



Board of Directors

IN.481-19
20 December 2019

Country Operations Business Plan: Timor-Leste, 2020–2022

Attached for information is a paper on the above subject.

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Country Operations Business Plan

December 2019

Timor-Leste
2020–2022

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Asian Development Bank

CURRENCY EQUIVALENTS

The currency of Timor-Leste is the United States dollar.

ABBREVIATIONS

ADB	–	Asian Development Bank
COBP	–	country operations business plan
COL	–	concessional OCR lending
CPS	–	country partnership strategy
OCR	–	ordinary capital resources
TA	–	technical assistance

NOTE

In this report, “\$” refers to United States dollars.

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I. CONSISTENCY OF BUSINESS PLAN WITH COUNTRY PARTNERSHIP STRATEGY

1. The country operations business plan (COBP) presents the indicative program for support of the Asian Development Bank (ADB) to Timor-Leste for 2020–2022. Implementation of ADB’s country partnership strategy (CPS), 2016–2020 for Timor-Leste has progressed slowly due to Presidential and Parliamentary elections in 2017 and 2018. Staff assessment is that the CPS remains highly relevant to address the development priorities of Timor-Leste. The Government of Timor-Leste concurs with the assessment and has agreed to conduct a CPS mid-term review in 2020 with a view to extending CPS implementation to 2022. The findings and recommendations from the assessment will be reported in the COBP for 2021–2023 that will be circulated to the Board in 2020.

2. COBP, 2020–2022 is consistent with the CPS and aligned with ADB Strategy 2030 operational priorities; the Program of the Eighth Constitutional Government of Timor-Leste, 2018–2023; and Timor-Leste’s Strategic Development Plan, 2011–2030.¹ COBP, 2020–2022 will help Timor-Leste build human capital, diversify its economy, and achieve sustainable and inclusive growth. The agriculture sector has been added to ADB assistance areas as agreed with the government (Appendix 1). Particular emphasis is given to the Strategy 2030 operational priorities of addressing remaining poverty and reducing inequalities, accelerating progress in gender equality, making cities more livable, strengthening governance and institutional capacity, and promoting regional cooperation and integration.

3. Developing a sustainable non-oil economy is a key challenge for Timor-Leste. The Program of the Eighth Constitutional Government presents an ambitious plan to improve service delivery and accelerate economic development. Implementing this plan will require well targeted investments in infrastructure and human capital development and substantive policy reforms. The indicative pipelines of investment projects, technical assistance (TA), and knowledge activities will support the achievement of these goals. The indicative lending program includes investments to develop human capital, improve delivery of basic services, strengthen market linkages, and stimulate productive activities. The nonlending program will support the preparation of high-quality investment projects and help Timor-Leste with key thematic priorities, such as governance, capacity development, and regional cooperation and integration.

4. ADB will mainstream support for gender equity, good governance, and capacity development across investments and TAs. It will continue to support the establishment of well-governed state-owned enterprises in water and sanitation, energy, and finance and will promote increased private sector participation in infrastructure management. ADB will continue to promote financial inclusion through its work on social protection and agricultural value chain development. Regional cooperation will be supported through a package of investments, TA, and well-coordinated policy dialogue.

II. INDICATIVE RESOURCE PARAMETERS

5. Timor-Leste, a group B developing member country, is eligible for regular ordinary capital resources (OCR) lending and concessional OCR lending (COL). Indicative resources available for commitment during 2020–2022 for sovereign operations total \$304.45 million, comprising

¹ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila; Timor-Leste Country Partnership Strategy, 2016–2020; Timor-Leste Strategic Development Plan, 2011–2030; Program of the Eighth Constitutional Government of Timor-Leste (accessible from the list of linked documents in Appendix 2).

\$210.0 million for regular OCR lending and \$94.45 million for COL. Firm programming for the period is \$267.0 million, with the possibility of additional commitments through processing of standby projects. The final allocation will depend on available resources and the outcome of the country performance assessments. Cofinancing and funding from other sources, including the regional pool under concessional resources, will be explored.

6. The lending program for 2020–2022 presented in Appendix 3, Table A3.1 includes \$105.0 million of regular OCR lending and \$162.0 million of COL. COL is overprogrammed so ADB can respond flexibly to evolving needs for support. The nonlending program (Table A3.2) comprises \$7.35 million in grants from ADB's Technical Assistance Special Fund for projects in 2020–2022 and \$2.0 million in grants from other sources. Grant-financed TA will support project preparation and help Timor-Leste deepen its regional cooperation and integration. Nonlending assistance in the current year is shown in Table A4.1 while knowledge products and events planned in 2020 and delivered in 2019 are provided in Tables A5.1 and A5.2, respectively.

