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# Towards Universal Coverage in Timor-Leste: Assessing the Cost and Financing Gap of Social Protection Reforms



Policy Paper

► **Towards Universal Coverage in Timor-Leste:  
Assessing the Cost and Financing Gap  
of Social Protection Reforms**

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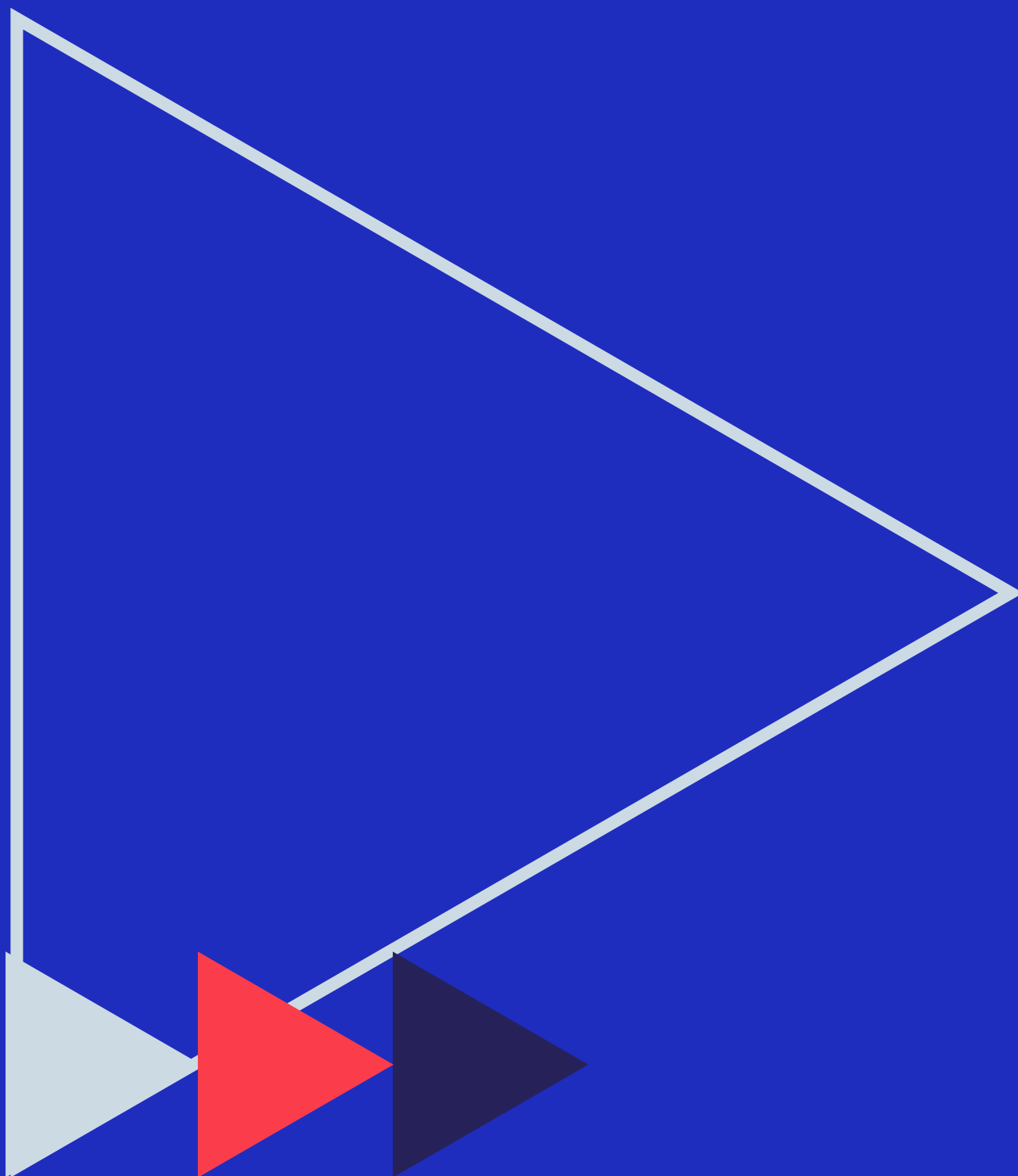
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## ► List of Acronyms and Abbreviations

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ABND	Assessment-based National Dialogue
ASEAN	Association of Southeast Asian Nations
CPLP	Community of Portuguese-Speaking Countries
FfD4	Fourth International Conference on Financing for Development
GDP	Gross Domestic Product
ILO	International Labour Organization
ILO/RAP	Rapid Assessment Protocol of the International Labour Organization
IMF	International Monetary Fund
INSS	National Institute of Social Security
MOE	Ministry of Education
MOF	Ministry of Finance
MOH	Ministry of Health
MSSI	Ministry of Social Solidarity and Inclusion
NIS	National Institute of Statistics
NSSP	National Strategy of Social Protection
RAP	Rapid Assessment Protocol
SDGs	Sustainable Development Goals
SPF	Social Protection Floor
UN	United Nations
USD	United States Dollar



