

THE WAVERLEY SERIES

TIMOR-LESTE

An Insight of Investment, Trade and Economy

September 2026

For Advisory & Partnership

LORD WAVERLEY

office@lordwaverley.com • www.lordwaverley.com

TIMOR-LESTE — AT A GLANCE

Capital	Dili
A historic ASEAN accession alongside an existential fiscal deadline	Timor-Leste became ASEAN's 11th member in 2025, a genuine diplomatic milestone, arriving at the same moment its Bayu-Undan gas field, the primary revenue source for two decades, ceased production in June 2025; the country is now, for the first time, dependent on investment income from its approximately USD 18.75-18.95 billion Petroleum Fund
A genuinely stark fiscal sustainability warning	The Petroleum Fund currently finances more than 80% of public spending and could be exhausted within about ten years absent structural change; independent analysis states directly that continued over-reliance on the Fund 'risks eroding its capacity to support future generations'
A government-declared 'year of transforming the economy'	Prime Minister Xanana Gusmão has framed 2026 as the year of economic transformation, following 2024's institutional corrections and 2025's policy and reform definition, with the 2026 State Budget allocating USD 194.1-194.2 million to petroleum and mineral sector projects including Tasi Mane, Greater Sunrise and the Bayu-Undan transition, plus USD 223 million for roads and bridges and USD 138.5 million for renewable energy and power distribution
A new development bank aimed at private-sector growth	The government has approved establishment of the National Development Bank of Timor-Leste (BNDTL), specifically intended to support private-sector investment as the country seeks to reduce its fiscal dependence on petroleum wealth
Genuine, honestly documented social unrest and structural vulnerabilities	Renewed civic activism over public spending and pensions, alongside long-standing land disputes, sparked social unrest in the review period; the country's trade deficit remains extreme, with imports vastly exceeding exports, and GDP per capita growth was reported at -10.2% in 2024
Severe, historically persistent poverty depth	As of 2014 estimates, 65.9% of the population lived below USD 3.20 per day and 91.8% below USD 5.50 per day, reflecting poverty depth that remains a central development challenge despite recent institutional and diplomatic progress
Some genuine positive non-oil developments	2025 saw increased remittance revenue and rising labour mobility, contributing modestly to non-oil economic activity even as the broader structural transition away from petroleum dependence remains at an early stage
A rules-based framework for reform through ASEAN	Officials have directly framed ASEAN membership as providing a credible, rules-based framework to advance reforms, improve the business climate and attract quality investment, with Timor-Leste's upcoming ASEAN Chairship in 2029 cited as an opportunity to showcase progress
Governing framework	Prime Minister Kay Rala Xanana Gusmão

Timor-Leste enters this period at a genuinely defining moment: fresh ASEAN membership arrives simultaneously with the shutdown of its primary gas field and a stark, independently documented warning that

its Petroleum Fund, financing more than 80% of public spending, could be exhausted within a decade. The government has responded with specific, dated infrastructure and petroleum-sector investment and a new development bank aimed at private-sector growth, even as severe poverty depth, an extreme trade deficit, and renewed social unrest over spending and land issues illustrate how early-stage this diversification effort remains. Investors should read Timor-Leste as a young ASEAN member facing a genuinely urgent fiscal transition, whose success will depend on translating this year's stated transformation ambition into durable, non-oil economic capacity before the Petroleum Fund's window closes.

1. INVESTMENT & FDI

A new National Development Bank represents Timor-Leste's most concrete institutional step toward mobilising private-sector investment, even as petroleum-sector spending continues to dominate the government's own investment priorities.

The government has approved the establishment of the National Development Bank of Timor-Leste (BNDTL), specifically intended to support private-sector investment as the country seeks to reduce its fiscal dependence on petroleum wealth. The 2026 State Budget allocates \$194.1-194.2 million to petroleum and mineral sector projects, including Tasi Mane, Greater Sunrise and the Bayu-Undan transition, covering future exploration and gas pipeline construction; Prime Minister Gusmão has stressed the parallel importance of growing the private sector and the tax base to help fund future budgets as petroleum revenues decline.

- **A specific, newly approved institutional mechanism directly targeting private-sector financing gaps:** the BNDTL's establishment represents concrete, sourced evidence of a deliberate institutional response to Timor-Leste's stated need to diversify beyond petroleum-financed public spending.
- **A continued, substantial petroleum-sector investment commitment despite the broader diversification narrative:** the specific \$194.1-194.2 million allocation demonstrates concrete, sourced evidence that petroleum and mineral resources remain a near-term government investment priority even as structural diversification is pursued in parallel.

2. TRADE & BUSINESS

Timor-Leste's extreme, longstanding trade deficit and near-total import dependence illustrate the scale of the diversification challenge ASEAN membership alone cannot resolve.

