;

"*Os Valores minimos para o investimento ou reinvestimento sao aprovados e atualizados periodicamente por decreto do Governo*." (Government of Timor-Leste, 2017)

Free translation;

The minimum amount for investment or reinvestment is approved and updated periodically through government decrees.

To reform in this article 34, the researcher wants to add several points related to the government's decision regarding investment capital or reinvestment in Law Number 15 of 2017, namely;

a) The Special Benefits provided for in articles 24 and 25 of this law can only be granted to investors whose investment or reinvestment meets the minimum value specified in the following paragraphs;

b) The minimum amount of investment required to obtain approval as well as for reinvestment is set by the government and adjusted periodically through official decrees.

c) The determination of the minimum amount of investment or reinvestment as intended in paragraph (2) is updated periodically based on the needs of economic development and national policies.

d) In the event of a significant change in economic conditions, the Government may make adjustments to the minimum amount of investment or reinvestment before the periodic renewal period.

Investment capital has been mentioned in Ministerial Regulation Number 2 of 2018 concerning Timor-Leste Private Investment Procedures, that; Special benefits as referred to in Article 24 and Article 25 of Law Number 15 of 2017, dated August 23, are only given to private investment or reinvestment whose value is greater than;

The special benefits foreseen in articles 24 and 25 of law nr. 15/2017, of 23rd of August, are only granted to investments or reinvestments with value equal or superior to: (Jornal da República, 2018)

a) Fifty thousand American dollars (US$50,000.00) if it’s a national investor;

b) Five hundred thousand American dollars (US$500,000.00) if it’s a foreign investor;

c) Two hundred and fifty thousand American dollars (US$250.000,00) if it’s a joint venture or one of the legal forms of partnership between a foreign investor and a national resident, in which the latest control, at least, 75% of the share capital of the commercial societies involved.

Article 34 of Law No. 15 of 2017 in principle regulates investment capital as a basic requirement for private investment, both by domestic and foreign investors. Normatively, this article has a strategic function because it determines the threshold of investment feasibility and becomes an instrument for screening investment quality and directing investment to priority sectors of national development (Leite, 2024). However, in the context of Timor-Leste's current development, Article 34 is still quantitative and administrative, and does not fully reflect the orientation of social welfare and sustainable development. Because it only focuses on the minimum amount of capital without considering the quality, social impact, and sustainability of investment, it does not distinguish between the character of capital-intensive and labor-intensive sectors. Investment capital has not been linked to contributions to community welfare, such as job creation, human resource development, and public services (Leite, 2024).

The reform of Timor-Leste's foreign investment laws is important for foreign investors. The investment capital offered in the reform for all investors should be US$250,000 for all foreign, national, and joint venture investors in order to increase FDI while maintaining foreign investment standards that are exempt for innovative projects and priority zones. This amount is appropriate for the current conditions in Timor-Leste, sufficiently attractive to global investors without minor speculation, and supported by the welfare state through the creation of local jobs in the investment targets of tourism, agriculture, and energy.

The principle of a welfare state must be an instrument to improve the welfare of the community, not just the accumulation of capital, the investment law must provide the greatest benefits to the wider community. Clear, rational, and adaptive capital regulation will increase investor confidence and alignment with ASEAN and WTO integration of the investment capital approach must be aligned with international practice without eliminating national interests. Investment capital is not only aimed at business activities, but also to support the national economic development and social welfare of the people of Timor-Leste. As a dynamic policy instrument, the FDI law continues to evolve to address changing political, economic, financial, social, and environmental conditions in Timor-Leste, although Timor Leste was ranked highest in the Economist Intelligence Unit (EIU) in 2018, Timor-Leste has continued to face political challenges in recent years (Leach & Kingsbury, 2012).

After a long conflict, Timor-Leste still faces structural challenges in social and economic development. Poverty rates remain high and national food security remains low (World Bank, 2023). Based on the latest household survey, about 41.8% of the population lives below the national poverty line (World Bank, 2023). Meanwhile, 24.4% of the population still lives below the international extreme poverty line (World Bank, n.d.). This suggests that almost half of Timor-Leste's population is still in a slump in economic situation, especially in rural areas that are heavily dependent on the subsystem's agricultural sector.

