



Asian Development Bank & Timor-Leste

FACT SHEET

Table 1. Timor-Leste: 2011 Loan, Technical Assistance, and Grant Approvals (\$ million)

Loans		Technical Assistance	Grants	Total
Sovereign	Nonsovereign			
–	–	1.43	23.00	24.43

– = nil.

Partnerships

The country partnership strategy (CPS), 2011–2015, aligns the engagement of the Asian Development Bank (ADB) with Timor-Leste’s Strategic Development Plan, 2011–2030. The CPS outlines a 5-year strategic partnership with the government in support of infrastructure, financial services, and the skills training required to meet the needs of a growing economy. It will support the private sector to help Timor-Leste make the transition from a public sector-led economy. Assistance will also be provided for good governance and capacity development, gender equity, knowledge solutions, and helping Timor-Leste integrate with Southeast Asian economies.

ADB’s financial resources for 2011–2015 are expected to be concentrated on major roads and water supply and sanitation in rural centers. ADB will play an “honest broker” role in facilitating the provision of a range of infrastructure services by the private sector.

ADB is committed to strengthening its partnerships with the government, with civil society, the private sector, and other development partners in Timor-Leste. ADB, the International Finance Corporation, Japan International Cooperation Agency (JICA), and the World Bank are cooperating closely on major infrastructure projects. The Australian Agency for International Development (AusAID) and ADB are cofinancing a major capacity-building program in infrastructure, and are working closely on ADB initiatives with the Ministry of Finance.

ADB cooperates with civil society organizations in Timor-Leste to strengthen the effectiveness, quality, and sustainability of the services it provides. For example, ADB partnered with CARE Timor-Leste under the Road Sector Improvement Project and the Our Roads Our Future initiatives to implement socially inclusive and gender-responsive transport initiatives.

Operational Challenges

Sustaining benefits has been the key challenge facing ADB in Timor-Leste. Project completion reports and evaluations found that many of the early community-managed water supply and sanitation systems and most community-managed electricity systems were either operating at lower service levels than intended or had stopped. There was also insufficient maintenance of roads rehabilitated with the multidonor Trust Fund for East Timor funds. Key contributors to poor sustainability were a shortage of recurrent cost financing, gaps in operation and maintenance practices and capacity, and weak ownership of activities. Close attention is needed to absorb the lessons from these activities.

Government capacity to deliver services is now rising through an assertive effort with the international community to invest in staff and develop systems and processes of public sector management. The shortfalls in capacity are also being addressed by drawing on petroleum revenue to fund the outsourcing of the government's peripheral activities. This includes allowing the private sector to take on a stronger role in delivering basic services. The sustainability of ADB operations is being improved by ensuring they are aligned with and contribute to these initiatives.

Future Directions

In 2012, ADB will focus on support for infrastructure services, with road transport as the main infrastructure subsector. This reflects ADB's well-established presence in the subsector, the substantial resources needed to achieve the government's targets in the subsector, and the importance of quickly addressing the lagging state of road infrastructure.

Significant investment is also underway in water supply and sanitation in the rural centers, and technical and vocational education and training. Support for policy and capacity development in infrastructure, finance, and other sectors will continue, including for the implementation of public-private partnerships.

Timor-Leste became eligible to borrow from the concessionary Asian Development Fund (ADF) in 2011. The \$32.2 million in ADF resources available for 2011–2012 are a mix of grants and loans: \$23.0 million of grants, and \$9.2 million of concessional loans. From 2013–2014, all ADF resources will be available on a loan basis. In October 2011, the resources available were greatly increased through Timor-Leste's reclassification as a "B" member country. This provides Timor-Leste access to ADB's ordinary capital resources while retaining access to ADF.

Context

ADB has been actively involved in the reconstruction and development of the Timor-Leste economy and social and physical infrastructure since late 1999. Timor-Leste became a member of ADB in 2002, the same year it formally became an independent state.

ADB assistance to Timor-Leste over 1999–2005 concentrated on emergency infrastructure works. The ADB country strategy for 2006–2010 continued the focus on infrastructure, while completing a transition to rehabilitation works.

Timor-Leste has initiated a new development phase—funded by offshore petroleum revenue—that is pursuing a high rate of sustainable economic growth through the conversion of petroleum wealth into human and physical capital. In 2011–2015, ADB will help the government achieve this fast tracking of development by supporting the upgrade of the country's infrastructure and complementary initiatives.