## ► Executive summary

In 2021, Timor-Leste adopted its first National Strategy for Social Protection (NSSP) 2021–2030, setting an ambitious vision to eradicate poverty, ensure access to essential services, and guarantee income security for all citizens, in line with the International Labour Organization (ILO) Social Protection Floors Recommendation (No. 202) and the 2030 Agenda for Sustainable Development. Recent reforms reflect a strong political commitment to strengthening the social protection system. In particular, the Government has increased benefit levels for social pensions and for the conditional cash transfer Bolsa da Mãe, targeting vulnerable children. Ongoing priorities include expanding contributory social security to a greater number of workers - especially those in the informal sector - and improving delivery systems to ensure that social protection is adequate, sustainable, and equitable.

Despite these commitments, social protection coverage continues to be limited. In 2024, only 27 percent of the population received at least one cash benefit, leaving most Timorese without protection against life cycle and socioeconomic risks. Coverage remains especially low for vulnerable groups, including children, women, and persons with disabilities, while the elderly and veterans receive relatively higher levels of benefits.

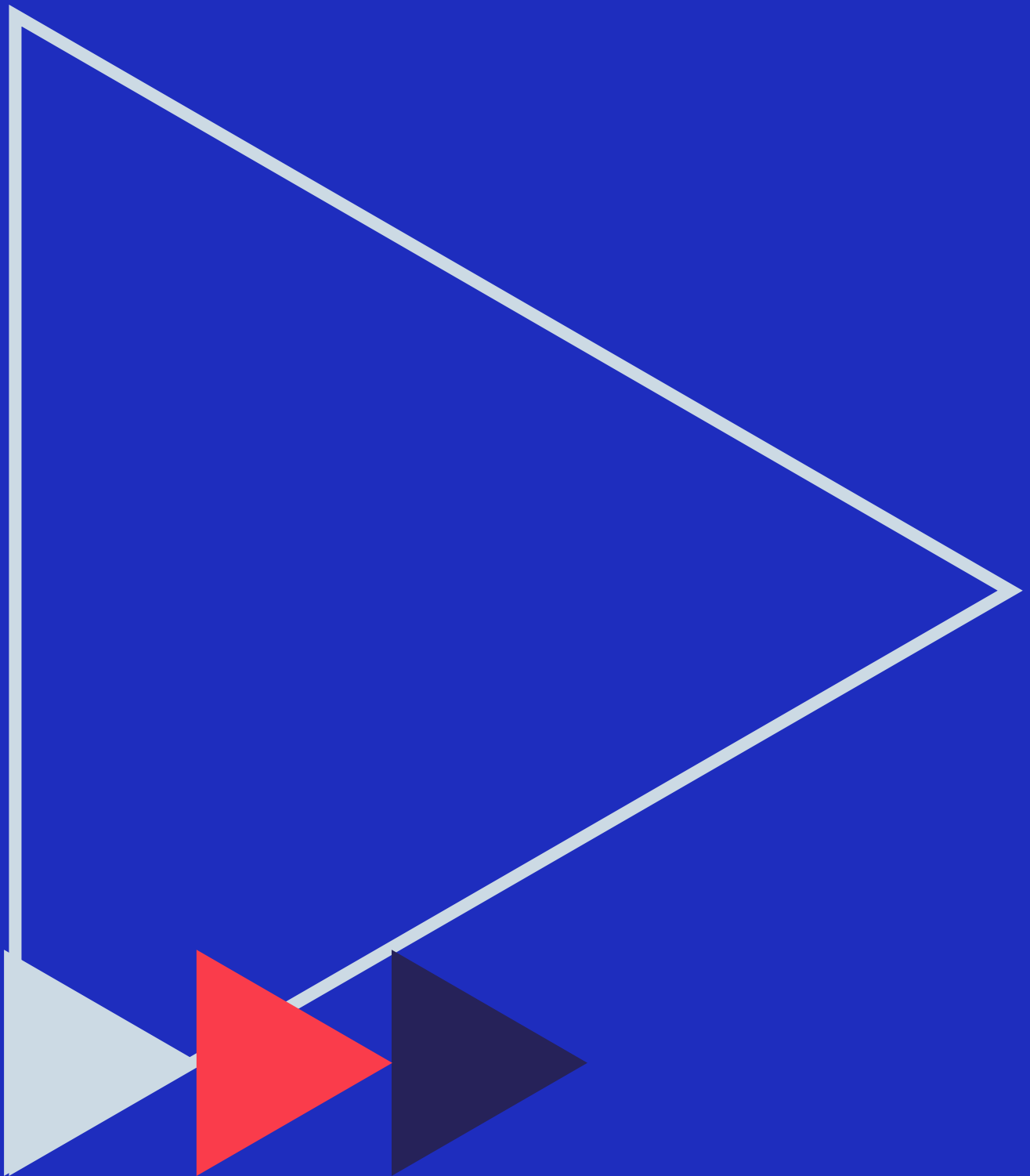
Public spending on social protection reached 11.4 percent of non-oil GDP in 2024, although this share falls to 6.7 percent when veterans' benefits are excluded. Most resources are concentrated in non-contributory programs, with limited expansion of the contributory social security system due to the large informal economy and insufficient strategies for formalizing employment, which would enable the system to grow. At the same time, Timor-Leste faces a persistent financing gap. ILO estimates suggested that achieving universal coverage of social protection floors and essential health care would need approximately 10.1 percent of non-oil GDP, underscoring the urgent need to mobilize additional and sustainable resources.