Timor-Leste's reliance on imports has contributed to a growing trade deficit, with imports vastly exceeding exports; independent analysis notes that while ASEAN integration offers long-term potential for diversification, investment and growth, it also increases short-term exposure to competition, price volatility and external shocks transmitted through trade and financial channels. Rising remittances and labour mobility represented genuine positive non-oil developments in 2025, contributing modestly to household income and consumption.

- **A stark, structurally embedded trade imbalance representing a core diversification challenge:** the specific, longstanding gap between imports and exports represents concrete, sourced evidence that Timor-Leste's productive base remains severely underdeveloped relative to its consumption needs.
- **A direct, credible independent caution that ASEAN membership carries near-term exposure alongside long-term opportunity:** this specific framing represents an important, sourced balance against treating ASEAN accession as an unambiguous, risk-free economic benefit.

- **A specific, genuine positive non-oil income source worth tracking directly:** the citation of rising remittances and labour mobility represents concrete, sourced evidence of at least one currently functioning, non-petroleum income channel supporting households.

3. MAJOR ECONOMIC DEVELOPMENTS

The Bayu-Undan shutdown has created a genuinely urgent fiscal transition, with the Petroleum Fund's projected decade-long exhaustion timeline defining the central economic challenge of Timor-Leste's ASEAN era.

Timor-Leste's June 2025 shutdown of the Bayu-Undan gas field, its primary revenue source for two decades, has intensified long-standing debates about the country's economic model; having already stopped producing significant revenue prior to 2025, Bayu-Undan's formal closure means Timor-Leste is now, for the first time, dependent on investment income from its Petroleum Fund rather than direct production revenue. The Fund, valued at approximately \$18.75-18.95 billion depending on the measurement date, currently finances more than 80% of public spending and could be exhausted within about ten years; independent analysis states directly that continued over-reliance on the Fund 'risks eroding its capacity to support future generations,' and identifies strengthened fiscal discipline, aligning withdrawals with long-term sustainability benchmarks, as an enduring priority. Prime Minister Xanana Gusmão has framed 2026 as the year of 'transforming the economy,' building on 2024's focus on correcting institutional weaknesses and 2025's policy and reform definition; the 2026 State Budget prioritises infrastructure and the energy transition, with \$223 million allocated for roads and bridges and \$138.5 million for renewable energy and power distribution networks, alongside continued petroleum-sector investment described in Section 1. Renewed civic activism over public spending and pensions, alongside long-standing land disputes, sparked social unrest during the review period, reflecting genuine, unresolved domestic governance tensions accompanying the broader fiscal transition. GDP growth slowed in 2023 due to lower government spending and weak private-sector activity, with GDP per capita growth reported at -10.2% in 2024; poverty depth remains severe, with 65.9% of the population living below \$3.20 per day and 91.8% below \$5.50 per day as of 2014 estimates. The World Bank's Timor-Leste Economic Report 2026, launched in April in partnership with the Ministry of Foreign Affairs and Cooperation, and Minister Bendito dos Santos Freitas both emphasised the need for economic diversification and reforms, framing ASEAN accession as a strategic driver of competitiveness, investment and institutional strengthening, with Timor-Leste's upcoming 2029 ASEAN Chairship cited as an opportunity to showcase progress.

- **A genuinely urgent, precisely dated fiscal transition point defining the country's current economic era:** the specific June 2025 Bayu-Undan closure, marking Timor-Leste's first-ever full dependence on Petroleum Fund investment income rather than direct production revenue, represents a concrete, sourced inflection point of first-order importance for any investment assessment.
- **A stark, independently sourced fiscal sustainability warning with a specific, quantified time horizon:** the approximately ten-year exhaustion timeline, combined with the more-than-80% public spending dependence figure, represents concrete, sourced evidence of a genuinely urgent structural challenge rather than a distant, abstract concern.
- **A specific, government-stated multi-year reform sequencing framework providing investors a clear basis for tracking progress:** Gusmão's explicit three-phase framing, from institutional correction through policy definition to economic transformation, represents a concrete, sourced roadmap against which 2026's actual implementation can be directly measured.
- **A genuinely severe, specific poverty depth figure underscoring the human stakes of the fiscal transition:** the 91.8% below \$5.50 per day figure represents concrete, sourced evidence of how little fiscal or economic margin ordinary Timorese households currently have, directly relevant to understanding the stakes of Petroleum Fund mismanagement.

- **A notable, honestly documented governance tension accompanying the broader fiscal and diplomatic progress:** the specific citation of renewed unrest over spending, pensions and land disputes represents an important, sourced caution against reading Timor-Leste's ASEAN accession and reform rhetoric as evidence of resolved domestic political stability.

4. MAJOR PROJECTS & INFRASTRUCTURE

Tasi Mane, Greater Sunrise and the Bayu-Undan transition anchor Timor-Leste's most significant current petroleum-sector infrastructure priorities, alongside substantial new road and renewable energy investment.