Table 2. Timor-Leste: Development Indicators

Non-MDG	
Population in millions	1.09 [2011]
Annual population growth rate (%)	2.4 [2009–2011]
Adult literacy rate (%)	56.1 ^a [2010]
Population in urban areas (%)	28.1 [2010]
MDG	
Population living on less than \$1.25 (PPP) a day (%)	37.4 [2007]
Population living below the national poverty line (%)	41.1 [2009]
Under-5 mortality rate per 1,000 live births	64.0 [2005–2009]
Population using an improved drinking water source (%)	66.0 [2010]

MDG = Millennium Development Goal, PPP = purchasing power parity.

^a Adult literacy rate for persons literate in Tetun language.

Sources: ADB. 2012. *Basic Statistics 2012*. Manila; World Bank. 2012. World Development Indicators Online; country sources.

Table 3. Timor-Leste: Economic Indicators, 2007–2011

Economic Indicator	2007	2008	2009	2010	2011
Per capita GNI, Atlas method (\$)	1,490	2,460	2,020	2,220	...
GDP growth (% change per year)	9.1	12.1	13.0	9.5	10.0
CPI (% change per year)	8.9	7.6	(0.0)	5.6	13.1
Unemployment rate (%)	6.7	9.8	...
Fiscal balance (% of GDP)	293.8	391.6	229.1	256.4	325.6
Export growth (% change per year)	(39.7)	0.0	(31.5)	163.1	(18.5)
Import growth (% change per year)	12.9	61.7	9.9	2.8	87.3
Current account balance (% of GDP)	320.1	430.8	223.4	269.4	339.4
External debt (% of GNI)	0.0	0.0	0.0	0.0	0.0

() = negative, ... = data not available, 0.0 = value is less than half of unit employed, CPI = consumer price index, GDP = gross domestic product, where GDP is non-petroleum, non-United Nations, GNI = gross national income.

Sources: ADB. 2012. *Asian Development Outlook 2012*. Manila; World Bank. 2012. World Development Indicators Online.

Table 4. Timor-Leste: Project Success Rates

Sector	% ^a	No. of Rated Projects/Programs
Finance	–	1
Transport and ICT	66.67	3
Water Supply and Other Municipal Infrastructure and Services	–	1
Multisector	–	1
Total	33.33	6
Year of Approval		
2000s	33.33	6

– = nil, ICT = information and communication technology.

^a Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program performance 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 2011.

Table 5. Timor-Leste: Portfolio Performance Quality Indicators for Sovereign Lending, 2010–2011

	Number of Ongoing Loans (as of 31 Dec 2011)	
	2010 (\$ million)	2011 (\$ million)
Contract Awards/Commitments ^{a,b}	–	–
Disbursements ^a
Number of Ongoing Grants (as of 31 Dec 2011) ^c		
	2010 (\$ million)	2011 (\$ million)
Contract Awards/Commitments ^{a,b}	6.6	8.9
Disbursements ^a	1.5	3.0
Project at Risk (%)	33.3	

... = data not available, – = nil.

Note: Totals may not add up because of rounding.

^a Includes closed loans that had contract awards or disbursements during the year.

^b Excludes policy-based lending/grants.

^c Includes only ADF and other ADB Special Funds.

ADB-Supported Projects and Programs

Early projects administered by ADB and funded from the Trust Fund for East Timor prioritized ensuring peace and stability by quickly restoring the delivery of basic infrastructure services. Public investment projects—mostly roads, electricity, and water supply and sanitation—were undertaken in towns and remote villages; basic public services were restored where infrastructure had been destroyed, or where it became unusable because of lack of maintenance or staff and other resources. 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.

In 2006–2010, road works were undertaken on about 370 kilometers (km) of main roads, with 98 km of roads fully rehabilitated. Rehabilitation of selected drainage and slope protection works was undertaken on a further 267 km of roads.

ADB had helped establish the Institute of Microfinance in Timor-Leste, which, in July 2011, became the country's first locally owned commercial bank, the Banco Nacional Comércio de Timor-Leste. The new bank had a branch in Dili and all but one of Timor-Leste's 12 rural centers by the end of 2011. The loan portfolio had reached \$9.5 million by late 2011, with the bank profitable and maintaining a low nonperforming loan ratio.