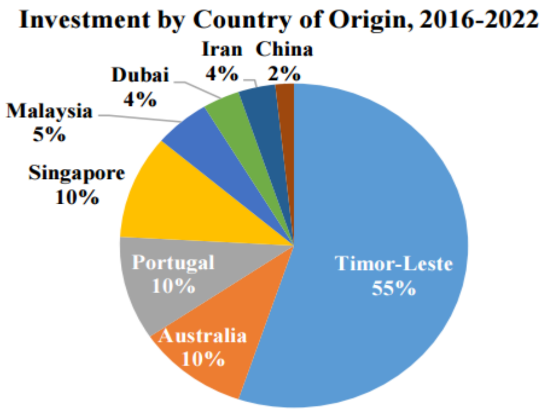
In the context of limited domestic employment, international labor migration is one of the important strategies in supporting the household economy. Thousands of Timor-Leste workers work in Australia through the Seasonal Worker Programme and the Pacific Australia Labour Mobility (PALM) Scheme, as well as in South Korea through the Employment Permit System (EPS) scheme (ILO, 2022). Remittances from migrant workers contribute significantly to household incomes, especially in rural areas, and play a role in reducing short-term poverty pressures. Therefore, the reform of the investment law is a strategic step to simplify foreign investment procedures, increase transparency and legal certainty between domestic and foreign investment, and encourage more inclusive and sustainable economic development (Government of Timor-Leste, 2023). Although Timor-Leste is still facing a human resource crisis, the low quality of education, workforce skills and health status are reflected in the high multidimensional poverty rate and low labour productivity (UNDP, 2016). Human capital, which includes knowledge, skills, and well-being, is a key driver of long-term economic growth and sustainable poverty alleviation (World Bank Group, 2022)

3.2 Investment Activities That Occur in Timor-Leste

Investment activities include the investment or allocation of resources such as money, time, or effort to various assets or projects to obtain future profits, including the purchase, management, and sale of long-term assets. Types of investment in Timor-Leste are focused on priority sectors such as oil and gas, tourism, manufacturing, agricultural management, and mining, with tax incentives, long-term land leases, and special investment agreements for foreign investors. Here are investments based on country of origin, investment by type and investments based on potential sectors.

a. Investments by Country of Origin

Foreign investment in Timor-Leste is not quite as much, when compared to before the pandemic, FDI inflows from 2020 to 2022 are relatively low and even negative compared to before the pandemic, showing an overall contraction of foreign investment in the three years after the initial pandemic (FocusEconomics, n.d.). From the TradeInvest Timor-Leste (TITL) report, Timor-Leste's investment promotion agency, it is stated that foreign investors in Timor-Leste by country of origin from 2016-2022 are; (TradeInvest Timor-Leste, 2022).



Timor-Leste accounts for 55% of the total investment composition as a country of origin, consisting of FDI and JV. It is followed by Australia, Portugal and Singapore which each contribute 10%, while investment from Malaysia 5%, Dubai and Iran 4% and China 2%. This shows that Timorese investors still dominate investment activities at present, further promotional activities from the government through TradeInvest Timor-Leste are essential to attract more foreign investment into the country. The companies participating in the joint venture are mostly from China and Malaysia (TradeInvest Timor-Leste, 2022).

We know that the increase in investment value, especially in foreign investment, certainly does not occur instantly. Therefore, it is necessary to establish a conducive investment climate (Rosmayanti & Apriani, 2023). Facing resource challenges, Timor-Leste is also seeking to strengthen the investment climate, especially to attract foreign investment as part of a sustainable economic development strategy (Climmins & Guterres, 2019). One of the important steps is the reform of the cultivation law No. 15 of 2017 on Timor-Leste's Private Investment, which is being seriously studied with a focus on facilities and investment capital in accordance with international standards including integration with the ASEAN and WTO frameworks (TradeInvest Timor-Leste, 2023). Workshop and self-assessment have been undertaken to identify gaps in existing regulations and recommend improvements to better align with regional and global investment best practices (TradeInvest Timor-Leste, 2025).

b. Type-based investments

Investments by type of investment include, Foreign Investment, Domestic Investment and Joint Investment (TradeInvest Timor-Leste, 2017).

