



# INTEGRATED SDG INSIGHTS TIMOR LESTE

This initiative supports the articulation of national commitments to SDG transformation, towards accelerated SDG action in the second half of the 2030 Agenda.



# HOW TO READ THIS REPORT



Integrated SDG Insights provides an overview of a country's economic growth trajectory, highlighting potential conflicts between growth, environmental concerns, and societal well-being (referred to as the **SDG Moment**).



It builds from the foundation of national SDG progress through the lens of the 5Ps and uses machine learning to analyse national development ambition with an SDG lens (**SDG Trends & Priorities**).



Combined, these insights are mapped against SDG interlinkages to define policy choices that accelerate SDG progress, tailored to national context (**SDG Interlinkages**).



These policy choices are made against fiscal constraints and opportunities for stimulus to ensure choices translate to development impact and leave no one behind (**Finance & Stimulus**).

# SDG MOMENT: TIMOR LESTE

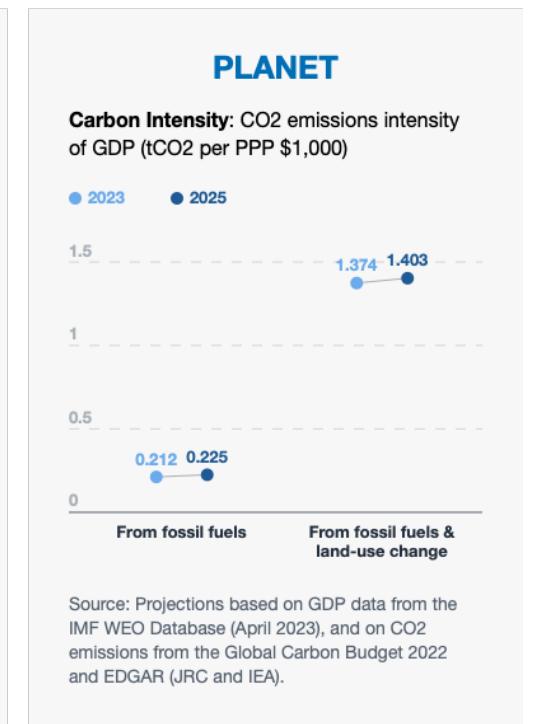
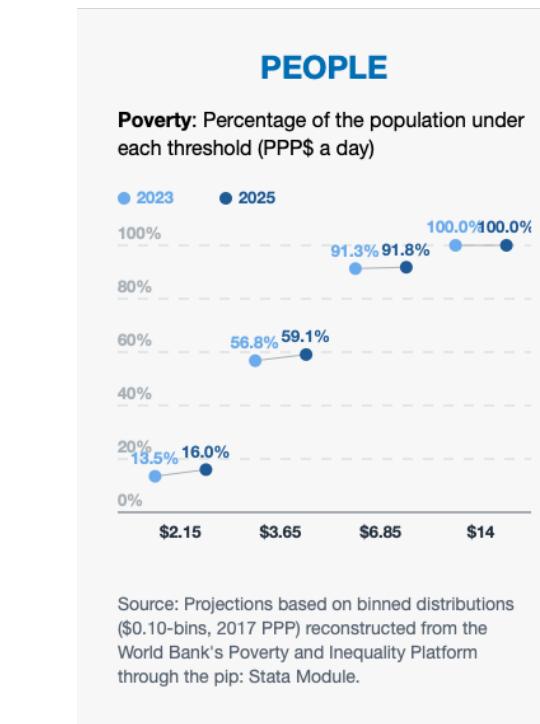
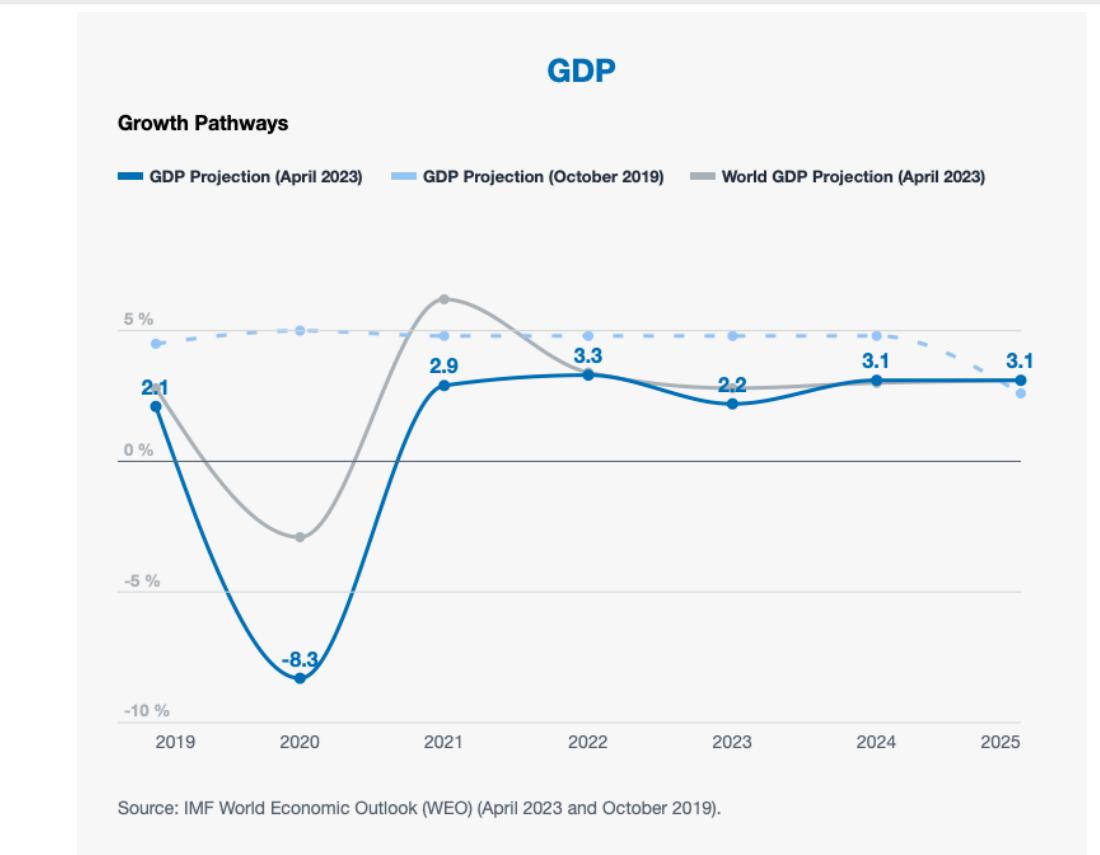
While economic growth is a key element in achieving the SDGs, many countries are intent on moving beyond growth as a yardstick for progress. In the short run, growth enables the SDGs; but in the long run, the SDGs aim to transform the pattern of growth itself.

