



Asian Development Bank & Timor-Leste

FACT SHEET

Table 1. Timor-Leste: Development Indicators

| Non-MDG | |
|---|-----------------|
| Population in millions | 1.08 (2008) |
| Annual population growth rate (%) | 3.2 (2006–2008) |
| Adult literacy rate (%) | ... |
| Percent of population in urban areas | 26.9 (2007) |
| MDG | |
| Percent of population living on less than \$1.25 a day | 52.9 (2001) |
| Percent of population living below the national poverty line | 41.1 (2001) |
| Under-5 mortality rate per 1,000 live births | 97 (2007) |
| Percent of population using an improved drinking water source | 62 (2006) |

... = data not available, MDG = Millennium Development Goal.

Sources: ADB, 2008. *Key Indicators 2008*. Manila.
ADB, 2009. *Basic Statistics 2009*. Manila.

Timor-Leste had its independence restored in May 2002 and joined ADB in 2002. It has made significant progress since independence but faces many of the challenges common to post-conflict states, including high levels of poverty, some fragility, weak public and private sector capacity, poor infrastructure, and limited economic opportunities. While it is now receiving considerable offshore petroleum revenues, Timor-Leste remains primarily an agricultural, subsistence economy.

Security issues remain a challenge for Timor-Leste's development progress. While the economy grew by at least 10% in 2008, the country is still recovering from civil unrest in 2006. Its people are among the poorest in Asia.

The Government has identified three priority areas for development focus: rural development, infrastructure, and human resource development. The Asian Development Bank (ADB) supports these priorities, through its assistance in infrastructure development, public sector capacity building, and private sector development.

Relationship with ADB

Timor-Leste has received \$28.5 million in total technical assistance (TA) since 1999. Before joining ADB in 2002, ADB assistance to Timor-Leste was conveyed through the United Nations Transitional Authority in East Timor.

From 1999 to 2007, ADB was involved in the implementation of mostly infrastructure emergency rehabilitation programs, funded through the multidonor Trust Fund for East Timor (TFET). TFET funds were also used to establish and capitalize a microfinance institute. The last TFET-funded project was completed in February 2007, by which time ADB had implemented about \$55 million of TFET projects.

ADB has also supplemented these activities with technical support. ADB funded high-impact and high-priority advisory services, including petroleum fiscal management, and supported the Government's sector investment program exercise and other public financial management support. Since 2003, assistance has provided public sector management training to hundreds of district officials.

Timor-Leste's first Asian Development Fund (ADF) development grant, for \$10 million, was approved in 2005 and the second in 2007, for \$6 million. The ADF program is working closely with the Government to continue the focus on infrastructure. This includes a national roads rehabilitation project (\$12.5 million in total) and a Dili water supply and sanitation project (\$7.5 million in total). ADB will continue to provide TA (amounting to about \$2 million each year) in support of infrastructure and institutional development. It is leveraging its infrastructure project funding by supporting sector policy and planning, resource mobilization and coordination, and design and implementation.

To help improve the Government's capacity in capital budget execution and management, Government, ADB, and the Australian Agency for International Development (AusAID) are financing a \$15 million, 4-year joint TA program to help the infrastructure ministry execute its capital programs.

As a post-conflict country, Timor-Leste is eligible to access 100% of its ADF X allocation for 2009–2010 in grant form. A country partnership strategy for 2009–2012 is now being prepared, and ADB is also assisting prepare a master plan for road network development that will guide future investment funding in the transport sector.

The Country Operations Business Plan – Timor-Leste 2008–2010 can be found at www.adb.org/Documents/CSPs/TIM/2007/COBP-TIM-2007.pdf. The Country Operations Business Plan focuses on capacity building for economic and financial management, microfinance development, and infrastructure development

Impact of Assistance

As a post-conflict country, Timor-Leste's development, until recently, has been distinct from most of ADB's developing member countries. Early projects administered by ADB were designed with a priority on security and rehabilitation of essential services. A key development challenge was to avoid the catastrophe of dramatically worsening poverty in a young nation.

