Timor-Leste has made significant progress in state building since its independence in 2002. However, while access to essential services (particularly electricity) has vastly improved, key human development indicators remain low. The country’s prospects hinge on prudent and effective use of revenues from petroleum production to finance the investments in human capital, physical infrastructure, and institutions that are needed to support economic diversification and growth.

The Asian Development Bank (ADB) has been supporting Timor-Leste since 1999, with a focus on removing infrastructure bottlenecks and institutional constraints to open the way for a more sustainable economy. The bank’s assistance concentrates on improving transport connectivity to reduce inequalities, upgrading water supply and sanitation to deliver better health outcomes, regional cooperation and integration, investing in agricultural value chains to boost rural prosperity, and expanding financial and digital services to stimulate inclusive growth.

While helping Timor-Leste emerge stronger from the COVID-19 pandemic, the ADB country program will continue to emphasize knowledge, systems, innovation, and technical expertise to accompany traditional financial support.

Timor-Leste: 2020 Loans, Grants, Equity Investments, Technical Assistance, and Trade and Supply Chain Finance and Microfinance Program Commitments ($ million)*

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Sovereign</th>
<th>Nonsovereign</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants</td>
<td>4.00</td>
<td>-</td>
<td>4.00</td>
</tr>
<tr>
<td>Technical Assistance</td>
<td>5.27</td>
<td>0.15</td>
<td>5.42</td>
</tr>
<tr>
<td>Total</td>
<td>9.27</td>
<td>0.15</td>
<td>9.42</td>
</tr>
</tbody>
</table>

* = nil, DMC = developing member country, TA = technical assistance.

Notes:
- Commitment is the financing approved by ADB’s Board of Directors or Management for which the legal agreement has been signed by the borrower, recipient, or the investee company and ADB.
- Grants and TA include ADB-administered cofinancing.
- Numbers may not sum precisely because of rounding.
- Financing for TA projects with regional coverage is distributed to their specific DMCs where breakdown is available.

Timor-Leste: Cumulative Loans, Grants, Equity Investments, Technical Assistance, and Trade and Supply Chain Finance and Microfinance Program Commitments ae, b, c, d

<table>
<thead>
<tr>
<th>Sector</th>
<th>Total Amount (million)</th>
<th>% of Total Amount (million)</th>
<th>COVID-19 Response (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Natural Resources, and Rural Development</td>
<td>6.40</td>
<td>1.44</td>
<td>1.00</td>
</tr>
<tr>
<td>Education</td>
<td>13.50</td>
<td>3.04</td>
<td>-</td>
</tr>
<tr>
<td>Energy</td>
<td>2.50</td>
<td>0.56</td>
<td>-</td>
</tr>
<tr>
<td>Finance</td>
<td>2.33</td>
<td>0.52</td>
<td>-</td>
</tr>
<tr>
<td>Health</td>
<td>1.92</td>
<td>0.43</td>
<td>1.92</td>
</tr>
<tr>
<td>Industry and Trade</td>
<td>1.57</td>
<td>0.35</td>
<td>-</td>
</tr>
<tr>
<td>Information and Communication Technology</td>
<td>0.08</td>
<td>0.02</td>
<td>-</td>
</tr>
<tr>
<td>Multisector</td>
<td>18.20</td>
<td>4.10</td>
<td>-</td>
</tr>
<tr>
<td>Public Sector Management</td>
<td>10.24</td>
<td>2.31</td>
<td>-</td>
</tr>
<tr>
<td>Transport</td>
<td>363.76</td>
<td>82.00</td>
<td>-</td>
</tr>
<tr>
<td>Water and Other Urban Infrastructure and Services</td>
<td>23.14</td>
<td>5.22</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>75.443.63</td>
<td>100.00</td>
<td>2.92</td>
</tr>
</tbody>
</table>

* = nil, COVID-19 = coronavirus disease, DMC = developing member country, TA = technical assistance.

Notes:
- Commitment is the financing approved by ADB’s Board of Directors or Management for which the legal agreement has been signed by the borrower, recipient, or the investee company and ADB.
- Grants and TA include ADB-administered cofinancing.
- Includes sovereign and nonsovereign loans and technical assistance.
- Using primary sector in reporting of commitments.
- Financing for TA projects with regional coverage is distributed to their specific DMCs where breakdown is available.
- Numbers may not sum precisely because of rounding.

Updated in July 2021
$1 million in technical assistance to strengthen transport policy and planning. A new area of support has been for air transport, with technical assistance of $225,000 to assess the upgrading of the runway at Nicolau Lobato International Airport in Dili.

ADB financing helped upgrade the municipal water systems in Manatuto and Pante Makassar, bringing piped clean water to 2,581 households, and the bank is helping pilot innovative models for operation and maintenance systems through an $11 million grant. ADB also financed technical assistance projects that helped prepare the upgrading of urban water and solid waste management in Dili, improve urban water and sanitation systems in four municipal capitals, and establish a state-owned enterprise for water management.