III. SUMMARY OF CHANGES TO LENDING AND NONLENDING PROGRAMS

7. This is the first COBP prepared for Timor-Leste since COBP, 2017–2019 was approved in March 2017.² COBP, 2017–2019 included four firm and five standby projects, but, because of political uncertainty, only one of these – the Baucau to Viqueque Highway Project – was approved.³ ADB has reviewed the proposed lending and nonlending assistance to ensure close alignment with Strategy 2030 priorities. Following consultations with the Government of Timor-Leste, ADB has reprogrammed lending projects scheduled for 2017–2019 to 2020–2022 with some adjustment in lending volume and modality. The nonlending program reflects a sharper focus on project preparation through increased programming of transaction TA.

8. The overall sequencing of investments in water and sanitation upgrades has been maintained, but planned ADB financing has increased from \$84.0 million to \$97.0 million because of improved information about investment needs. In transport, new projects to support public transport and the Dili airport upgrade have been included. In energy, the plan to begin sector lending operations with a multitranche financing facility has been adjusted and a stand-alone project is now programmed for 2020. In education, the name of the project has been adjusted to reflect the possibility that ADB support will encompass secondary and postsecondary technical and vocational education. Two new projects have been included in the lending pipeline to support the CPS objective on economic diversification. The Agricultural Value Chain Project is listed as firm for 2022. It will use loan financing to scale up activities implemented under the grant-financed Coffee and Agroforestry Livelihood Improvement Project that is programmed for approval in 2020 and will expand the value chain approach to other subsectors.

² Elections in July 2017 and March 2018 and the associated political uncertainty meant that it was not possible to field a full country programming mission during the remainder of 2017 or in 2018.

³ ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Loans and Technical Assistance Grant Democratic Republic of Timor-Leste: Baucau to Viqueque Highway Project*. Manila.

COUNTRY ASSISTANCE RESULTS AREAS

Key Country Development Outcomes that ADB Contributes to	ADB		
	Key Areas of Assistance	Indicative Resources Available for Commitment in 2020–2022	Changes from Last COBP
1. Energy (CPS objective: more inclusive and sustainable growth)			
Improved coverage, reliability, and efficiency of electricity services Increased use of renewable energy resources	Energy sector development and institutional reform Enhanced energy efficiency and transmission and distribution Enhanced enabling environment for private sector investment in the energy sector, energy policy, and energy regulations	Amount: \$10.0 million (COL) and \$40.0 million (OCR) Share of COBP envelope: 18.7%	
2. Transport (CPS objective: more inclusive and sustainable growth)			
Efficient and safe movement of goods and people through sustainable land, sea, and air transport infrastructure and services	Roads, road safety, and asset management Transport policies and institutional development Airport infrastructure	Amount: \$40.0 million (COL) and \$50.0 million (OCR) Share of COBP envelope: 33.7%	The key development outcome has been modified to include air transport connectivity. Airport infrastructure has been added to the key areas of assistance.
3. Water and Other Urban Infrastructure and Services (CPS objective: Improved human capital)			
Increased access of urban households to reliable and clean drinking water supplies Improved environmental health conditions in urban centers Efficient management of urban service delivery	Urban planning, policies, and reforms New institutional structures for efficient and performance-based service delivery Priority water and sanitation infrastructure Increased private sector participation Solid waste management More market-based infrastructure and management	Amount: \$97.0 million (COL) and \$3.0 million (cofinancing) Share of COBP envelope: 36.3%	

Key Country Development Outcomes that ADB Contributes to	ADB		
	Key Areas of Assistance	Indicative Resources Available for Commitment in 2020–2022	Changes from Last COBP
4. Education (CPS objective: improved human capital)			
Skilled workforce with improved technical and vocational training	Technical and vocational education and training Education sector policy Secondary education	Amount: \$15.0 million (COL) and \$3.0 (cofinancing) Share of COBP envelope: 5.6%	Secondary education has been added as a key area of assistance
5. Agriculture, Natural Resources and Rural Development (CPS objective: a more productive and diversified economy)			
Poverty reduction Increased non-oil exports More productive coffee and agroforestry sector	Agricultural production Forestry Land-based natural resources management Agricultural research and its application	Amount: \$15 million (OCR) and \$9.0 (cofinancing) Share of COBP envelope: 5.6%	This sector has been added for the first time
6. Finance (CPS objective: a more productive and diversified economy)			
Improved availability and efficiency of financial services	Inclusive finance, finance sector development	Amount: \$0 million (COL) and \$0 million (OCR) ^a Share of COBP envelope: 0%	.