Timor Leste's economy is in mitigation mode in 2023 and is projected to transition to moderate growth by 2024-2025.<sup>1</sup> As the country's economy continues depending on public sector spending, the challenge is to ensure coordinated multi-stakeholder action, which is necessary for SDG implementation. Despite efforts to protect the most vulnerable households from the crises, economic recovery will ultimately depend on the country's ability to spur growth and create jobs.

Poverty rates increased following the COVID-19 pandemic and estimates show that around 55% of the population lives in multidimensional poverty. Projected economic performance could be reflected in stagnation or even in an increase of the poverty rates, for instance measured as the population under societal poverty line. This brings to the fore the urgency to fast-track activities resulting in economic diversification and growth. Even with the challenges imposed by climate change that exacerbate vulnerabilities, there is an opportunity for the country to enhance its resilience while preserving the environment, leading to a sustainable development trajectory.

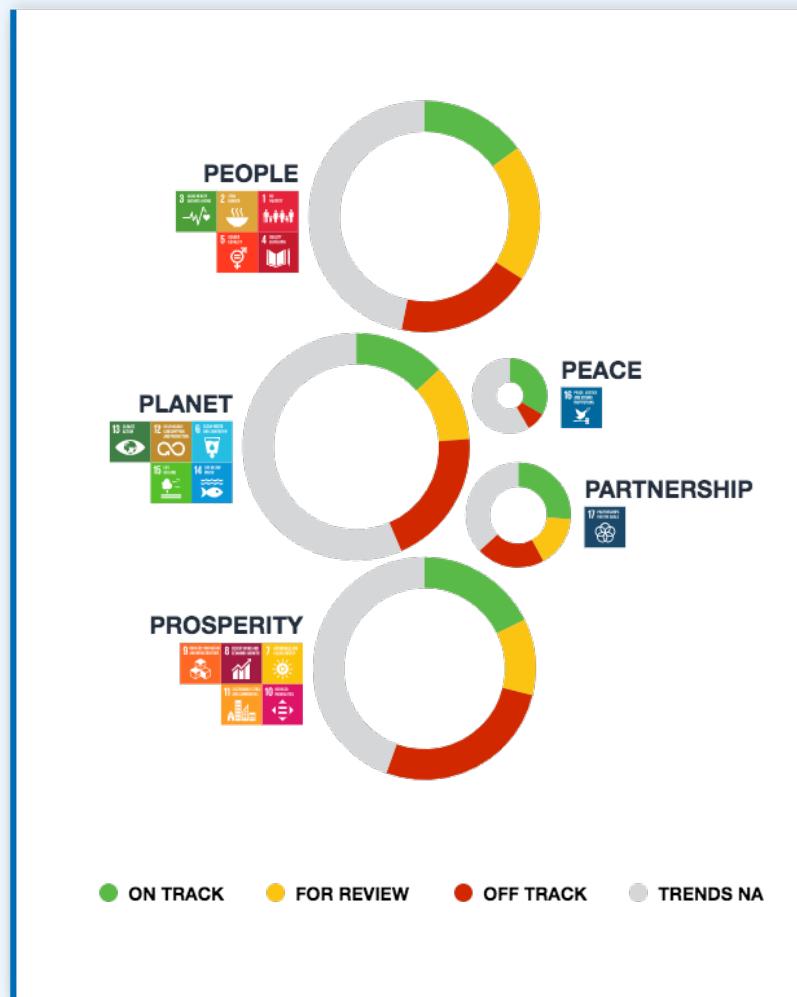
<sup>1</sup> The economic cycle is determined by adjusting the country's current GDP growth forecasts (April 2023) by their gap relative to the forecasts made before the pandemic and subsequent crises (October 2019). If the adjusted rates (not shown) are below 2%, the economy is considered in mitigation; it is coping if the adjusted rates range between 2%-4%, and it is in acceleration if they are above 4%.