In education, ADB helped upgrade facilities and introduce mid-level skills training in Timor-Leste’s five accredited training centers that specialize in construction and automotive trades. The project and related technical assistance also contributed to the development of new curricula, teachers’ training modules, and policies for secondary education.

ADB helped establish the Timor-Leste Coffee Association and contributed to the National Coffee Sector Development Plan, 2019–2030. It is now supporting the implementation of the plan. New models for educating coffee-farming households on good agricultural practices, crop productivity and quality, and access to finance are supported by a $3 million grant from the Japan Fund for Poverty Reduction and through ADB’s first nonsovereign investment in Timor-Leste.

ADB also supported key reforms to strengthen financial services in the country. Cofinanced by the Government of Australia, a technical assistance of $11 million was instrumental in transforming the Institute of Microfinance of Timor-Leste into the country’s first and only locally incorporated commercial bank—Banco Nacional de Comércio de Timor-Leste. ADB helped implement a new core banking technology platform and strengthen the commercial bank’s governance framework, creating an example of good corporate oversight to guide other state-owned enterprises.

**NONSovereign OPERATIONS**

As a catalyst for private investments, ADB provides financial assistance to nonsovereign projects and financial intermediaries. Total commitments in loans and equity investments from ADB’s own funds in 2020 amounted to $1.4 billion for 38 transactions in economic and social infrastructure, finance sector, and agribusiness. ADB also actively mobilizes cofinancing from commercial and concessional sources. In 2020, ADB mobilized $1.9 billion of long-term project cofinancing and $3.3 billion of cofinancing through its Trade and Supply Chain Finance Program and Microfinance Program. Total outstanding balances and commitments of nonsovereign transactions funded by ADB’s own resources stood at $14.3 billion as of 31 December 2020.

An ongoing loan and technical assistance to expand Olam’s coffee operations has involved training 4,200 coffee farming households to improve the productivity and quality of their production.

**PARTNERSHIPS**

ADB has been collaborating with various bilateral and multilateral agencies including Australia’s Department of Foreign Affairs and Trade, the European Union, the Japan International Cooperation Agency, and the World Bank in various infrastructure and finance-related projects. ADB also regularly meets with nongovernment organizations to share information on projects and knowledge work.

The bank’s support for Timor-Leste’s accession to both the Association of Southeast Asian Nations and the World Trade Organization includes harmonizing policies and regulations related to transport connectivity, trade, and tourism development.
FINANCING PARTNERSHIPS

Financing partnerships enable ADB’s financing partners, governments or their agencies, multilateral financing institutions, and commercial organizations to participate in financing ADB projects. The additional funds are provided in the form of loans and grants, technical assistance, and other nonsovereign cofinancing such as B loans, risk transfer arrangements, parallel loans and equity, guarantee cofinancing, and cofinancing for transactions under ADB’s Trade and Supply Chain Finance Program and Microfinance Program.

ADB began cofinancing operations in Timor-Leste in 2007. Since then, sovereign cofinancing commitments for Timor-Leste have amounted to $101.82 million for four investment projects and $15.08 million for eight technical assistance projects.

In 2020, Timor-Leste received $3 million grant cofinancing from the Japan Fund for Poverty Reduction for the Coffee and Agroforestry Livelihood Improvement Project.

A summary of projects with cofinancing from 1 January 2016 to 31 December 2020 is available at www.adb.org/countries/timor-leste/cofinancing.

PROCUREMENT

Each year, ADB provides loans, grants, and technical assistance to fund projects and activities in its developing member countries and several billion dollars in contracts to procure goods, works, and consulting services. Most contracts are awarded on the basis of international competition, which is open to firms and individuals from all ADB members.

Share of ADB’s Procurement Contracts

Goods, Works, and Related Services

ADB’s procurement contracts in Asia and the Pacific for goods, works, and related services under loan and grant operations totaled $14.19 billion in 2019 and $22.79 billion in 2020. Cumulative procurement since 1966 has been $216.35 billion covering 222,415 contracts.

For contractors and suppliers from Timor-Leste, 207 contracts worth $27.26 million have been awarded since 2002.

Consulting Services

ADB’s procurement contracts in Asia and the Pacific for consulting services under loan, grant, and technical assistance operations totaled $756.72 million in 2019 and $732.11 million in 2020. Cumulative procurement since 1966 has been $14.13 billion covering 67,086 contracts.

For consultants from Timor-Leste, 132 contracts worth $10.5 million have been awarded since 2002.

OPERATIONAL CHALLENGES

While the Government of Timor-Leste can draw on petroleum revenues to finance transformative investments, the capacity to design and implement large and complex projects is still developing. Project implementation faces systemic, institutional capacity, and coordination challenges. ADB is helping the government plan and implement high-quality investments and reforms, strengthen governmental processes, and develop national systems for public financial management and improved service delivery.

ADB is working closely with the government to ensure that systems are in place for the operation and maintenance of new infrastructure. Sound legal and institutional frameworks are needed to ensure sustainable operations and the bank is providing capacity building support for infrastructure management and the advancement of public–private partnerships.

