

Japan's Country Assistance Policy for Timor-Leste

May 2017

1. Relevance for Assistance

Timor-Leste, the first independent country of the 21st century, has been making efforts toward reconstruction from conflicts and consolidation of peace since its independence in 2002. In July 2011, Timor-Leste issued the Strategic Development Plan (SDP) to launch full-fledged nation-building efforts for sustainable growth and development.

The biggest challenge for sustainable economic growth in Timor-Leste is to move away from a resource-dependent economic structure and achieve industry diversification based on vitalization of private sector. It is necessary for Timor-Leste to allocate and implement the limited government budget for infrastructure development through an appropriate prioritization, and at the same time, to develop industrial human resources that can create additional values by utilizing these capitals.

In addition, with the view to enabling people of Timor-Leste to engage more actively in sustainable economic growth, it is vital to strengthen the social sector to improve people's lives, including women's social participation, expansion of basic education and enhancement of health as well as sanitation.

Furthermore, Timor-Leste needs to expand opportunities of investment, trade and employment while enhancing its connectivity with other Southeast Asian countries in an effort of achieving early accession to the ASEAN by addressing challenges in the areas of Political-Security, Socio-Cultural and Economic as required by the ASEAN Community membership.

In its relation with Japan, Timor-Leste is one of substantial suppliers of natural resources including Liquefied Natural Gas (LNG) and LP Gas, and thus its socio-economic stability is very important from Japan's energy security perspective. Further, both Leaders reaffirmed at the Summit held in March 2016 that sharing fundamental values such as democracy, freedom, and the rule of law constitutes a significant foundation of their bilateral relations. The two countries have maintained friendly and cooperative relations.

2. Basic Policy for Assistance : Assisting the Process for Establishing the Foundation of Sustainable Development of the Country

Timor-Leste has achieved to maintain stable peace after 15 years since its independence and has been advancing towards full-fledged nation-building as well as industry diversification based on the SDP launched in 2011.

The Government of Japan, aligning with the SDP as well as the Sustainable Development Goals (SDGs), and from the perspective of ensuring stability,

prosperity and human security in Southeast Asia region, sets “Development and Improvement of Infrastructure”, “Promotion of Industry Diversification” and “Improvement and Expansion of Social Service Delivery” as priority areas for assisting Timor-Leste.

3. Priority Areas

(1) Development and Improvement of Socioeconomic Infrastructure

As the biggest challenge for sustainable and stable development in Timor-Leste is promotion of economic activities, our focus will be on development of quality infrastructure including its maintenance and management.

(2) Promotion of Industry Diversification

On the basis that Timor-Leste needs to diversify its industry away from the current economic structure which heavily depends on oil and gas development, Japan assists Timor-Leste’s efforts in developing industries including agriculture and fishery, enhancing efficiency and developing industrial human resources.

(3) Improvement and Expansion of Social Service Delivery

In order to achieve its development goals and enhance people’s vitality to involve in economic exchanges equally with the ASEAN member countries, Timor-Leste is kindly encouraged to improve and expand its social service delivery, which benefits each individual throughout the country. In this regard, the Government of Japan will mainly assist in capacity building of the government’s policy planning and implementation, particularly in the area of security, health/sanitation, education and justice, including indirect support through the private sector for improvement and expansion of social service delivery, recognizing that the most urgent task for Timor-Leste is to develop human resources that enable provision of such social services while developing its state structure and system.

4. Points to Consider

(1) Timor-Leste has been in the process of a stable political transition to the new leaders of the next generation, which was a long-standing goal of the country, subsequently to the inauguration of H.E. Dr. Rui Maia de Araújo, Prime Minister (as the 6th Constitutional Cabinet) in February 2015 due to resignation of H.E. Mr. Kay Rala Xanana Gusmão, then Prime Minister who had led nation building from the independence. We need to continue to pay attention to political and security development in the country.

(2) Although having experienced continuous economic growth with rich natural resource revenues, Timor-Leste has been facing a decrease in them due to current international downfall in price and production of oil and gas. In this context, we

need to observe its implementation of fiscal reforms to reduce impact of fluctuation in revenues of natural resources as they excess approximately 90 % of the government budget (as of 2016).

(End)