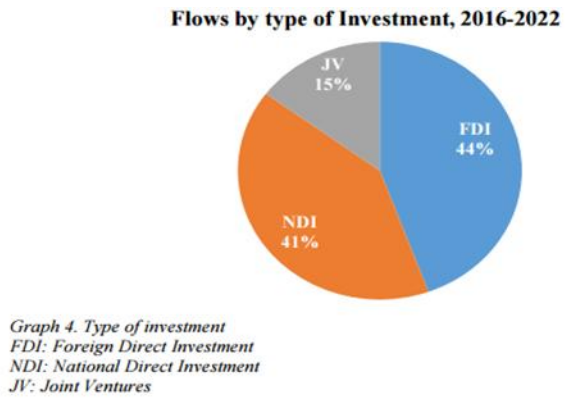


Figure 2. Investment by Type.

Foreign investment accounts for 44% of domestic investment, which makes it the main type of investment. Foreign investment is the second largest type of investment with a composition of 41%, followed by Joint Ventures with a composition of 15%.

c. Investments based on potential sectors

The industrial sector is in the spotlight of the main investment recipients in terms of the number of eight (8) projects and proposed investments ($480.9 million), but is second in terms of current investments ($57.4 million) (TradeInvest Timor-Leste, 2017). In second place is the Livestock sector with 7 projects but with a low investment value, which is $10.2 million and the current investment is $13.4 million (TradeInvest Timor-Leste, 2017).

Table 1. Sector-based investments; (TradeInvest Timor-Leste, 2017)

Investment by Sector	Company	Investment Capital $	Jobs Created
Industry	11 Company	Current Investment Value $67.2 million.	9.187 Jobs (Direct and Indirect).
Agriculture	4 Company	Current Investment Value $1.7 million.	4.716 Jobs (Direct and Indirect).
Farm	7 Company	The Current Investment Value is $12.3 million, surpassing the initial investment of $9.2 million.	746 Occupations (Direct and Indirect).
Tourism	5 Company	Current Investment Value, $18.5 million.	892 Occupations (Direct and Indirect).

Financial Services	2 Company	Current Investment Value, $11.04 million	870 Jobs (Direct and Indirect).
Health	1 Company	Current Investment Value, $2,290 million	1.157 Employment (Direct and Indirect).
Infrastructure	1 Company	Current Investment Value, $199.8 million.	1.004 Employment (Direct and Indirect).

Followed by tourism and agriculture 5 and 4 projects respectively, although Finance and Health are ranked quite low in projects (2 and 1), these two sectors are the only sectors where investment currently exceeds the amount of investment proposed. Finally, there is Infrastructure with the lowest number of projects (1 along with health).

Companies that invest in the Industrial sector include; The Circular Water, Pan Union Corp, TL Cement, Central Moris, Keshavarz Great Tim, Austem Bev Consortium, Leste Food & Bev, Cladotia Fu, Gota Beverages & Alim, Heineken Timor, Acelda (TradeInvest Timor-Leste, 2017). There are 11 companies that invest in the Industrial sector and have created jobs as mentioned in the table. Acelda, Heineken and Gota Bebidas & Alimento are the leading companies in terms of job creation. In addition, Pan Union and TL Cement have not created jobs because the land lease agreement with the Ministry of Justice does not exist and the decompensation process for private land acquisition is ongoing. The Drinking Water Company has not commenced its operations since the attribution of the Declaration of Benefits (TradeInvest Timor-Leste, 2017).

