

Country Development Cooperation Policy for the Democratic Republic of Timor-Leste

September 2024

1 Objectives of Development Cooperation

- (1) Timor-Leste accounts for the eastern half of Timor Island, located at the eastern end of the Lesser Sunda Islands. The western side of the island borders Indonesia, and the southern side is located near Australia across the Timor Sea, making it a strategic point on maritime routes. For Japan, Timor-Leste is a friendly country that shares fundamental values such as democracy, human rights, and the rule of law, as an important partner in realizing Free and Open Indo-Pacific (FOIP).
- (2) As a major donor, Japan has consistently supported the country's nation-building effort while remaining close to the country since the first donors' meeting for Timor-Leste held in Tokyo in 1999, before Timor-Leste restored its independence. In addition, Timor-Leste was granted admission to ASEAN in principle and observer status at the ASEAN Summit in November 2022. At present, with the aim of gaining formal membership as early as possible, Timor-Leste is working in line with the roadmap adopted at the ASEAN Summit in May 2023, and Japan is supporting their efforts. Furthermore, in December 2023, the bilateral relationship was elevated to "Comprehensive Partnership towards Sustainable Growth and Development".
- (3) While Timor-Leste has been pursuing relatively stable economic management and development efforts since the restoration of its independence in 2002 using revenues from natural resources (oil and natural gas) produced in its coastal waters, it is of urgent importance to secure alternative sources of income including industrial development to achieve financial stability and long-term national development, considering that the petroleum fund, which supports the current government finance, is predicted to diminish its balance in the 2030s. However, the fundamental infrastructure such as roads and ports, along with the systems for delivering social services to the population, and the environment for the development of domestic industry are still underdeveloped, and the country is highly dependent on imports of daily foods and remittances from abroad. Moreover, addressing these challenges requires the development of human resources across all sectors, and numerous development issues remain to be tackled. In addition, heavy rainfall occurred in April 2021 caused flooding and significant damage, clearly revealing the vulnerability to natural disasters.
- (4) Based on the Strategic Development Plan (SDP) announced in 2011, Timor-Leste aims to become an upper-middle income country by 2030 through reducing its dependence on natural resource revenues. The current administration, inaugurated in July 2023, has presented more concrete development policies under its 9th Government Program, based on the SDP, aligned with the Sustainable Development Goals (SDGs).
- (5) Japan's cooperation in line with these policies of Timor-Leste will further strengthen the comprehensive partnership with Timor-Leste, which has contributed to Japan's energy security as

a natural gas producing country, and will lead to enhancing Japan's presence in the country. Furthermore, in the regional context, the realization of the sustainable growth and development of Timor-Leste, which is expected to become a full member of ASEAN and shares fundamental values with Japan, will be conducive to the stability and prosperity of the entire region, the strengthening of Japanese diplomatic relations with ASEAN, and the realization of the FOIP, and thus Japan's support to the country will be of great significance.

2 Basic Policy of Japanese ODA (overall goal): Reinforcement of the foundations for sustainable growth and development in anticipation of full ASEAN membership and beyond

In order to achieve Timor-Leste's sustainable nation-building toward becoming an upper-middle income country by 2030, Japan will strengthen Timor-Leste's social service functions while reinforcing the foundations for economic and social development and diversifying industries, and cooperate in human resource development and institutional building in each field to realize this goal. Japan will support to strengthen the foundation of Timor-Leste so that it can pursue a path of sustainable growth and development as a member of the ASEAN region and the international community.

3 Priority Areas (subsidiary goals)

(1) Strengthening of Infrastructure and Industrial Diversification for Economic Growth

To realize sustainable economic growth, Japan will cooperate in the development of high-quality economic and social infrastructure (ports, airports, roads, etc.) by utilizing its advanced technological capabilities. In order to help the country overcome its vulnerabilities (especially its significant natural disaster risks), Japan will promote cooperation that is conducive to disaster and climate change countermeasures, drawing on its knowledge and experience.

In addition, in order to outgrow from dependence on imports of natural resources and daily food products, Japan will support strengthening key industries such as agriculture (rice, coffee, etc.), and cooperate in potential sectors for industrial diversification, such as fisheries and tourism, as measures to support the enhancement of the private sector and will cooperate in the development of young talent who will lead the future.

(2) Strengthening Social Service Functions

Japan will cooperate in the areas of health and medical care (medical institution development, maternal and child health, sanitation), nutrition, and education (primary and higher) to promote and improve the quality of social services, which are essential for sustainable growth and development. In addition, from the perspective of human security, Japan will also ensure that no one will be left behind at the grassroots level through support for basic infrastructure, health care, and education in vulnerable communities in order to reduce disparities in income, gender, and residential areas.

(3) Enhancement of Governance

In order to achieve the formal accession to ASEAN and to support the development of independent and responsible diplomacy as a member of ASEAN and the international community after the accession, Japan will support the capacity improvement of the administrative agencies and the human resources that support them, taking into consideration the building and strengthening the foundation for stable national management with a view to decentralization. In addition, Japan will work on the development of a legal system to create a business environment that will serve as a foundation for private-sector economic revitalization, as well as cooperation in strengthening maritime security capabilities, law enforcement capabilities, and criminal justice, keeping FOIP also in mind.

4 Points to be Considered¹

- (1) Japan aims to achieve high synergy and efficient implementation by actively utilizing its knowledge and technology and by providing support through a combination of different schemes and methods. In addition, Japan will provide assistance while paying attention to the growing interest of Japanese companies in the country in anticipation of its future formal accession to ASEAN and the interest in technical intern training and specified skilled worker system in Japan.
- (2) The government of Timor-Leste is promoting the development of the Greater Sunrise gas field (including related infrastructure facilities) as a national project, with the diminishing balance of the Petroleum Fund in the 2030s in mind. It should be noted that there is a possibility that related development opportunities may arise in the future following a decision on its development plan to be finalized.

(End)

Annex: Rolling Plan

¹The evaluation of past Japan's ODA to the Democratic Republic of Timor-Leste is as follows.

“Evaluation of Japan's ODA to the Democratic Republic of Timor-Leste (2021)”

<https://www.mofa.go.jp/policy/oda/evaluation/FY2021/pdfs/itmor-leste.pdf>