In this emergency period, early TFET projects were designed to help restore stability and had demonstrable impacts on arresting the poverty spiral. Public investment projects—mostly water supply and sanitation—were undertaken in towns and remote villages; basic public services were restored where infrastructure either had been destroyed or operations discontinued; and roads were rehabilitated to allow the movement of goods, people, and security forces. Part of the Dili port was also rehabilitated to handle larger volumes of freight.

But sustaining benefits beyond the emergency period has been challenging. Project completion and project audit reports on TFET-funded projects show that many community-managed water supply and sanitation systems and most community-managed electricity systems

are operating at service levels lower than intended or stopped. Likewise, communities and the Government have been unable to properly maintain roads, although the national network remains intact. Later, TFET-funded activities and subsequent ADF initiatives in infrastructure have been able to take on board lessons from these earlier activities. By February 2007, road works under the Second Emergency Infrastructure Rehabilitation Project were complete, and road connectivity had been maintained in very difficult terrain on several critical north–south routes. Rehabilitation of a further 123 kilometers of national roads under the ADF-funded Road Sector Improvement Project will be completed by September 2009. Models have also been piloted to engage communities in maintenance of rural/feeder roads, and labor-intensive approaches to national road maintenance.

TFET funds also helped capitalized the Microfinance Institute of Timor-Leste (IMFTL). Although the TFET project has closed, ADB continued to provide technical assistance. IMFTL is operating successfully, with 3,800 loan accounts totaling almost \$2 million and a low portfolio-at-risk rate of 4.8%.

Future Directions

In 2007, ADB approved its Country Operations Business Plan for 2008–2010. This directly tied development outcomes to the goals of the National Development Plan (NDP), including providing roads and bridges; ensuring that banking, credit, and microfinance services are available to all; providing adequate, safe, and sustainable water supplies for Dili; and facilitating, at the national level, the safe disposal of sewage and wastewater in urban areas.

A new government was elected in 2007 and initially focused on restoring and improving public safety and security, social protection, creating opportunities for youth, and improving education and health. The Government is now developing a medium-term development strategy, which will address its three priority areas of infrastructure, rural development, and human resource development. During 2009, ADB will finalize a Country Partnership Strategy for 2009–2012 that will support these priorities.

ADF development grants constitute ADB's main assistance to the country, with Timor-Leste as a post-conflict country able to access 100% of its ADF X allocation in grant terms for 2009–2010. TA is programmed at about \$2 million per year and will help leverage ADB's development funding by supporting infrastructure sector policy and planning, resource mobilization and coordination, and design and implementation.

ADB's country partnership strategy will include ADB continuing to take the lead in infrastructure sector-based resource mobilization with other agencies. A prime example of this leadership is the ADB–AusAID cofinanced Infrastructure Project Management TA, which commenced in 2008.

Table 2. Timor-Leste: Economic Indicators, 2004–2008

| Economic Indicator | 2004 | 2005 | 2006 | 2007 | 2008 |
|------------------------------------|------|------|-------|-------|-------|
| Per capita GNI, Atlas method (\$) | 510 | 750 | 950 | 1,510 | ... |
| GDP growth (% change per year) | 4.1 | 6.2 | -5.8 | 8.0 | 10.0 |
| CPI (% change per year) | 0.8 | 1.8 | 4.0 | 8.9 | 7.6 |
| Unemployment rate (%) | ... | ... | ... | ... | ... |
| Fiscal balance (% of GDP) | 10.4 | 38.0 | 130.9 | 264.3 | 251.8 |
| Export growth (% change per year) | 0.0 | 12.5 | 2.8 | -28.2 | 75.2 |
| Import growth (% change per year) | -0.8 | -3.1 | -19.5 | 74.6 | 35.7 |
| Current account balance (% of GDP) | 9.3 | 87.6 | 179.2 | 348.3 | ... |
| External debt (% of GNI) | ... | ... | ... | ... | ... |

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2009. *Asian Development Outlook 2009*. Manila. World Bank. 2008. World Development Indicators Online.