There are currently 4 companies that invest in the Agricultural Sector. Acelda is a leading company followed by Agrocorp Corporation in terms of job creation. Companies such as Dili Vanili HMN and Fung Ao Seu also contribute to job creation even though the investment period is still less than a year.

Currently, there are 7 companies that invest in the Animal Husbandry sector, Central Moris, Keshavarz Great Tim, Dos Santos Agropec, Funan Santalum, Comve, Happy Fram, Cladotia Fu. Cladotia Fu is a leading company followed by Happy Farm in terms of job creation. Although, companies such as Comve, Dos Santos, Funan Santalum and Keshavarz represent a low to medium number of jobs, they play an important role due to their short investment tenure (2020 to 2022) (Timor-Leste, 2023).

Investment in the tourism sector is 5 companies such as, Timor Marine Sqaure, Pelican Paradise Gro, L&O, Compass Boat Cha & Div, Palm Pring Hotel. Palm Spring Hotel is the company that absorbs the most labor in the tourism sector followed by Compass Boat Charter in terms of job creation, while Pelican Paradise Group and Timor Marina Square have not created jobs because both companies are still in the procurement process.

There are two companies that invest in the financial sector and have created jobs both directly and indirectly, investing in the financial sector, Kaebauk Investment & Finance, and Caixa Geral de Deposito. For now, only one company invests in the health sector, namely, Stamford Medical, the jobs created by Stamford Medical amounted to 1,157 jobs, both direct and indirect. Similar to the Health Sector, the Infrastructure Sector also has only 1 company invested, namely Timor Port (Timor-Leste, 2023).

From these sectors, it shows the performance of job creators by all investment sectors in Timor-Leste during the 2016-2022 period, a total of 18,572 jobs have been created (Timor-Leste, 2023). Currently, indirect employment has a portion of 76% of the total jobs created with a total of 14,156, followed by direct employment with a portion of 24% or with 4,416 jobs. In terms of gender distribution, the number of female workers each year appears to be stable, but the number of male participation is higher. Currently, the number of male workers reaches 72%, while women are only 28% (TradeInvest Timor-Leste, 2017).

Timor-Leste's employment figure is nearly 616 thousand people (2024), but only about 606 thousand are employed according to global data estimates (Statbase, n.d.). This difference shows that thousands of people are still in the category of unemployment or are not actively looking for work, even though the unemployment rate is relatively low according to the International Labour Organization (ILO) (Statbase, n.d.). Low unemployment rates do not necessarily reflect a strong labour market in developing countries such as Timor-Leste, where many people work in the informal sector, subsistence agriculture, or small businesses without formal salaries, so they are not counted as 'unemployed' in the standard statistical sense but do not have decent or productive work (General Directorate of Statistics Timor-Leste, 2021). The unemployment rate has dropped from approximately 4.7% (2016) to approximately 1.6% (2024). However, this decline does not automatically mean an improvement in the quality of work. In the development economics literature, this often occurs due to, predominantly informal work, subsistence agriculture, and low-productivity jobs (International Labour Organization, 2024).

Its relevance to investment and job creation from 2016 to 2022, employment from investment (18,572) (TradeInvest Timor-Leste, 2017), is equal to only approximately 3% of the total labor force in 2024. This means that investment has not yet become the main motor of national job creation, the majority of labor is absorbed in the formal non-investment sector.

Of the sectors that are given the potential for investment or reinvestment, there are negative sectors that cannot be invested or reinvested.

Table 2. Negative Sectors in Investment (Timor-Leste, 2023).

Prohibited/Restricted for All Investors (5 sectors)	Conditional for Foreign Investors' Participation (5 sectors)
1. Criminal activities;	1. Activities related to public communication services and other media services;
2. Activities related to environmental protection areas;	2. Urban and suburban passenger land transport activities;
3. Activities related to offenses of traditional customs;	3. Air transport activities;
4. Postal and courier services;	4. Gambling and other recreational activities;
5. Activities related to funeral services	5. Insurance activity.