The costing exercise conducted with the ILO/RAP model shows that universal coverage of main cash social protection benefits is achievable. Reform Scenario 1 (universal coverage with poverty-targeted Bolsa da Mãe) would cost about 10 percent of non-oil GDP in 2026 (10.6 percent of public expenditure) before gradually declining to 8.8 percent in 2030 (10.5 percent of public expenditure). Reform Scenario 2 (universal coverage plus indexation to inflation) would significantly improve adequacy but require higher spending - around 15.7 percent (16.5 percent of public expenditure) in 2026 and 14.7 percent of non-oil GDP (17.5 percent) in 2030.

The financing gap - defined as the additional resources needed to close coverage gaps and update benefits - is estimated at 3.7 - 9.3 percent of non-oil GDP (or 3.9 - 3.7 percent of public expenditure) in 2026, and projected at 3.1 - 9.8 percent of non-oil GDP (3.7 - 10.7 percent of public expenditure) in 2030, depending on whether reforms follow a lower- or higher-ambition path. Notably, economic growth could offset part of these costs, keeping expenditures stable relative to GDP.

Closing the financing gap will require a balanced mix of strategies, with domestic resource mobilization at the core of efforts to finance the social protection system. Options include strengthening tax collection, broadening the tax base, expanding contributory revenues, reprioritizing expenditures, combating illicit financial flows, and turning the country's natural resources into a more sustainable source of funding. International cooperation - including official development assistance and South-South partnerships - will continue to play a supportive role. However, long-term sustainability depends primarily on mobilizing domestic resources, particularly through progressive taxation and contributory social security schemes.

In conclusion, Timor-Leste has both the policy foundation and fiscal potential to progressively realize universal social protection in a sustainable way. Through consistent political will, strategic prioritization, implementation of proposed reforms, and enhanced financing strategies, the country can bridge social protection coverage gaps, ensure adequate support for its most vulnerable populations, and make significant progress toward inclusive and sustainable development by 2030 and beyond.



# ► 1. Introduction

The government of Timor-Leste approved the 1<sup>st</sup> National Strategy of Social Protection (NSSP) 2021-2030 in November 2021, setting a vision for 2030 for “achieving the end of poverty, promoting peace, ensuring access to healthcare, education and other essential services, ensuring adequate care for children, the elderly and the disabled, and protecting the population from social and economic risks, thereby ensuring a decent living standard for all Timorese citizens”.

The NSSP sets out three ambitious goals: (i) reducing poverty, (ii) improving and expanding social security for workers, and (iii) strengthening institutional development. This strategy builds on Timor-Leste’s longstanding commitments to advance a comprehensive vision of social protection, guided by the International Labour Organization (ILO) Social Protection Floors Recommendation, 2012 (No. 202), which seeks to guarantee all people at least a basic level of healthcare and income security throughout their lives.

Timor-Leste’s commitment to social protection is enshrined in its Constitution, particularly Article 56, which affirms that “every citizen is entitled to social assistance and security in accordance with the law.” Since independence in 2002, the country has progressively developed social protection through a range of programs designed to ensure basic income security and access to the public healthcare system. This framework was further strengthened in 2016 with the establishment of a contributory social security system by law.<sup>1</sup>

The Government of Timor-Leste has joined other global leaders in adopting the transformative 2030 Agenda for Sustainable Development, committing to advance strategic goals that ensure no one is left behind. Social protection is central to this agenda, most directly reflected in SDG target 1.3 on ending poverty and SDG target 3.8 on achieving universal health coverage. It also plays a critical role in advancing gender equality (SDG 5), fostering decent work and economic growth (SDG 8), reducing inequalities (SDG 10), and strengthening peaceful, inclusive, and accountable institutions (SDG 16).

However, despite these commitments, more than half of the country’s population remains without any form of social protection coverage. In 2024, approximately 27 percent of the population was effectively covered by at least one monetary social protection benefit, leaving a significant portion of the population unprotected (*MSSI, 2025*).

The coverage rate reflects an increase of 3.4 percentage points compared with the ILO’s 2023 estimates, aligning with the recommendations of the ILO and the Global Partnership for Universal Social Protection 2030 (USP2030), which call on countries to expand social protection coverage by at least two percentage points per year.<sup>2</sup> This target is also endorsed by the Sevilla Commitment, adopted at the Fourth International Conference on Financing for Development (FfD4) in 2025, and is clearly reflected in the outcome document (para. 27i). Encouragingly, 42 countries, mostly developing, succeeded in meeting this benchmark between 2015 and 2023, demonstrating that steady progress is both feasible and achievable with the right policy and financing commitments.