Table 3. Timor-Leste: 2008 Loan, TA, and Grant Approvals (\$ million)

| Loans | | TA | Grants | Total |
|-----------|--------------|-----|--------|-------|
| Sovereign | Nonsovereign | | | |
| – | – | 1.3 | – | 1.3 |

– = nil.

Table 4. Timor-Leste: Project Success Rates

| By Sector | Percentage ^a | No. of Rated Projects/Programs |
|--|-------------------------|--------------------------------|
| Finance | 0.0 | 1 |
| Multisector | 0.0 | 1 |
| Transport and Communications | 100.0 | 2 |
| Water Supply, Sanitation, and Waste Management | 0.0 | 1 |
| Total | 40.0 | 5 |
| By Year of Approval | | |
| 2000s | 40.0 | 5 |

^a Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where PCR and PCRVR/PPER ratings are available.

Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2008.

Operational Challenges

Progress in state building since 2000 was set back by civil unrest during 2006. Key institutions, including the security sector and the judiciary, which were slowly strengthening and stabilizing up to April 2006, were hard hit and there was widespread population displacement. The Government and the international community continue to focus on restoring security and the rule of law. Maintaining effective development operations was a challenge in this environment, and a number of development activities needed to be rephrased to reflect new realities on the ground.

Two thirds of Timor-Leste's poor live in rural areas, and most of the population is reliant on subsistence agriculture. Geography, scattered populations, and poor infrastructure combine to make access to basic services and to markets difficult. The Government is increasing its focus on rural development, particularly in extending services to rural areas. It is also embarking on a decentralization program in an effort to improve service delivery and increase participation in decision-making processes.

Although the troubles of 2006 were essentially of a political nature, thousands of disaffected, unemployed urban youth also contributed. The Government is committed in the medium term to leading employment growth through an expanded public capital development program, along with expanding education and training opportunities.

Government capacity is improving, but is constrained by the numbers of experienced, qualified staff, systems and processes, and the still evolving mandates of many institutions. External assistance plays an important role in building and in supplementing capacity where

necessary. It also plays an important role in catalyzing investment funding for infrastructure and rural development as a basis for longer-term growth.

Partnership

ADB is committed to strengthening its partnerships with the Government of Timor-Leste, with civil society, the private sector, and with other development partners. ADB and the World Bank cooperate closely in Timor-Leste, and AusAID is cofinancing with ADB a major capacity-building program in infrastructure.

ADB cooperates with civil society organizations in Timor-Leste to strengthen the effectiveness, quality, and sustainability of the services it provides. In an effort to design socially inclusive and gender-responsive transport projects, ADB is partnering with the international CARE Timor-Leste for community empowerment activities under the Road Sector Improvement Project. ADB is building on CARE's expertise and relationship with communities to enhance project effectiveness.

Cofinancing and Procurement

Cofinancing operations enable ADB's financing partners—government or their agencies, multilateral financing institutions, and commercial organizations—to participate in financing of ADB projects. The additional funds are provided in the form of grants, official loans, or credit enhancement products.

As of year-end 2008, cumulative direct value-added cofinancing for Timor-Leste amounted to \$12.0 million for one TA project.

A summary of procurement contracts awarded to companies and consultants from Timor-Leste for goods and works, and consulting services can be found at www.adb.org/Documents/Fact_Sheets/Timor-Leste/procurement.asp.