The Negative List provides several restrictions on market access and national treatment in several sectors and sub-sectors of services in two main categories, first; prohibited/restricted for both national and foreign companies to carry out investment activities. Second; investment activities with possible participation that limits quotas/shares for foreign investors (TradeInvest Timor-Leste, n.d.).

d. The Impact of Investment That Takes into Account the Potential of Timor-Leste

Investment activity increased from 2016 to peak in 2018, and gradually declined thereafter. The highest performance occurred in 2018, but the highest performance in 2018 could not be realized due to the absence of a Special Investment Agreement and a new Land Lease Agreement signed in 2022. In 2020, investment capital fell dramatically, given the high number of projects, partly due to ongoing political uncertainty and the COVID-19 pandemic, which in turn affected the private investment climate in the country (TradeInvest Timor-Leste, 2017).

Investments that harness Timor-Leste's potential, such as natural resources, strategic locations, and non-oil and gas priority sectors, encourage economic diversification, technology transfer, and job creation. The government offers a 100% income tax exemption, import duties for capital goods, and a minimum of five work visas for foreign experts (TradeInvest Timor-Leste, 2022). Special zones in Dili such as Cristo-Rei provide tax exemptions for up to five years, with equal protection for foreign and domestic investors (Government of Timor-Leste, 2017). This strategy includes simplifying licensing, aiming to attract sustainable investment.

To take into account the potentials that exist in Timor-Leste, the current investment in Timor-Leste can be said to be not optimally taking into account all the existing potentials, because dependence on oil and gas is still high at around 70% of GDP (World Bank, 2023). Meanwhile, priority sectors such as manufacturing, tourism, agriculture, and digital economy are only beginning to be explored although promising (UNDP Timor-Leste, 2022). The government continues to diversify through tax incentives and simplification of licensing, but the contribution of oil and gas declining forces a new strategy for non-renewable industries, indicating that existing investment has not optimally captured opportunities in digital infrastructure and industrial estates such as in Likisa Ulmera City.

A report from the Central Bank of Timor-Leste forecasts economic growth of 4.0% recorded in 2024, with a projected growth of 4.4%. The projection for growth of 4.0-5.0% until 2027 is positive (Lopes, 2024). This is in line with the government's target for annual growth over the next five years. This expansion was mainly driven by rising aggregate demand, which was supported by increased government spending. Household consumption and non-oil exports are also expected to strengthen, while private investment is projected to grow in line with public sector investment, which will further stimulate economic activity (Lopes, 2024).

However, the World Bank and ADB reports highlight the need for acceleration in the sustainable sector as the potential for new ASEAN membership (2025) and soaring mobile connectivity has not been fully utilized. ASEAN 2025 membership is expected to accelerate investment flows in trade and digital, while Timor Digital 2032 and fintech plans are rare opportunities for markets yet to develop. However, challenges such as declining oil and gas reserves require existing investments to be increased to align with ASEAN's near-strategic potential.

Current investment in Timor-Leste contributes positively to local job creation through public infrastructure projects, diversification of the non-oil and gas sector, and incentives for foreign investors, although the scale is still limited due to oil and gas dependence. Public investment in the roads, clean water, sanitation, fiber optics, and rehabilitation of Prisidente Nicolau Lobato Airport creates direct jobs during implementation as well as conditions for post-project local economic activity. The project stimulates population mobility and attracts further foreign investment. The government encourages the agriculture, fisheries, tourism, and blue economy sectors through new irrigation, modern equipment, and processing of agricultural products, which increases national production and the blue economy through new irrigation, modern equipment, and agricultural product management, which increases national production and rural employment (Climmins & Guterres, 2019). Foreign investment such as East Timor Trading through the first phase in the agriculture and retail sectors is committed to creating jobs in accordance with the national development plan (Timor-Leste, 2023).

Although investment in Timor-Leste has shown little positive impact on the welfare of the productive age workforce. The Government of Timor-Leste has made various efforts to increase investment, such as providing incentives, although it provides convenience in doing business but in reality it is difficult to obtain permits, providing training for the workforce. But the impact that investors are facing on the workforce is still evident from the initial increase in the minimum wage from $115 (Ministry of Justice, 2012), to $175, although it is still relatively low compared to other countries in Southeast Asia. Another impact is the reduction in the unemployment rate in Timor-Leste, especially among young people or in productive age.