<sup>2</sup> CO2 emissions intensity of GDP is computed as tonnes of CO2 per \$1,000 (2017 PPP).



# SDG TRENDS

Understanding how Timor-Leste performs against the SDG targets provides a baseline landscape against which to build integrated SDG pathways. SDG progress tracking follows [UN Stats](#) standards and [methodology](#), and is aligned with country profiles.



# SDG PRIORITIES

Timor Leste's national priorities are analysed using machine learning to reveal the most prominent SDGs referenced in national policy documents. This analysis uses a custom-built model for SDG classification. It considers 100k+ terms, including phrases and expressions.



**Key documents for analysis:**

1. People-Centred Sustainable Development: Leaving No One Behind. The Second Voluntary National Review of SDG Implementation Progress 2023
2. Strategic Development Plan 2011-2030
3. Nationally Determined Contribution 2022 – 2030
4. Voluntary National Review (VNR) 2019
5. Programme of the IX Constitutional Government

# SDG INTERLINKAGES

SDG interlinkages reveal how actions directed towards one SDG can impact others. Uncovering and understanding these interactions can help Timor-Leste to achieve the 2030 Agenda for Sustainable Development and to navigate trade-offs.

Based on a global framework for interlinkages, Timor-Leste's SDG progress is colour-coded at the target level.

Building from national trends and priorities, the following integrated SDG pathways reflect policy choices with the most potential to accelerate the SDGs for Timor Leste:

- Target 2.2: End all forms of malnutrition
- Target 8.2: Diversify, innovate and upgrade for economic productivity
- Target 14.7: Increase the economic benefits from sustainable use of marine resources
- Target 17.18: Enhance availability of reliable data