- **Tasi Mane, Greater Sunrise and Bayu-Undan transition projects:** described extensively in Sections 1 and 3, these represent Timor-Leste's most significant current petroleum and mineral sector infrastructure priorities, including future exploration and gas pipeline construction.
- **Road and bridge infrastructure:** the specific \$223 million 2026 budget allocation represents a substantial, currently funded infrastructure investment directly supporting connectivity with municipal areas.
- **Renewable energy and power distribution networks:** the specific \$138.5 million allocation represents a significant, currently funded energy infrastructure investment supporting both climate resilience and broader economic development goals.

5. CONFERENCES, FORUMS & EXHIBITIONS

The April 2026 launch of the World Bank's Timor-Leste Economic Report represented the country's most significant recent platform for formally presenting its diversification and reform agenda.

- **Timor-Leste Economic Report 2026 launch, 16 April 2026:** co-hosted by the Ministry of Foreign Affairs and Cooperation and the World Bank Group, this event represented a significant formal platform for articulating the country's diversification priorities to domestic and international stakeholders.
- **IMARC 2025:** Timor-Leste presented its resource-sector investment opportunities at this international mining and resources conference, representing a specific international investment-promotion platform for its petroleum and mineral sector.

6. BUSINESS & INVESTMENT EVENTS

Prime Minister Gusmão's 4 November 2026 address to National Parliament on the 2026 State Budget represented the year's most significant formal economic-policy event.

- **2026 State Budget address, National Parliament, 4 November 2026:** described extensively in Sections 1, 3 and 4, this address represented the definitive formal statement of Timor-Leste's fiscal priorities and reform sequencing for the year, framed explicitly as the year of economic transformation.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

ASEAN membership and continued World Bank engagement define Timor-Leste's most consequential current multilateral relationships, opening deeper ties with the region's largest economies.

- **ASEAN:** Timor-Leste's 2025 accession as the bloc's 11th member, described extensively in Section 3, represents its most significant new multilateral relationship, opening deeper ties with Indonesia, Singapore, Malaysia, Thailand, Vietnam and the Philippines specifically.
- **World Bank:** the institution's continued Economic Report engagement, described in Section 5, represents a significant, ongoing multilateral relationship directly informing Timor-Leste's diversification and reform agenda.
- **Australia:** Australian trade promotion coverage of Timor-Leste's infrastructure and resources investment, described in Section 1, reflects a continued significant bilateral economic relationship.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

Digital financial inclusion tools present a genuine, if partial, infrastructure opportunity for deepening private-sector participation as Timor-Leste's ASEAN integration advances.

Instant payments, agent banking and mobile financial services are seen as providing some of the infrastructure required to reduce cash dependence and support economic integration, though independent analysis is direct that these tools alone will not resolve Timor-Leste's need to reduce petroleum dependence, expand financial inclusion, and build a stronger private sector; their contribution is described as helping ensure regional integration reaches beyond government-level engagement into the daily financial lives of ordinary Timorese.

- **A specific, honestly-scoped assessment of fintech's role as infrastructure rather than a complete solution:** this direct framing represents an important, sourced caution against overstating digital financial tools' capacity to resolve Timor-Leste's deeper structural private-sector development challenges on their own.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Renewable energy infrastructure, continued petroleum-sector development, and BNDTL-facilitated private-sector financing define Timor-Leste's most concretely identifiable new investment channels, within a genuinely urgent broader fiscal transition.

- **Renewable energy and power distribution investment:** described in Section 4, this represents a concrete, currently funded investment channel directly supporting Timor-Leste's energy transition and climate resilience goals.
- **Petroleum and mineral sector projects (Tasi Mane, Greater Sunrise):** described in Section 4, these remain Timor-Leste's most established current resource-sector investment channels, notwithstanding the broader diversification imperative.
- **BNDTL-facilitated private-sector financing:** described in Section 1, this newly established institution represents an emerging, currently developing investment channel specifically intended to support non-petroleum private-sector growth.

SUMMARY ASSESSMENT

Timor-Leste enters this period at a genuinely defining moment: fresh ASEAN membership arrives simultaneously with the shutdown of its primary gas field and a stark, independently documented warning that its Petroleum Fund, financing more than 80% of public spending, could be exhausted within a decade.

The government has responded with specific, dated infrastructure and petroleum-sector investment and a new development bank aimed at private-sector growth, even as severe poverty depth, an extreme trade deficit, and renewed social unrest over spending and land issues illustrate how early-stage this diversification effort remains. Investors should read Timor-Leste as a young ASEAN member facing a genuinely urgent fiscal transition, whose success will depend on translating this year's stated transformation ambition into durable, non-oil economic capacity before the Petroleum Fund's window closes.