ADB = Asian Development Bank, COBP = country operations business plan, COL = concessional OCR lending, CPS = country partnership strategy, OCR = ordinary capital resources, TA = technical assistance.

^a Support for the finance sector will be provided through grants and TA to be financed from external sources.

Source: ADB estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/COBP/?id=TIM-2020>

1. Portfolio at a Glance
2. Timor-Leste Strategic Development Plan, 2011–2030
3. Timor-Leste Country Partnership Strategy, 2016–2020
4. Program of the Eighth Constitutional Government of Timor-Leste, 2018-2023

INDICATIVE ASSISTANCE PIPELINE
Table A3.1: Lending Products, 2020–2022

Project/Program Name ^a	Sector	Poverty Targeting	Operational Priority	Division	Year of TRTA/ PRF	Cost (\$ million)						
						Total	ADB				Gov't	Co-finance
							Regular OCR	COL	ADF Grants	Total		
2020 Firm												
Water Supply and Sanitation Investment Project, Phase 1	WUS	TI-G	OP1, OP2, OP4, OP6	SEUW	2019	50.0	0.0	47.0	0.0	47.0	TBC	3.0
Road Network Sustainability Project	TRA	TI-G	OP1, OP6	SETC	2016	30.0	30.0	0.0	0.0	30.0	TBC	0.0
Coffee and Agroforestry Livelihood Improvement Project	ANR	TI-H	OP1, OP2, OP5, OP6	TLRM	2018	3.0	0.0	0.0	0.0	0.0	TBC	3.0
Total						83.0	30.0	47.0	0.0	77.0	0.0	6.0
2020 Standby												
Electricity System Strengthening and Sustainability Project	ENE	GI	OP1, OP3, OP6	SEEN	2016	50.0	50.0	0.0	0.0	50.0	TBC	TBC
Total						50.0	50.0	0.0	0.0	50.0	0.0	0.0
2021 Firm												
Workforce and Skills Development Project	EDU	GI	OP1, OP2	SEHS	2016	18.0	0.0	15.0	0.0	15.0	TBC	3.0
Electricity System Strengthening and Sustainability Project	ENE	GI	OP1, OP3, OP6	SEEN	2019	50.0	40.0	10.0	0.0	50.0	TBC	TBC
Dili Airport Runway Upgrading Project	TRA	GI	OP7	SETC	2020	40.0	0.0	40.0	0.0	40.0	TBC	TBC
Total						108.0	40.0	65.0	0.0	105.0	0.0	3.0
2021 Standby												
Timor-Leste Public Transport Project	TRA	GI	OP2, OP3, OP4	SETC	2021	20.0	20.0	0.0	0.0	20.0	TBC	TBC
Total						20.0	20.0	0.0	0.0	20.0	0.0	0.0
2022 Firm												
Timor-Leste Public Transport Project	TRA	GI	OP2, OP3, OP4	SETC	2021	20.0	20.0	0.0	0.0	20.0	TBC	TBC
Water Supply and Sanitation Investment Project, Phase 2	WUS	TI-G	OP1, OP2, OP4, OP6	SEUW	2020	50.0	0.0	50.0	0.0	50.0	TBC	TBC
Agricultural Value Chain Project	ANR	TI-H	OP1, OP2, OP5	SEER	2021	21.0	15.0	0.0	0.0	15.0	TBC	6.0
Total						91.0	35.0	50.0	0.0	85.0	0.0	6.0

^a Given the provisional nature of the indicative lending program, the composition of lending instruments in the actual loan delivery may change.

ADB = Asian Development Bank; ADF = Asian Development Fund; ANR = agriculture, natural resources, and rural development; COL = concessional OCR lending; EDU = education; ENE = energy; GI = general intervention; Gov't = government, OCR = ordinary capital resources; OP1 = addressing remaining poverty and reducing inequalities; OP2 = accelerating progress in gender equality; OP3 = tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability; OP4 = making cities more livable; OP5 = promoting rural development and food security; OP6 = strengthening governance and institutional capacity; OP7 = fostering regional cooperation and integration; PRF = project readiness financing; SEEN = Southeast Energy Division; SEER = Southeast Environment, Natural Resources, and Agriculture Division; SEHS = Southeast Human and Social Development Division; SETC = Southeast Transport and Communications Division; SEUW = Southeast Urban Development and Water Division; TBC = to be confirmed; TI-G = targeted intervention—geographic dimensions of inclusive growth; TI-H = targeted intervention—income poverty at household level; TLRM = Timor-Leste Resident Mission, TRA = transport; TRTA = transaction technical assistance; WUS = water supply and other urban infrastructure and services.