## ACCELERATION PATHWAYS



# SDG INTERLINKAGES

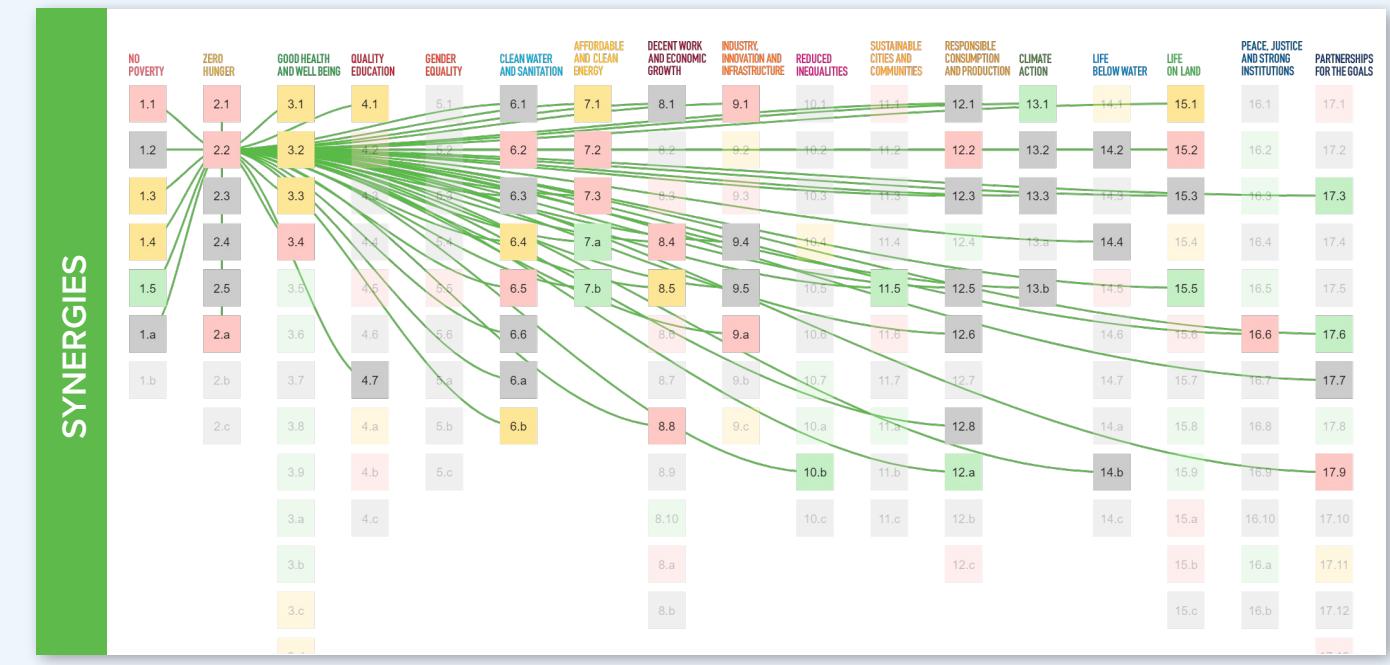
**2.2: End all forms of malnutrition, including achieving the internationally agreed targets on stunting and wasting in children under 5 years by 2025**

Despite progress made by Timor-Leste in recent years, alarmingly high levels of malnutrition and food insecurity persist. As of 2020, the prevalence of moderate to severe stunting among children under 5 years in the country stood at 46.7%, indicating a slight improvement compared to 51.7% in 2013. However, this remains the highest proportion in the region and the country ranks third globally. Nearly half of the children in Timor-Leste are stunted.

There are multiple causes of malnutrition in Timor-Leste, and consequently, there are multiple development benefits of addressing it. Well-nourished children are more likely to perform better in school, have healthier lives and eventually secure better economic opportunities, thereby reducing overall poverty rates and inequalities.

In the Programme of the IX Constitutional Government, nutrition issues are addressed in various parts, including in education, health and agriculture. Trade-offs around SDG Target 2.2. are mostly related to competing priorities for resource allocation.

● ON TRACK      ● FOR REVIEW      ● OFF TRACK      ● TRENDS NA



Explore the interlinkages at:

<https://data.undp.org/sdg-push-diagnostic/TLS/synergies-and-tradeoffs>

# SDG INTERLINKAGES

**8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value-added and labour-intensive sectors**

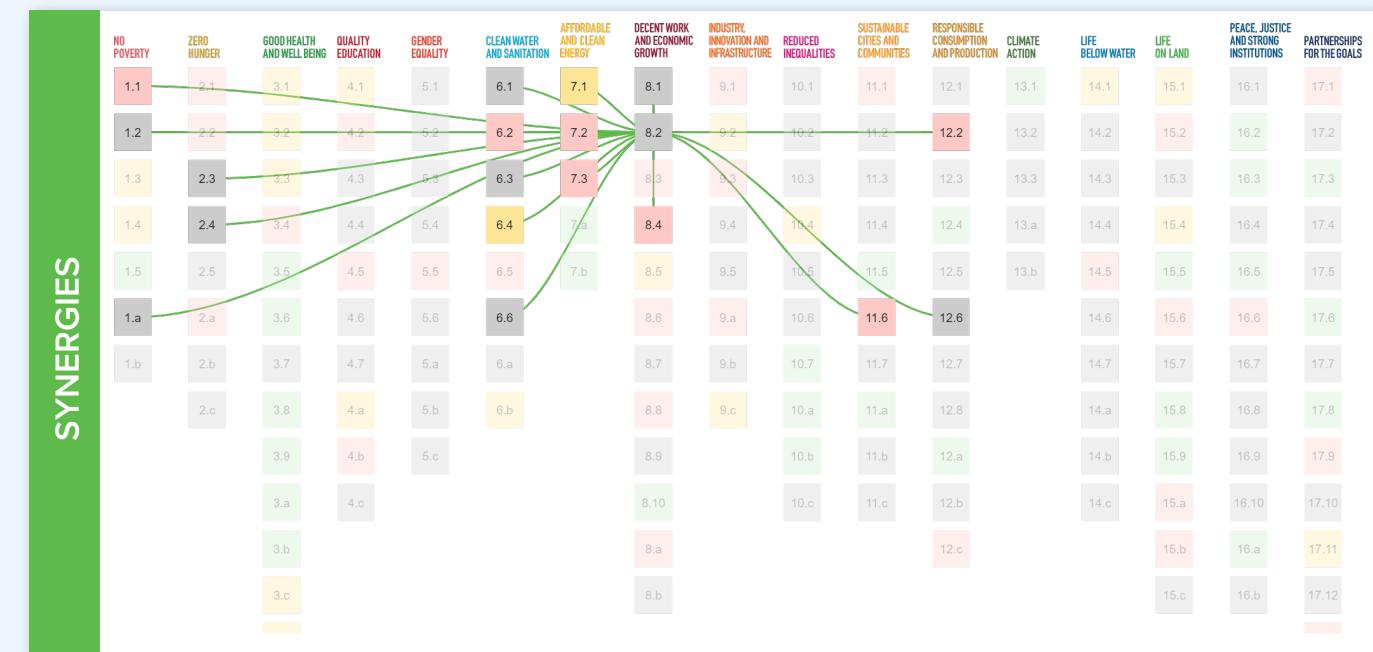
The lack of economic diversification makes Timor-Leste vulnerable to global economic shocks and hinders its ability to create jobs for its growing population. Investments on SDG Target 8.2. can contribute to lifting people out of poverty, increasing agricultural productivity and fostering economic growth.