Table 5. Cumulative Nonsovereign Operations Portfolio Distribution by Top Countries, 1983–2008^{a,b}

| Country | No. of Projects | Total ADB Approvals (\$ million) |
|----------------------------------|-----------------|----------------------------------|
| India | 37 | 2,268 |
| People's Republic of China | 21 | 1,694 |
| Indonesia | 15 | 879 |
| Philippines | 28 | 768 |
| Pakistan | 27 | 721 |
| Kazakhstan | 5 | 550 |
| Thailand | 10 | 319 |
| Viet Nam | 8 | 305 |
| Sri Lanka | 13 | 280 |
| Bangladesh | 8 | 242 |
| Afghanistan | 6 | 208 |
| Lao People's Democratic Republic | 1 | 100 |
| Other DMCs | 13 | 87 |
| Azerbaijan | 4 | 66 |
| Nepal | 4 | 59 |
| Regional | 36 | 930 |

DMC = developing member country.

^a Includes nonsovereign projects processed by the Private Sector Operations Department and various regional operations departments of ADB. Regional operations departments started nonsovereign operations in 2007.

^b Net of facilities cancelled in full before signing.

Source: Private Sector Operations Department.

Table 6. Timor-Leste: Top individual consultants involved in ADB technical assistance projects, 1 January 2004–31 December 2008

| Consultant | Number of Times Contracted | Contract Amount (\$ million) |
|--|----------------------------|------------------------------|
| Individual Consultants from Timor-Leste [*] | 6 | 0.15 |

* Consultant may have one or more contracts within the period covered.

Table 7. ADB Assistance to DMCs, 2007–2008^a

| | 2007 (\$ million) | 2008 (\$ million) | Change (%) |
|----------------------|-------------------|-------------------|------------|
| Lending | 9,965.59 | 10,494.27 | 5.3 |
| ADF Sovereign | 1,892.84 | 1,789.56 | (5.5) |
| OCR Sovereign | 7,347.48 | 6,924.48 | (5.8) |
| OCR Nonsovereign | 725.27 | 1,780.23 | 145.5 |
| Public Sector | 10.00 | 300.00 | 2,900.0 |
| Private Sector | 715.27 | 1,480.23 | 106.9 |
| Equity Investments | 79.75 | 123.08 | 54.3 |
| Grants | 672.71 | 811.37 | 20.6 |
| Technical Assistance | 252.84 | 274.50 | 8.6 |

ADF = Asian Development Fund, OCR = ordinary capital resources.

^a Excludes terminated loans, equity investments, technical assistance, and grants.

About Timor-Leste and ADB

Timor-Leste is the 34th largest shareholder among regional members and the 42nd largest shareholder overall.

ADB Membership

| | |
|-------------|----------------|
| Joined | 2002 |
| Shares held | 350 (0.010%) |
| Votes | 13,582 (0.31%) |

Marita Magpili-Jimenez is the Executive Director and **Siraj S. Shamsuddin** is the Alternate Executive Director representing Timor-Leste on the ADB Board of Directors.

The Special Office in Timor-Leste (SOTL) was opened in 2000 and provides the primary operational link between ADB and the government, private sector, and civil-society stakeholders in its activities. SOTL engages in policy dialogue and acts as a knowledge base on development issues in Timor-Leste.

Laurence Pochard is the Resident Representative of SOTL.

The Timor-Leste government agency handling ADB affairs is the Ministry of Finance.

About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2008, lending volume was \$10.49 billion (86 projects), with TA at \$274.5 million (299 projects) and grant-financed projects at \$811.4 million (49 projects). This also generated \$1.65 billion in direct value-added cofinancing from financing partnerships operations. Over the last 5 years (2004–2008), ADB's annual lending volume averaged \$7.70 billion, with TA averaging \$231.5 million and grant-financed projects \$655.1 million. As of 31 December 2008, the cumulative totals were \$143.53 billion in loans for 2,147 projects in 41 countries, \$4.08 billion for 263 grant projects, and \$3.55 billion for 6,599 TA projects.

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Useful ADB websites
Asian Development Bank
www.adb.org

Country website
www.adb.org/timor-leste

Asian Development Outlook
www.adb.org/Documents/Books/ADO/2009/TIM.pdf

Annual Report
www.adb.org/Documents/reports/annual_report/2008/