FUTURE DIRECTIONS

ADB investments in Timor-Leste are prioritized in the enhanced country operations business plan, 2021–2023, which is aligned to the country’s Strategic Development Plan, 2011–2030.

While helping Timor-Leste emerge stronger from the COVID-19 pandemic, the ADB country program will continue to emphasize knowledge, systems, innovation, and technical expertise to accompany traditional financial support. ADB’s operations will also support the government’s efforts to combat the socioeconomic impacts of the pandemic through its new Economic Recovery Plan to diversify and develop a sustainable non-oil economy by improving delivery of municipal services and strengthening the country’s business environment.

<table>
<thead>
<tr>
<th>Contractor/Supplier</th>
<th>Sector</th>
<th>Contract Amount ($ million)</th>
<th>Amount ($ million)</th>
<th>% of Total</th>
<th>Amount ($ million)</th>
<th>% of Total</th>
<th>Amount ($ million)</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Don Bosco Training Center</td>
<td>EDU</td>
<td>0.34</td>
<td>0.06</td>
<td>0.00</td>
<td>0.26</td>
<td>0.00</td>
<td>27.26</td>
<td>0.01</td>
</tr>
<tr>
<td>DIT Baucau Training Center</td>
<td>EDU</td>
<td>0.26</td>
<td>0.12</td>
<td>0.02</td>
<td>0.56</td>
<td>0.08</td>
<td>10.50</td>
<td>0.07</td>
</tr>
<tr>
<td>Centro De Treinamento Claret (CTC Salele)</td>
<td>EDU</td>
<td>0.21</td>
<td>0.18</td>
<td>0.00</td>
<td>0.82</td>
<td>0.00</td>
<td>37.76</td>
<td>0.02</td>
</tr>
<tr>
<td>CNFP - Becora (SENAI)</td>
<td>EDU</td>
<td>0.14</td>
<td>0.18</td>
<td>0.00</td>
<td>0.82</td>
<td>0.00</td>
<td>37.76</td>
<td>0.02</td>
</tr>
<tr>
<td>Community Housing Ltd.</td>
<td>EDU</td>
<td>0.10</td>
<td>1.45</td>
<td>0.00</td>
<td>0.82</td>
<td>0.00</td>
<td>37.76</td>
<td>0.02</td>
</tr>
<tr>
<td>Others</td>
<td></td>
<td>1.45</td>
<td>2.49</td>
<td>0.00</td>
<td>0.82</td>
<td>0.00</td>
<td>37.76</td>
<td>0.02</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>2.49</td>
<td>0.00</td>
<td>0.82</td>
<td>0.00</td>
<td>37.76</td>
<td>0.02</td>
</tr>
</tbody>
</table>

EDU = education.
ABOUT TIMOR-LESTE AND ADB

ADB Membership
Joined 2002

Shareholding and Voting Power
Number of shares held: 1,050 (0.010% of total shares)
Votes: 40,164 (0.302% of total membership, 0.464% of total regional membership)

*Overall capital subscription: $15.12 million
*Paid-in capital subscription: $0.76 million

*United States dollar figures are valued at rate as of 31 December 2020.

Rui Augusto Gomes is the Governor and Sara Lobo Brites is the Alternate Governor for Timor-Leste in ADB.

Noor Ahmed is the Director and Paul Dominguez is the Alternate Director representing Timor-Leste on the ADB Board of Directors.

Sunil Mitra is the ADB Country Director for Timor-Leste. The Timor-Leste Resident Mission was opened in 2000 and provides the primary operational link for activities between ADB and the government, the private sector, civil society stakeholders, and development partners. The resident mission engages in policy dialogue, country partnership strategy development and programming, and portfolio management, while also acting as a knowledge base on development issues in Timor-Leste.

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 68 members, 49 from Asia and the Pacific 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. In 2020, lending volume was $26.9 billion (149 projects), with technical assistance at $293.56 million (275 projects) and grant-financed projects at $1.08 billion (62 projects). In addition, $16.41 billion was generated for sovereign and nonsovereign cofinancing in the form of loans and grants, B loans, risk transfer arrangements, guarantee cofinancing, parallel loans, parallel equity, and cofinancing for transactions under ADB’s Trade and Supply Chain Finance Program and Microfinance Program. From 1 January 2016 to 31 December 2020, ADB’s annual lending volume averaged $19.69 billion. In addition, investment grants and technical assistance funded by ADB and Special Funds resources averaged $805.5 million and $230.81 million respectively over the same period. As of 31 December 2020, the cumulative commitments excluding cofinancing were $323.17 billion in loans for 3,369 projects in 44 countries, $11.3 billion in 495 grants, and $5.01 billion in technical assistance grants, including regional technical assistance grants.

Notes:
Figures are estimated by ADB unless otherwise stated. “$” refers to United States dollars.
Data are updated as of 31 December 2020 unless otherwise indicated.

CONTACTS

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Useful ADB websites
Asian Development Bank
www.adb.org

Annual Report
www.adb.org/documents/series/adb-annual-reports

Asian Development Outlook
www.adb.org/publications/series/asian-development-outlook

ADB Data Library
data.adb.org