Economic diversification is prioritized by the Programme of the IX Constitutional Government. During the Doha Conference, Timor-Leste expressed its willingness to defer its graduation from the LDC status, partially with the aim of ensuring a more robust diversification of its economy.

Timor-Leste's accession to the World Trade Organization and integration with the Association of Southeast Asian Nations also offer both challenges and opportunities with regard to diversification as the country will move towards greater openness and will compete with other countries in the region and beyond.

This target has virtually no trade-off and is fully consistent with the Programme of the IX Constitutional Government. Adequate measuring of this target requires the use of supplemental indicators.

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# SDG INTERLINKAGES

**14.7: Increase the economic benefits to small island developing States (SIDS) and least developed countries from the sustainable use of marine resources, including through sustainable management of fisheries, aquaculture and tourism**

The Programme of the IX Constitutional Government in particular highlights the importance of SDG14 recognizing the importance of conservation and of the sustainable use of marine resources for sustainable development.

There are multiple potential synergies of promoting sustainable exploitation of marine resources. Fisheries and aquaculture contribute to food security and livelihoods, while the tourism sector benefits from marine and coastal attractions, driving employment and foreign exchange earnings (VNR). In promoting sustainable use of marine resources, the country has an opportunity to exchange experience with other SIDS and coastal states.

Some trade-offs may relate to the fact that the conservation objectives can contradict objectives related to the promotion of economic activities in various fields.