Source: Asian Development Bank.

Table A3.2: Nonlending Products and Services, 2020–2022

Table A3.2: Nonlending Products and Services, 2020–2022								
				Sources of Funding				
				ADB		Others		
Assistance Name	Sector	Division	Assistance Type	Source	Amount (\$'000)	Source	Amount (\$'000)	Total (\$'000)
2020 Firm								
Policy and Planning for Public Investments, Subproject 2	EDU	SEHS	TRTA	TASF	400		0	400
Preparing for ASEAN and WTO Accession	PSM	TLRM	KSTA	TASF	500	RCIF	1,000	1,500
Water Sector Support Program, Phase 1	WUS	SEUW	TRTA	TASF	1,100		0	1,100
Total					2,000		1,000	3,000
2020 Standby								
Energy System and Sustainability Project (institutional reform)	ENE	SEEN	TRTA	TASF	1,000		0	1,000
Total					1,000		0	1,000
2021 Firm								
Policy and Planning for Public Investments, Subproject 3	TRA	SETC	TRTA	TASF	600		0	600
Energy System and Sustainability Project (institutional reform)	ENE	SEEN	TRTA	TASF	1,000		0	1,000
Preparing the Agriculture Value Chain Project	ANR	SEER	TRTA	TASF	750			750
Total					2,350		0	2,350
2021 Standby								
Preparing the South Coast Development Project	MUL	SETC	TRTA	TASF	1,000		0	1,000
Total					1,000		0	1,000
2022 Firm								
Strengthening Implementation of Phase 3 of the Strategic Development Plan	PSM	TLRM	KSTA	TASF	1,000	trust fund	1,000	2,000
Preparing the South Coast Development Project	MUL	SETC	TRTA	TASF	1,000			1,000
Water Sector Support Program, Phase 2	WUS	SEUW	TRTA		1,000			1,000
Total					3,000		1,000	4,000

ADB = Asian Development Bank; ANR = agriculture and natural resources; ASEAN = Association of Southeast Asian Nations; EDU = education; ENE = energy; KSTA = knowledge and support technical assistance; MUL = multisector; PSM = public sector management; RCIF = Regional Cooperation and Integration Fund; SEEN = Southeast Energy Division; SEER = Southeast Environment, Natural Resources, and Agriculture Division; SEHS = Southeast Human and Social Development Division; SETC = Southeast Transport and Communications Division; SEUW = Southeast Urban Development and Water Division; TASF = Technical Assistance Special Fund; TLRM = Timor-Leste Resident Mission; TRA = Transport; TRTA = transaction technical assistance; WTO = World Trade Organization; WUS = water and sanitation.

Source: Asian Development Bank.

ASSISTANCE PROGRAM FOR CURRENT YEAR
Table A4.1: Nonlending Products and Services, 2019

Assistance Name	Sector	Division	Assistance Type	Sources of Funding				
				ADB		Others		Total (\$'000)
				Source	Amount (\$'000)	Source	Amount (\$'000)	
Firm								
Implementing Reforms for Growth and Competitiveness	PSM	TLRM	KSTA	TASF	1,000	WFPP	500	1,500
Cross-Border Trade and Cooperation between Indonesia and Timor-Leste	IND	SDTC-RCI	KSTA	TASF	250	RCIF	700	950
Energy System Strengthening and Sustainability Project	ENE	PAEN	KSTA	TASF	225		0	225
Southeast Asia Transport Project Preparatory Facility Phase 2	TRA	SETC	TRTA	TASF	5,000		0	5,000
Total					6,475		1,200	7,675

ADB = Asian Development Bank, ENE = energy, IND = industry and trade, KSTA = knowledge and support technical assistance, PAEN = Pacific Energy Division, PSM = public sector management, SDTC-RCI = Regional Cooperation and Integration Thematic Group, TASF = Technical Assistance Special Fund, TLRM = Timor-Leste Resident Mission, TRA = Transport, TRTA = transaction technical assistance, WFPP = water financing partnership facility.

Source: Asian Development Bank.