The situation in Timor-Leste is particularly concerning for certain vulnerable groups, with limited coverage across social protection benefits. Only 13.2 percent of children aged 0–14 years (13.3 percent of males and 13.1 percent of females) receive cash benefits, primarily through the conditional cash transfer *Bolsa da Mãe* program, whose benefit amount corresponds to 17 percent of the national poverty line and 12 percent of the international poverty line. Coverage is also low among other vulnerable populations: just 1.9 percent of women who gave birth received maternity benefits, 24.2 percent of people unable to work received disability benefits, and only 16.8 percent of vulnerable individuals received non-contributory cash benefits (*MSSI, 2025*).

The elderly represent the group with the highest effective coverage in the country. In 2024, 91.6 percent of elderly (83.6 percent of men and 98.9 percent of women) received an old-age pension. Approximately 90.3 percent of elderly (81.5 percent of men and 98.3 percent of women) received a non-contributory old-age social pension of USD 60 per month or more<sup>3</sup> while only 1.3 percent of elderly received a contributory old-age pension averaged USD 148 per month (2.1 percent of men and 0.6 percent of women).

1 See Law no. 12/2016 of 14 November at <https://segurancasocial.gov.tl/beneficios/legislacaoen>

2 Data retrieved from the World Social Protection Data Dashboard <https://www.social-protection.org/gimi/WSPDB.action?id=19>

3 Additional payments are provided for the elderly, with those aged 70–79 receiving USD 20 and those aged 80 and above receiving USD 40.

In terms of adequacy, in 2024 the social pension amounts corresponded to 129 percent of the national poverty line (USD 46.37 per month) and 93 percent of the international poverty line (USD 64.50 per month). In addition, the contributory old-age pension represents about 60 percent of the average salary, providing a significant source of income for retirees.

Low coverage rates, particularly for children, are largely the result of underinvestment in social programs. In 2024, public expenditure on social protection (excluding healthcare) represented 11.4 percent of the non-oil GDP. The bulk of the expenditure has been directed at the non-contributory cash transfers for veterans. The public expenditure reduces substantially to 6.7 percent if cash transfers to veterans are excluded, placing this average below the social protection expenditure in Asia and the Pacific (8 percent) (*MSSI, 2024*). Despite the persisting challenges, it is important to highlight that Timor-Leste has reached nearly universal coverage of the old-age social pension.

SDG Target 1.a points out the importance of mobilizing sufficient and adequate resources to end poverty by underlying the need to “ensure significant mobilization of resources from a variety of sources, including through enhanced development cooperation, in order to provide adequate and predictable means for developing countries, in particular least developed countries, to implement programmes and policies to end poverty in all its dimensions”<sup>4</sup>. This requires mobilizing resources to end poverty in all its dimensions, including in the sectors of education and health besides social protection. The SDG Indicator 1.a.2 helps to track the total government spending on those three essential areas. SDG target 10.b also emphasizes the need of enhancing official development assistance in contexts where domestic resources fall short of ensuring sufficient investment in social protection<sup>5</sup>.

According to ILO estimates (2024), calculated using a global and comparable methodology, the cost of universalizing social protection and essential health care in Timor-Leste would have been approximately 10.1 percent of non-oil GDP - 5.7 percent for essential health care and 4.4 percent for social protection cash benefits (*Cattaneo, U., Schwarzer, H., Razavi, S., Visentin, A. 2024*).

Meeting these targets would require mobilizing sufficient public resources. According to Fernandes, R. M. S., Gamito, C. A. C. (2024), creating fiscal space for financing social protection is a realistic prospect in Timor-Leste. A range of potential revenue-increasing options are available to finance social protection. These include strengthening domestic resource mobilization through improved tax collection and compliance, broadening the tax base, and introducing or scaling up progressive taxation; expanding social security contributions and contributory revenues, which would require a combined strategy towards the formalization of the informal economy (given 80 percent of employment is in the informal economy, according to ILOSTAT); and enhancing the strategic use of natural resource revenues, particularly from the Petroleum Fund, to ensure long-term sustainability. Additional avenues include securing greater Official Development Assistance for increasing the domestic resource mobilization capacities, and reducing revenue leakages by addressing illicit financial flows and inefficiencies. Together, these options highlight that Timor-Leste has multiple feasible pathways to generate fiscal space and cover the cost of closing the financing gap to extend social protection to all.

This approach aligns with current policy positions and reflects the latest debates within the United Nations (UN) and International Financial Institutions, which emphasize the importance of sustainable resource mobilization to strengthen social protection systems. Recent discussions have reinforced the centrality of sustainable resource mobilization in strengthening social protection systems. At FfD4, the ILO, in collaboration with the Global Partnership for Universal Social Protection, launched a new global initiative under the Sevilla Platform for Action. The initiative aims to expand fiscal space for social protection, so that countries can progressively close financing gaps and strengthen their existing systems. According to paragraph 27i of the Sevilla Commitment<sup>6</sup>, countries are encouraged to integrate financing of social protection systems and policies in line with ILO recommendations and intergovernmentally agreed standards into their country-led plans and strategies. Support will be provided for the countries whose main goal is to increase social protection coverage by at least two percentage points per year if universal coverage has not yet been achieved.