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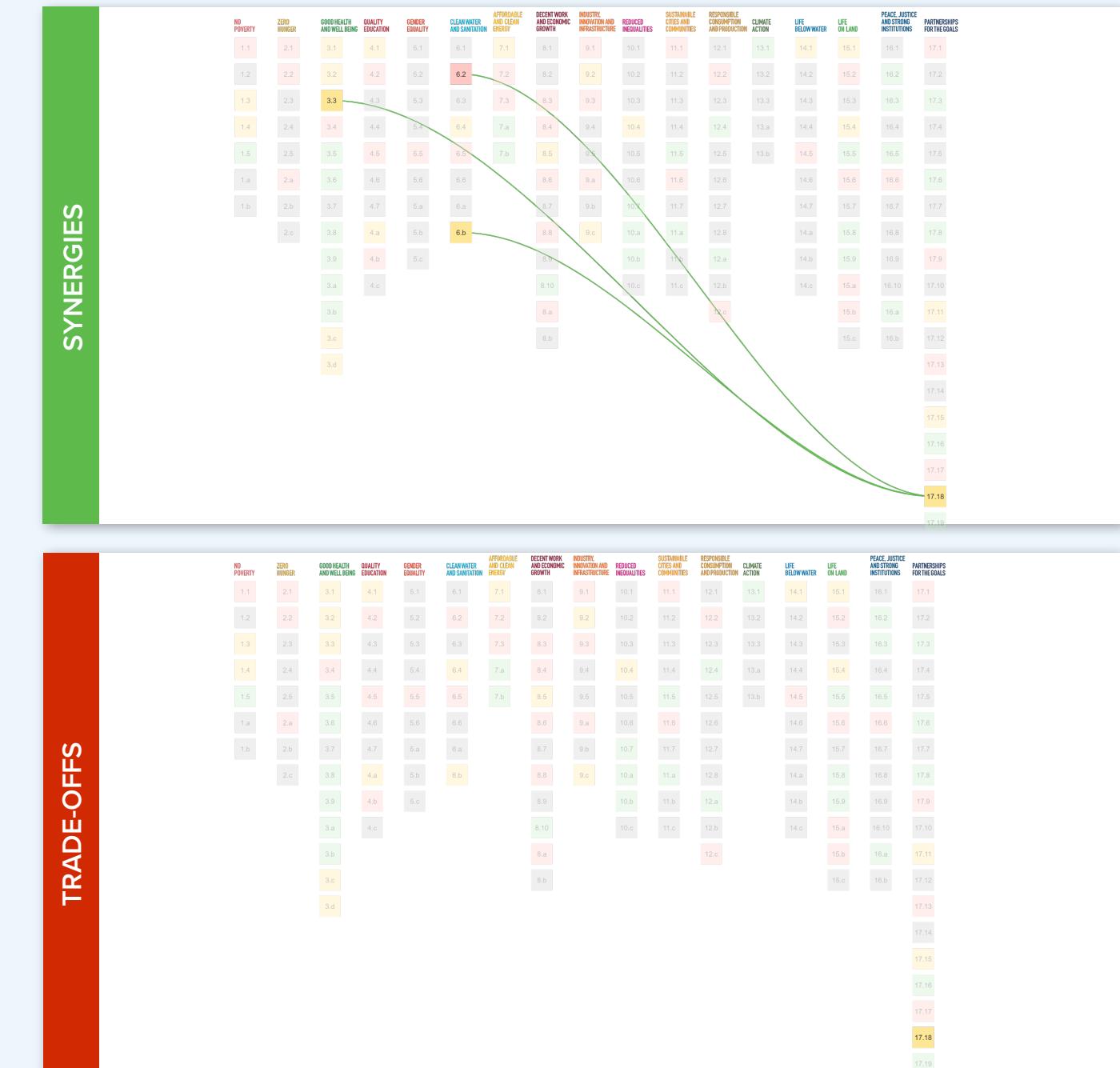
# SDG INTERLINKAGES

**17.18: Enhance capacity-building support to developing countries, including for least developed countries and small island developing States, to increase significantly the availability of high-quality, timely and reliable data**

Various sources reveal significant challenges that Timor-Leste faces with data availability and use, including limited technological infrastructure, shortage of skilled professionals, with expertise in data management, analysis and interpretation, data fragmentation, limited financial resources in data infrastructure, technology and capacity building initiatives. The Programme of the IX Constitutional Government contains a commitment to strengthen institutions responsible for the production of rigorous statistics and calls for the careful review of various programmes.

In the context of SDG implementation, the issue of data and related theme of statistical capacity are cross-cutting and relate to all the goals and targets.