INDICATIVE KNOWLEDGE PRODUCTS AND EVENTS

Table A5.1: Knowledge Products and Events for 2020

Title of Publication or Event	Subject	Type	Department or Sector Group or Thematic Group	Funding Source
Knowledge Needs Workshop	Knowledge management	Training or capacity development	SERD	TBC
Asian Development Outlook (April 2020)	Economics	Publication and documentation	ERCD	NA
Timor-Leste Trade Policy	Regional cooperation and integration	Publication and documentation	SERD	TA 9070
Timor-Leste ASEAN Human Resource Plan	Regional cooperation and integration	Publication and documentation	SERD	TA 9070
Asian Water Development Outlook 2020	Urban development and water	Publication and documentation	SERD	TA 9495
National Forestry Sector Investment Plan, 2020–2030	Agriculture, natural resources, and rural development	Publication and documentation	SERD	TA 9057 REG
Timor-Leste Urban Sector Assessment	Urban development and water	Publication and documentation	SERD	TA 9495
Dili Urban Planning Assessment	Urban development and water	Publication and documentation	SERD	TA 5229
Fiscal Incidence Analysis for Timor-Leste	Economics	Publication and documentation	SERD	TA 9122
Water Supply O&M Contract—Lessons Learned	Urban development and water	Training or capacity development	SERD	Grant 0258
Timor-Leste Feasibility Study Guidelines	Public investment	Publication and documentation	SERD	TA 9495
Fiscal Space for Achieving the SDGs in Timor-Leste	Economics	Publication and documentation	SDCC	TA 9341
Social Protection Indicator for the Pacific: Update	Economics	Publication and documentation	SDCC	TA 9534
15 th Asian Clean Energy Forum	Energy	Flagship Event	SDCC	TA-9690
Country (climate change) Profiles and technical Notes	Climate change adaptation	Publication and documentation	SDCC	TA-9414
Total number of publications = 12				
Total number of events = 3				

ASEAN = Association of Southeast Asian Nations, ERCD = Economic Research and Regional Cooperation Department, NA = not applicable, O&M = operation and maintenance, REG = regional, SDCC = Sustainable Development and Climate Change Department, SDG = Sustainable Development Goal, SERD = Southeast Asia department, TA = technical assistance, TBC = to be confirmed.

Source: Asian Development Bank.

Table A5.2: Additional Knowledge Products and Events Delivered in 2019

Title of Publication or Event	Subject	Type	Department or Sector Group or Thematic Group	Funding Source
Road Investment and Maintenance Strategy	Transport	Training or capacity development	PARD	TA 9502
Asian Development Outlook	Economics	Publication and documentation	ERCD	NA
O&M Training on Water Supply in Pante Macasar	Urban development and water	Training or capacity development	PARD	Grant 0258
Pacific Economic Monitor (July 2019)	Economics	Publication and documentation	PARD	
National Coffee Sector Development Plan, 2020–2030	Agriculture, natural resources, and rural development	Publication and documentation	PARD	TA 9264
Reforming Timor-Leste Technical Secondary Education	Education	Publication and documentation	PARD	
Public Financial Management Reform Conference	Governance and public sector management	Event organization	PARD	
ASEAN Orientation Program	Regional cooperation and integration	Training or capacity development	PARD	TA 9070
Scoping Study on Enhanced Cross-Border Cooperation and Integration between Indonesia and Timor-Leste	Regional cooperation and integration	Publication and documentation	SDCC	TA 9350
Promoting Sustainable Land Transport Infrastructure	Transport	Publication and documentation	PARD	TA 9502
Stakeholder Workshop on Social and Environmental Protection (2019)	Transport	Training or capacity development	PARD	TA 9361
Application of Future Thinking and Foresight in the Water Sector in Timor-Leste	Urban and water	Training or capacity development	SDCC	TA 9619
Social Protection Indicator for the Pacific	Economics	Publication and documentation	SDCC	TA 9534
14 th Asia Clean Energy Forum	Energy	Flagship Event	SDCC	TA 9690
Review of the ADB Clean Energy	Energy	Publication and documentation	SDCC	TA 8953
3 rd Asia Finance Forum. The Future of Inclusive Finance	Finance	Signature Event	SDCC	TA 9364
Total number of publications = 8				
Total number of events = 8				

ASEAN = Association of Southeast Asian Nations, ERCD = Economic Research and Regional Cooperation Department, NA = not applicable, O&M = operation and maintenance, PARD = Pacific Department, SDCC = Sustainable Development and Climate Change Department, TA = technical assistance.

Source: Asian Development Bank.

Table A5.3: Innovation, Advanced Technology, and Pilot Initiatives to be Implemented in 2020

Item	Nature	Project Number	Sector or Theme	Division
Coffee Rehabilitation in Timor-Leste—A Service for Coffee Plantation Monitoring	Remote sensing tool	51396-001	ANR	SDCC
Total number of innovation, advanced technology, and pilot initiatives = 1				

ANR = agriculture, natural resources, and rural development; SDCC = Sustainable Development and Climate Change Department.

Source: Asian Development Bank.