This marks a renewed global commitment to accelerate progress toward universal social protection in line with the 2030 Agenda for Sustainable Development. However, it is important to stress that there is no one-size-fits-all approach to expanding fiscal space for social protection. “The key sources of financing are domestic regular sources such as progressive taxes and social security contributions, given that the commitments of social protection systems and floors are long-term rather than one-off” (*Cattaneo, U., Schwarzer, H., Razavi, S., Visentin, A. 2024*).

4 See details at <https://unstats.un.org/sdgs/metadata/?Text=&Goal=1>

5 See details at <https://unstats.un.org/sdgs/metadata/?Text=&Goal=10>

6 See details at <https://www.ilo.org/resource/news/new-global-initiative-extend-social-protection-coverage>

The Social Protection Floors Recommendation No. 202 (ILO, 2012)<sup>7</sup> provides the global framework and standards to guide countries' approaches to the progressive realization of universal social protection, encouraging them to apply key financing principles. These include solidarity in financing to achieve an optimal balance between the responsibilities and interests among those who finance and benefit from social security schemes; diversity of methods and approaches; transparent, accountable and sound financial management and administration and; financial, fiscal and economic sustainability with due regard to social justice and equity.

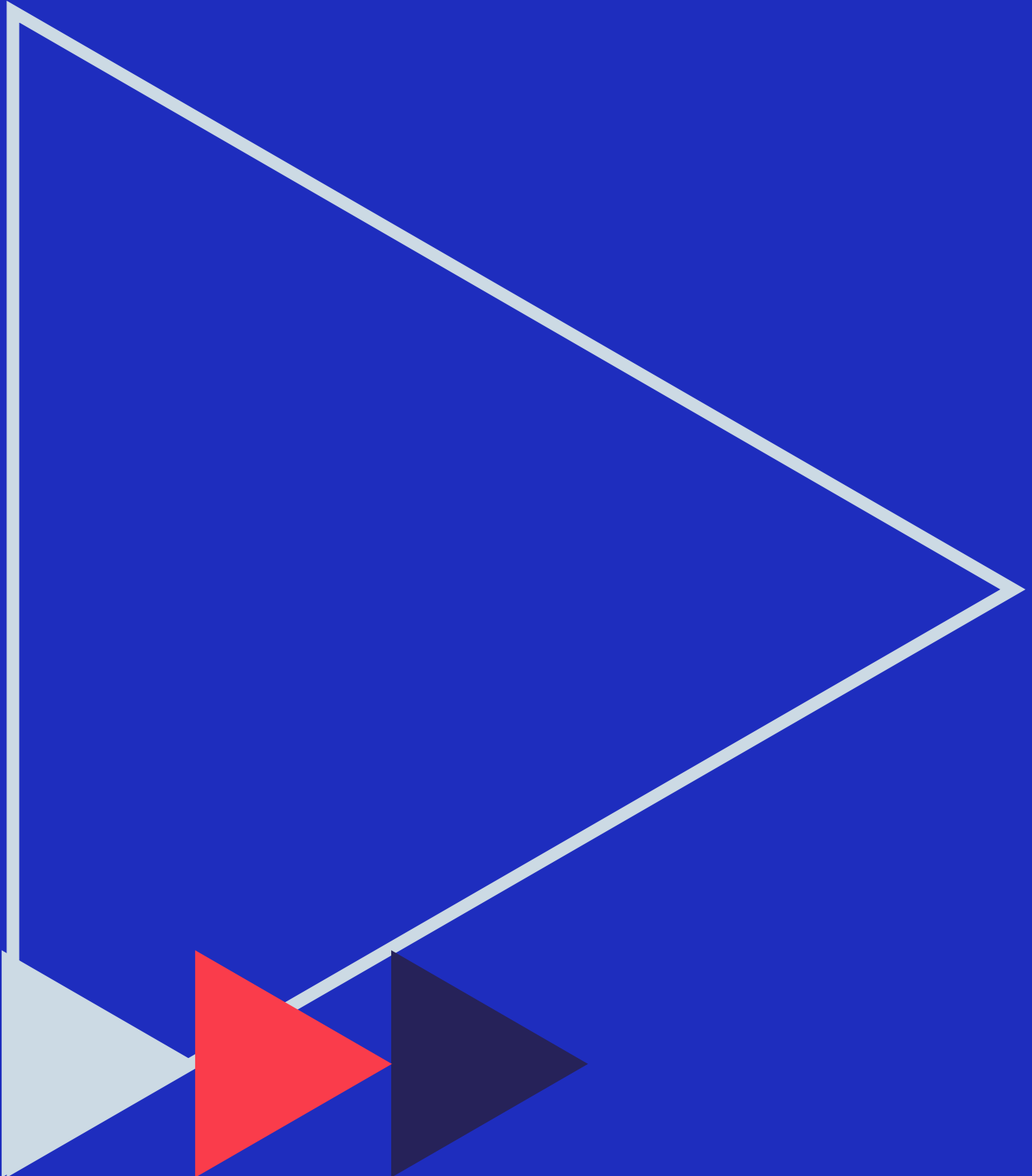
To guide the country-led NSSP and its implementation by the Ministry of Social Solidarity and Inclusion (MSSI) and its institutional partners, the ILO updated the "Chapter 4: Impact of the NSSP Implementation on Costs and Number of Beneficiaries" of the NSSP 2021-2030 to reflect the most recent social protection policy reforms approved by the IX Constitutional Government of Timor-Leste formed on 1 July 2023 and reflect the impact on the projected costs and financing gaps.