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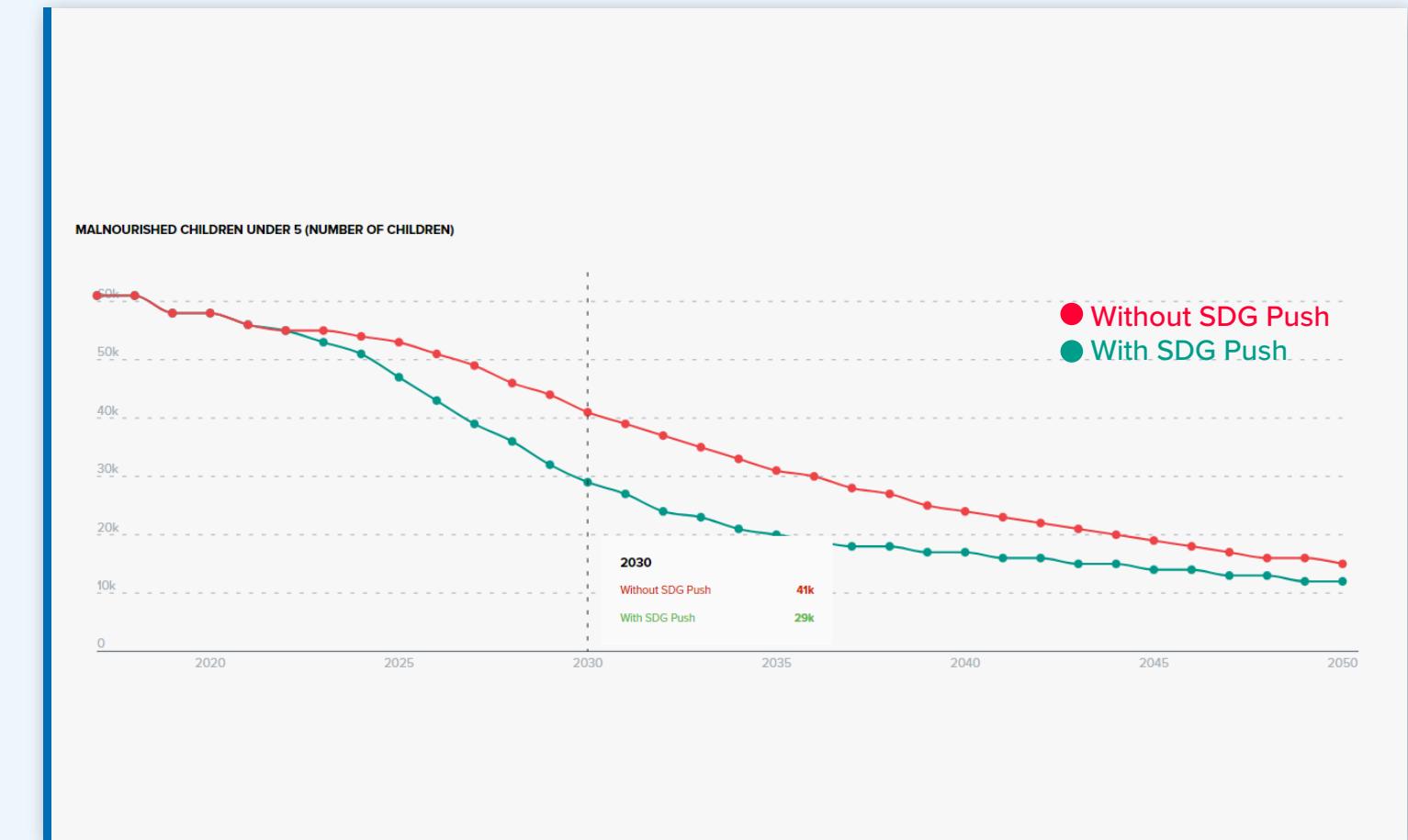
# FUTURES SCENARIOS

Achieving the SDGs is possible.

The ‘SDG Push’ is a futures scenario based on 48 integrated accelerators in the areas of Governance, Social Protection, the Green Economy and Digital Disruption. It uses national data to explore the impact on human development by 2030 and by 2050 across key SDG indicators, extrapolating the latest economic growth trends and assuming a reduction in inequalities across time.

Incorporating ‘SDG Push’ accelerators into development interventions in Timor Leste can reduce the absolute number of malnourished children under 5 years.

Malnourished children	By 2030	By 2050
Without the SDG Push	41,000	15,000
With the SDG Push	29,000	12,000



Explore SDG Futures Scenarios at:

<https://data.undp.org/sdg-push-diagnostic/TLS/future-scenarios>

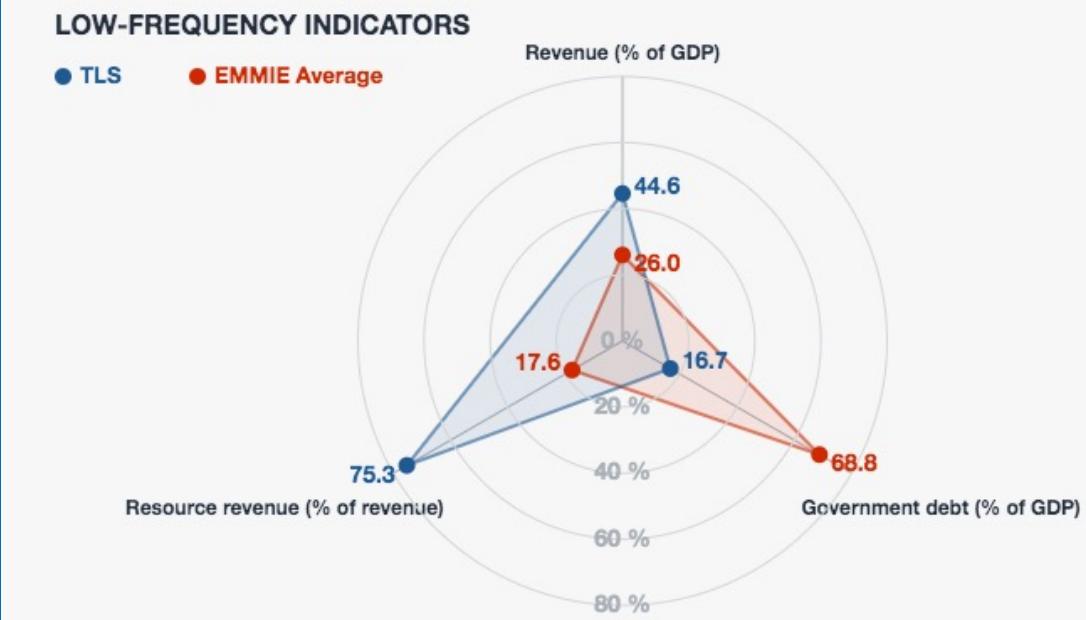
# FINANCE & STIMULUS

Many countries are facing reduced fiscal space, high debt levels, rising interest rates and downgrades on credit ratings. Fiscal and financial constraints tend to slow or even reverse SDG progress.