3.3 Investing in Timor Leste in Achieving a Welfare State

In the context of developing countries in dire need of investment and the multi-directional nature of global investment, FDI flows can play a crucial role in achieving investment climate goals (Brauch, 2021). National and international investment legal and policy frameworks governing investment flows should be designed in such a way as to ensure that investments lead to sustainable development that is conducive to the investment climate (Brauch, 2021).

Welfare is the main goal of the state as stated in the Constitution of RDTL, the state seeks to improve the welfare of citizens by evaluating the development of its equitable distribution through social assistance (KRDTL, 2002). Measuring well-being is important for determining living standards and formulating policies. Traditionally, well-being has been measured by the ownership of resources such as income, assets or consumption. Many countries use Gross Domestic Product (GDP) related to improving living standards through employment, wages, and access to goods and services. Nevertheless, macroeconomic measures such as GDP cannot accurately describe individual well-being (Government of Timor-Leste, 2020). GDP has limitations in measuring people's income and consumption. In addition, GDP does not indicate the distribution of economic resources between individuals. In fact, some of the impacts of activities that increase GDP, such as congestion and industrial pollution, actually reduce people's welfare.

Welfare of the people is the main goal of all countries in the world, but Timor Leste is still difficult to achieve this goal, Timor Leste has not been said to provide welfare to the community, because Timor Leste is still categorized as a less developed country (Garcia et al., 2024). Seeing the lack of specialization / lack of foreign investors to invest in the country so that the wheels of economic growth in the country only expect from one income (VIII Constitutional Government, 2020). Infrastructure is uneven and not enough to support the smooth running of activities in the national economy and people's life expectancy is still relatively low due to a health system that is not fully adequate, per capita income is still relatively low and is still in the category of middle-income economy.

The entry of foreign investors who do not go through one-stop services, but are still influenced by internal politics, so that leadership changes that result in negative impacts for investors due to regulations in licensing that make it difficult for foreign investors to obtain business licenses, the order of business licenses that is so difficult for investors to get business licenses that do not meet the specified targets or do not meet expectations. The need to reform the Investment Law No. 15 of 2017 article 34 (paragraph 2) concerning investment capital, in providing minimum capital relief for foreign and national investors.

The welfare state is used as an abbreviation for the activities of the state, in the welfare state there are four main areas, namely; cash allowances, health services, education, and housing (Izák, 2011). The contemporary welfare state includes cash allowances and allowances in the form of goods. Welfare in Timor Leste demonstrates the country's commitment to provide social protection and basic services for all its citizens to ensure economic and social welfare, as a newly independent country and in the development stage, the country adopts the principle of the welfare state to address the challenges of poverty, social inequality, and societal vulnerability. The provision of welfare mainly serves the physical and material interests of the beneficiaries related to the needs of the community (Spicker, 2013). Social welfare is not just the sum of individual welfare, and one concept cannot be derived from another. Social welfare is the responsibility of the state to cure and prevent poverty is the responsibility of the government (Michelman, 1979).

Social welfare through the Constitution of the Democratic Republic of Timor-Leste is regulated in several articles as follows; article 56 on Social Guarantee and Assistance, "all citizens are entitled to social assistance and security in accordance with the law. The state is required to promote the establishment of a social security system according to state resources and support social solidarity institutions related to the public interest (Constitution of RDTL, 2002). Everyone also has the right to health services and medical care with the obligation to protect and advance them. The state is responsible for advancing a national health system that is universal and as far as possible free of cost (Constitution of RDTL, 2002). The government also ensures the right of every citizen to an adequate, clean, and comfortable place to live that also maintains the personal rights of both individuals and families (Constitution of RDTL, 2002). And affirm the right to education, culture, and the state's obligation to advance a universal, compulsory, and free basic education system as far as possible (Constitution of RDTL, 2002).