This policy paper aims to estimate the fiscal cost of current and proposed social protection reforms, using the ILO Rapid Assessment Protocol (ILO/RAP), and assess the financing gap by comparing projected costs with available and potential fiscal space, as well as explore reform scenarios to extend social protection coverage toward universality. This paper also seeks to provide evidence-based analysis to inform and guide the national social dialogue on strengthening social protection in Timor-Leste, in line with the 2030 Agenda for Sustainable Development and the ILO Social Protection Floors Recommendation, No. 202.

This paper is structured into five sections. Following this brief introduction, Section 2 of this paper presents the ILO/RAP methodology for assessing the cost and estimating the financing gap for the social protection benefits and reforms in Timor-Leste. Section 3 provides the results of the ILO/RAP model, describing the projected costs of social protection existing benefits and reforms, as well as their effect on the extension of coverage. It also discusses the cost implications of full implementation under different reform scenarios. Section 4 presents the financing gap driven from the extension of social protection coverage to universal levels. Finally, Section 5 summarizes the key findings and provides policy recommendations to help close the financing gap and strengthen the sustainability of the social protection system in Timor-Leste.

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7 See at [https://normlex.ilo.org/dyn/nrmlx\\_en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_INSTRUMENT\\_ID:3065524](https://normlex.ilo.org/dyn/nrmlx_en/f?p=NORMLEXPUB:12100:0::NO::P12100_INSTRUMENT_ID:3065524)



## ► 2. Methodology

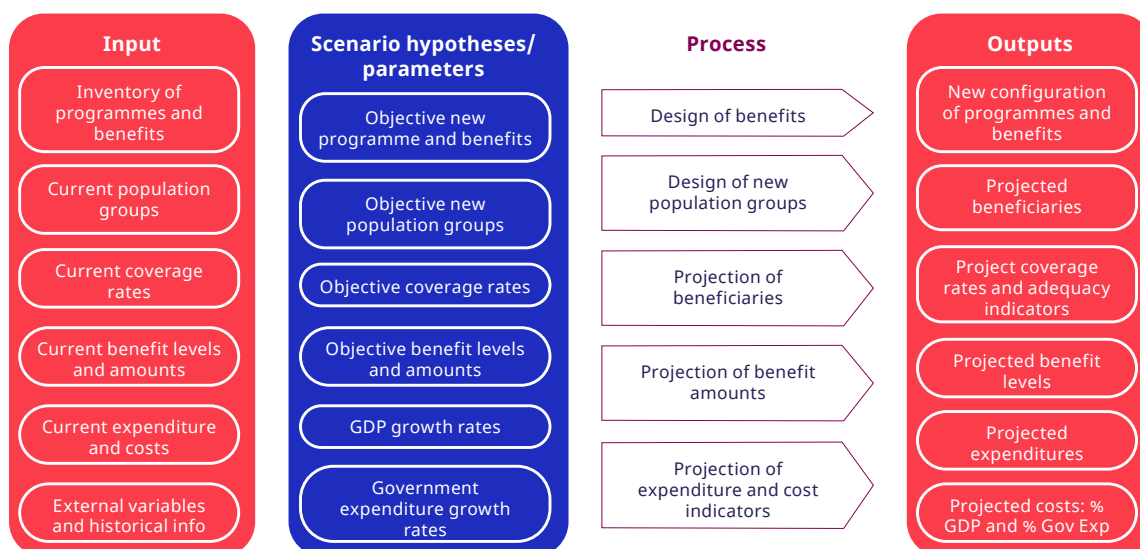
### 2.1 Overview of the ILO Rapid Assessment Protocol (ILO/RAP)

The ILO/RAP for Social Protection is a tool for costing social protection floors and assessing the financing needs and impact of investment in social protection (ILO, 2024). It comprises three stages as described below and summarized in *Figure 1*:

- In the **first stage (Data Input)**, the user inputs key benefit and population group data into the RAP model, specifically related to demographics (population by age/sex plus projections), labour market (labour participation or activity rates by age/sex, and derived economically active population), macroeconomic (inflation, wages, GDP, productivity, poverty line), and general state budget (revenues and expenditures, both current and projected with the incorporation of additional social protection benefits). The user defines the benefit amounts and beneficiary population groups (as a percent of total population) who will receive the benefits.
- In the **second stage (Scenario Modelling)**, users translate social protection policies and programmes into comparative scenarios within the ILO/RAP model, modifying coverage or take-up rates, benefit amounts, or beneficiary population subgroups to model a variety of costing scenarios for comparison.
- In the **third stage (Beneficiary and Cost Projections)**, the ILO/RAP tool estimates and projects the cost of these various benefit packages, enabling the assessment of affordability of each costing scenario, with the aim of universal social protection coverage. The cost calculations and projections are expressed in USD, as a percent of non-oil GDP, and as a percent of government expenditures. Stakeholders can use these results to compare costs against fiscal capacity.

It is important to note that the results produced by the ILO/RAP model are illustrative, intended to inform analysis rather than serve as prescriptive guidance. This means that the ILO/RAP model provides results that are rough cost estimates and projections for policy reform scenarios based on specificities of the context and simplified assumptions in terms of population, macroeconomics, and benefit design. As such, the ILO/RAP model should be considered as a guidance tool and first step to inform policy dialogue and promote debate at national level. Any policy reforms should be accompanied by in-depth analysis, particularly around the fiscal sustainability for financing social protection.

**Figure 1 - Stages in ILO/RAP**



Source: ILO/RAP model at <https://www.social-protection.org/gimi/Media.action?id=19416>

## 2.2 Applying the ILO/RAP in Timor-Leste

### The role of ILO/RAP in the Assessment Based National Dialogue

The ILO/RAP has been applied in Timor-Leste to estimate the costs, financing needs, and potential impacts of improving benefit adequacy and gradually extending social protection coverage toward universal levels. Over time, the model has supported policy dialogue and decision-making at multiple stages, providing evidence to guide both short-term adjustments and long-term reform strategies.

First, the ILO/RAP was used to estimate the cost of advancing the social protection floor in Timor-Leste during the Assessment Based National Dialogue (ABND) process conducted between 2016 and 2018, which led to a publication called “Challenges and ways forward to extend social protection for all in Timor-Leste: Assessment based national dialogue report”<sup>8</sup>. This exercise was also complemented with a micro-simulation exercise to estimate the potential impacts of reforms on poverty and inequality. The participatory process involved more than 20 national and international institutions and their representatives in the country, which allowed them to identify policy gaps and operational challenges, develop recommendations to extend the social protection floor to all and estimate the cost of proposed reforms. The process had the goal of laying the foundation for what has become the first National Strategy for Social Protection.

Second, during the preparation of the NSSP, the ILO/RAP was applied to support a rapid costing exercise that estimated and projected the cost of major social protection reforms in Timor-Leste over a ten-year period. This work informed the development of the first NSSP 2021-2030, approved in November 2021. The approved reforms were focused on improving benefit adequacy, extending coverage, and introducing new social protection measures, with a particular emphasis on establishing a national social protection floor to guarantee basic income security and access to essential services for all, especially the poorest and most vulnerable.

Two years after the approval of the National Strategy, the ILO updated the ILO/RAP to re-estimate and project the costs of key social protection policy reforms. These included the universal cash transfer *Bolsa da Mãe - Jerasaun Foun*, the conditional cash transfer *Bolsa da Mãe*, the old-age social pension, the invalidity social pension for people unable to work, the school feeding programme, and maternal and child health care. In parallel, the Excel-based version of the ILO/RAP model that had been used to support the development of the National Strategy was upgraded and transferred to an online platform, with the transition carried out between February and August 2023.

A two-day training seminar on “Updating the Cost Estimates of the NSSP 2021-2030 through the ILO/RAP” was delivered by the ILO on 22-23 August 2023 to 13 policy officers (7 men and 6 women) from the Ministry of Social Solidarity and Social Inclusion (MSSI), the National Institute of Social Security (INSS), the Ministry of Education (ME), the Ministry of Health (MOH), and the National Institute of Statistics (NIS). The training aimed to strengthen participants’ technical capacity to understand, apply, and analyze the ILO/RAP model, with a particular focus on updating cost and beneficiary projections to reflect policy changes introduced since the approval of the NSSP in Timor-Leste. During the sessions, participants practiced using the model to test adjustments to the parameters of the social pension, in line with ongoing policy discussions at the time.

Third, the ILO/RAP model was updated once again to reflect the most recent policy changes approved by the IX Constitutional Government of Timor-Leste, formed on 1 July 2023. In August 2025, a new rapid costing exercise was conducted to estimate and project the costs of these reforms, which introduced more ambitious objectives, particularly with regard to benefit amounts.

*Table 1* below compares the social protection reforms set out in the NSSP 2021–2030, approved in November 2021, with the policy changes introduced by the IX Constitutional Government of Timor-Leste since it took office on 1 July 2023. This comparison highlights the evolution of social protection policy in Timor-Leste over a four-year period (2021-2025). While the NSSP 2021-2030 laid the foundation for important reforms aimed at improving adequacy and expanding coverage, the IX Constitutional Government has since introduced further policy changes with more ambitious parameters, particularly in terms of benefit levels.