The radar diagram shows low frequency data points linked to government revenue and debt as a proportion of GDP and the natural resource share of total revenue. The financial indicator graphs show external debt servicing relative to revenue and the country's latest Debt Sustainability Assessment (DSA) risk rating.

Timor-Leste's gross government debt, projected at 16.7% of GDP in 2023, is less than a quarter of the emerging market and middle-income economies' (EMMIE) average of 68.8%. The country is projected to collect 44.6% of GDP in revenue this year – 1.7 times that of the average EMMIE country at 26% – with natural resources accounting for three quarters of said revenue.

Timor-Leste's external debt servicing this year is expected to be at 3% of revenue, hence less than a fourth of the EMMIE group's 12.3%. Due to high fiscal deficits and dependency on the finite Petroleum Fund to fund the deficits, the latest World Bank and IMF DSA from July 2022 rated the country as at 'moderate risk of debt distress'.



Notes: External debt covers public and publicly guaranteed debt. The EMMIE average of resource revenue (% of revenue) includes the 60 countries that reported data for that indicator.

Sources: UNU-WIDER GRD (resource revenue, data from 2021), IMF WEO April 2023 (debt and revenue, forecasts for 2023), IDS (external debt, data from 2023), IMF/World Bank (DSA Rating as of 31 May 2023).

# SDG STIMULUS

The UN Secretary General's SDG Stimulus Plan lays out a blueprint for action within the existing financial architecture. It includes:

- Providing liquidity to support recovery in the near term
- Enhancing debt relief for vulnerable countries
- Expanding development financing by MDBs
- Aligning financial flows with the SDGs and the Paris Agreement, according to country-level priorities and needs, for example through the roll-out of the UN Integrated National Financing Framework (INFFs).

Given the projected fiscal and financial constraints faced by Timor Leste, possible funding options for the investments derived from the identified interlinkages are as follows:

- Tax and revenue reform
- Climate finance (including Loss and Damage Fund)
- Blue economy financing (investment strategy, innovative finance)
- Blended and public-private finance
- Enhancing the effectiveness of official development assistance
- Accessing financial markets and insurance
- Remittances and diaspora resources

## United Nations Secretary-General's SDG Stimulus to Deliver Agenda 2030

FEBRUARY 2023



# METHODOLOGY

Click [here](#) to view the Methodological Note for the Integrated SDG Insights



## SDG MOMENT

### Methodology

Assesses challenges and opportunities in national growth trajectories with insights on environmental sustainability and inclusiveness.

### Data Sources

Future trajectories to 2025 are based on IMF-WEO GDP projections, distributions of per capita income or consumption from the World Bank, and CO<sub>2</sub> emissions from the Global Carbon Budget 2022 and EDGAR (JRC and IEA).



## TRENDS & PRIORITIES

### Methodology

SDG trends tracks progress from 2015 to date for the 231 indicators. National priorities are analysed using machine learning to reveal the most prominent SDGs referenced in national policy documents.

### Data Source

Trends utilizes official [UN statistics](#) to assess [SDG progress](#), supplemented with national data when available. Priorities uses a custom-built model for SDG classification. The policy documents analyses are provided by Governments.



## INTERLINKAGES

### Methodology

Global target-level interlinkages are drawn from the [KnowSDGs Platform by European Commission](#). SDG interlinkages were retrieved through a structured literature review in Scopus and Google Scholar to tap both grey literature and peer-reviewed publications as a source of information.

### Data Source

The exercise globally considered a total of 454 documents published from 2015 to August 2022. ([Miola et al., 2019](#) updated in [2021-2022](#))



## FINANCE & STIMULUS

### Methodology

Provides insight into indicators of fiscal and financial stress with options (INFF) for stimulus and other means to accelerate progress.

### Data Source

Most recent resource data from UNU-WIDER GRD (between 2018 and 2021), debt and revenue from IMF WEO (between 2020 and forecasts for 2023), external debt from IDS (2023), yields from Haver Analytics (8 June 2023), credit ratings from S&P, Moodys and FITCH (2023), and DSA ratings from World Bank/IMF (31 May 2023).