The reform of foreign investment laws is directed at ensuring that foreign investment not only pursues economic benefits but also contributes to the social welfare of the people of Timor-Leste (World Bank Group, 2022). This means that investment law must include social protection for the community in accordance with the mandate of the RDTL Constitution and guarantee workers' rights, and produce a fair distribution of investment benefits so as to contribute to poverty reduction and better public services. The concept of Well-being Society foreign investment must look at the impact on quality of life holistically, not just the economic aspect. Investment should encourage inclusive development, environmental sustainability, psychological and social well-being of communities, and local community participation.

This means that legal and investment policy reforms need to integrate the principles of sustainability and good governance so that investment brings broad benefits to the quality of life of the people of Timor-Leste, given that Timor-Leste is now facing the ASEAN Economic community which is so large that the contribution of the people themselves must be able to ensure a conducive environment so that it can coexist with regional and global communities (Marsal et al., 2024).

Peter Mahmud Marzuki stated that the concept of the welfare state seems regulatory (Marzuki, 2002). The state's goal of realizing the welfare of its people (wellbeing society) can be achieved through various ways. Thus, the goal of the state in realizing the welfare of its people is not the same as the welfare state. Furthermore, according to Peter Mahmud, the state is in an effort to prosper its people by creating policies that are oriented towards a characteristic market economic system (Marzuki, 2002).

1. Should be facilitative;
2. It should be non-interventionism;
3. We must create fair and just rules.

The term "Well-being society" was also introduced by the United Nations Organizations (UNO) in 2021. In the Geneva Charter, the definition of well-being is: "*create sustainable well-being cocietas, committed to achieving equitable health now and for future generations without breaching ecological limits*," (Marzuki, 2002). New efforts are needed to measure the indicators of a country's well-being, because what is measured will influence the actions of policymakers. If indicators of a country's success and the government's assessment are only through GDP, then other important aspects may be overlooked.

Wellbeing in Timor-Leste's economic growth is related to how economic growth not only increases GDP but also pays attention to the welfare of the community at large. Although Timor Leste is showing positive economic growth with a projected figure of around 3.9% to 4.1% for 2024-2025 (World Bank, 2024), welfare challenges are still significant. This can be seen from factors such as low human resource development (low human resource index around 0.45), low education levels, and still poverty in the community (Garcia et al., 2024). Economic growth is largely supported by the public sector and physical investment, but human capital development is still very limited. Therefore, the sustainability of economic growth accompanied by improving welfare requires a focus on improving the quality of education, health, and poverty reduction so that development becomes inclusive and has a real impact on the socio-economic health of the community.

The government's strategy is directed at economic transformation that encourages job creation and human capacity building so that economic growth can contribute to a wellbeing society, including overcoming the problem of child stunting and food security. Economic development must be aligned with attention to reducing inequality and improving the quality of life so that holistic prosperity can be achieved in the long term (Climmins & Guterres, 2019).

4. CONCLUSION

The reform of the foreign investment law in Timor-Leste regarding Law No. 15 of 2017 is, Twice the reform of the investment law is certainly not uncommon because of the demands of national and foreign conditions, so it is important to see the development of investment law in providing protection to domestic and foreign investors. Investment law in the concept of a welfare state in Timor-Leste is still ineffective, as the main contributor to social welfare is public investment. The RDTL constitution mandates through articles 56 to 59 about social security, health and free education as much as possible. Timor-Leste cannot be said to be a country in the form of a welfare state but has become more of a well-being society because the importance of a holistic individual psychology is still very much needed today. Therefore, the minimal influx of foreign investors has not been able to contribute to achieving welfare for the community, the reform of the PMA law in the minimum capital for foreign investors must be determined according to regional and international standards so as to provide space for opportunities and benefits that can bring in foreign investors and condition a neutral political system in the country. In this regard, investment must be part of the implementation of the national economy and placed as an effort to increase national economic growth, encourage people's economic development, and realize community welfare in a competitive economic system.

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