

Microfinance in Timor-Leste: Contributions and Challenges

Abstract

Since the restoration of Independence goes back to 2002, the Government of Timor-Leste has decided poverty reduction is a # 1 priority to work on with petroleum fund as a main financial source backed up by international assistance. In spite of few outstanding issues in basic sectors, TL has made some progress in economy. In 2015, UNDP recorded Timor-Leste's HDI was 0.605 and, hence, it's rank fell at 133 of 188 countries; and its GDP per capita reached US\$ 1,158 and with a forecasted growth of 5% (the World Bank).

Meditating on the experience of the World Bank with Community Empowerment Project (CEP), ADB established an Institution of Microfinance (IMfTL) in 2002 to help small and medium-scale enterprises with microfinance. Several NGOs also realized such needs of the communities they worked with. They agreed that this financial instrument powerful to reduce poverty, improve the economy of households, build assets and encounter economic crisis. Furthermore, it helps members to build trust and spirit of working together in community – which is a principal need for Timorese who experienced civil war and now live in a post-conflict situation.

The progress and development of microfinance in TL look promising, however, people at management level, in particular, should have a good strategy and work hard to overcome constraints: Limited population but live relatively scattered, small size of market, less developed infrastructures particularly in rural areas, and only few people that have enough experience in microfinance.