ADB support for sector policy and planning, resource mobilization and coordination, and design and implementation has helped the government prepare and begin implementation of more than \$100 million in infrastructure projects funded from its own resources.

ADB has provided technical support for the establishment of the Petroleum Fund and other core elements of public sector management. The Petroleum Fund held \$9.3 billion in offshore investments at the end of 2011, and ranks highly in international best practice standards for transparency. ADB has also supported public sector management training for hundreds of civil servants through the National Institute of Public Administration.

Cofinancing

Cofinancing operations enable ADB's financing partners, government or their agencies, multilateral financing institutions, and commercial organizations, to participate in the financing of ADB projects. The additional funds are provided in the form of official loans and grants, and commercial cofinancing, such as B loans, risk transfer arrangements, parallel loans, and cofinancing for transactions under the ADB's Trade Finance Program.

By the end of 2011, cumulative direct value-added official cofinancing for Timor-Leste amounted to \$3.0 million for one investment project and \$12.8 million for three technical assistance projects.

A summary of projects with cofinancing from 1 January 2007 to 31 December 2011 is available at www.adb.org/countries/timor-leste/cofinancing

Table 6. Timor-Leste: Projects Cofinanced, 1 January 2007–31 December 2011

Cofinancing	No. of Projects	Amount (\$ million)
Project ^a	1	3.00
Grant	1	3.00
Technical Assistance Grants	3	12.83

^a A project with more than one source of cofinancing is counted once.

Table 7. Timor-Leste: Share of Procurement Contracts

Item	2010		2011		Cumulative (as of 31 Dec 2011)	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
Goods and Works	–		0.00	0.00	0.00	0.00
Consulting Services	0.02	0.01	0.05	0.01	2.12	0.03

– = nil, 0.00 = less than 0.01%.

Procurement

From 1 January 1968 to 31 December 2011, consultants were involved in 24,484 contracts for ADB technical assistance projects worth \$3.42 billion. During the same period, consultants from Timor-Leste were involved in 10 contracts for ADB technical assistance projects worth \$2.12 million.

Table 8. **ADB Assistance to Developing Member Countries, 2010–2011^a**

	2010 (\$ million)	2011 (\$ million)	Change (%)
Lending	11,444.53	12,605.46	10.14
ADF, Sovereign	2,212.57	1,954.85	(11.65)
OCR, Sovereign	8,196.96	9,050.61	10.41
OCR, Nonsovereign	1,035.00	1,600.00	54.59
Public Sector	–	600.00	
Private Sector	1,035.00	1,000.00	(3.38)
Equity Investments	235.00	239.00	1.70
Grants ^b	1,052.86	844.14	(19.82)
Technical Assistance Grants	325.00	359.39	10.58

– = nil, () = negative, ADF = Asian Development Fund, OCR = ordinary capital resources.

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

^b Excludes grant cofinancing not administered by ADB.

About Timor-Leste and ADB

ADB Membership

Joined 2002

Shareholding and Voting Power

Number of shares held: 1,050 (0.01% of total shares)
Votes: 40,540 (0.31% of total membership,
0.47% of total regional membership)
Overall capital subscription: \$16.12 million
Paid-in capital subscription: \$0.81 million

Gaudencio Hernandez, Jr. 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.

Craig Sugden 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 2011, lending volume was \$12.61 billion (104 projects), with TA at \$148 million (212 projects) and grant-financed projects at \$614 million (23 projects). In addition, \$7.7 billion was generated in direct value-added cofinancing in the form of official loans and grants and commercial cofinancing such as B loans, risk transfer arrangements, parallel loans, and cofinancing for transactions under ADB's Trade Finance Program. From 1 January 2007 to 31 December 2011, ADB's annual lending volume averaged \$11.34 billion. In addition, TA and investment grants funded by ADB and special funds resources averaged \$755.3 million and \$175.0 million in TA over the same period. As of 31 December 2011, the cumulative totals excluding cofinancing were \$179.7 billion in loans for 2,423 projects in 42 countries, \$5.0 billion in 186 grants, and \$3.3 billion in TA grants, including regional TA grants.

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Useful ADB websites

Asian Development Bank
www.adb.org

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

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