8 For further information see at <https://www.ilo.org/publications/challenges-and-ways-forward-extend-social-protection-all-timor-leste>

**Table 1 – Main social protection reforms in Timor-Leste, 2021-2025**

Proposed under the Nssp 2021-2030	Implemented (2021-2023)	Revised (2024-2025)
<b>Bolsa da Mãe Program for vulnerable families with children</b>		
Change of the Conditional Cash Transfer <i>Bolsa da Mãe</i> Program to a universal program for children from 0 to 5 years old.	Established the universal cash transfer Program <i>Bolsa da Mãe - Jersaun Foun</i> - for children from birth up to 6 years old. (Decree-Law No. 22/2021, of 10 November)	The universal cash transfer Program <i>Bolsa da Mãe - Jersaun Foun</i> – was revoked  (Decree-Law No. 1/2024, of 3 January)
Increase the benefit amount of the <i>Bolsa da Mãe</i> Program received by each child (from 5 USD to 10 USD per month).	The universal cash transfer Program <i>Bolsa da Mãe - Jersaun Foun</i> - provided a monthly benefit of 20 USD per child and 15 USD for pregnant women.	
Increase the benefit amount of the <i>Bolsa da Mãe</i> Program for children with disabilities to match the benefit amounts of the Support for the Elderly and Invalids (SAII) (from 5 USD to 30 USD per month).	The universal cash transfer Program <i>Bolsa da Mãe - Jersaun Foun</i> - provided a monthly benefit of 10 USD per child with disabilities and/or chronic illness.	
Change of the Conditional Cash Transfer <i>Bolsa da Mãe</i> Program to a universal program for children from 0 to 5 years old.	The Conditional Cash Transfer <i>Bolsa da Mãe</i> Program provided a monthly benefit of 5 USD per child between 0 and 17 years old, with a maximum of three children per household.  (Decree-Law No. 18/2012, of 4 April)	The Conditional Cash Transfer <i>Bolsa da Mãe</i> Program provided a monthly benefit of 8 USD per child attending the 1st cycle of education, 9 USD per child attending the 2nd cycle of education and 10 USD per child attending the 3rd cycle of education and secondary education, with a maximum of three children per household. Children with disabilities receive an additional 5 USD.  (Decree-Law No. 1/2024, of 3 January)
<b>School Feeding Program (Programa Merenda Escolar)</b>		
Increase the available amount per child and per meal to 0,42 USD per school day.	Increased amount per child and per meal to 0,42 USD per school day.  (Decree-Law No. 61/2022, of 24 August)	No change
<b>Old-age and Invalidation Social Pensions (former Subsídio de Apoio a Idosos e Inválidos - SAII)</b>		
Introduce a wealth test for SAII beneficiaries	Converted the SAII into Old-age and Invalidation social pensions. (Decree-Law No. 53/2022, of 20 July)  Increased the benefit amount from 30USD to 50 USD in 2022.  Increased the benefit from 30USD to 57 USD per month in 2023.	Increased the benefit amount to 60 USD with an additional 20 USD for those aged 70–79 and 40 USD for those aged 80 and above.  (Decree-Law No. 8/2024, of January 24)
<b>Benefits of Maternal and Child Healthcare</b>		
Create an incentive of 5 USD per health appointment up to four prenatal appointments and 10 USD per appointment up to two postnatal appointments.	Not implemented	Not implemented

Source: Authors' elaboration

## Data Sources for ILO/RAP model

The ILO/RAP draws on a wide range of national and international data sources to estimate the costs, coverage, and financing needs of social protection programs. Key inputs include demographic and labour market statistics, social protection administrative records, poverty indicators, and fiscal and budgetary data. Demographic information - such as age, sex, and population growth - is primarily derived from the Timor-Leste Population and Housing Census. Programme-specific data, including number of beneficiaries, benefit levels, and eligibility criteria, are obtained from the administrative records of the MSSSI, INSS, MOE, and MOH. Economic data, including GDP, and other macroeconomic indicators, are sourced from the National Accounts managed by the NIS<sup>9</sup>. Fiscal data, including government expenditure and revenue, are sourced from the Ministry of Finance (MOF) and the Timor-Leste Transparency Portal<sup>10</sup>. Economic and fiscal data projections were also compiled from the Timor-Leste country reports published by the International Monetary Fund (IMF)<sup>11</sup>. Together, these data sources provide a solid foundation for the model to estimate and project the cost of social protection reforms and assess the potential impacts of policy reforms. *Table 2* presents a summary of the type of data and its data sources used in the ILO/RAP model in Timor-Leste.

**Table 2 - ILO/RAP data sources**

Type of data	Description	Source of information
Demographics	Population data per single age and sex are inputted together with population projections.	Timor-Leste Population and Housing Census 2022 – INETL, Population Projections 2022-2050, MSSSI Administrative data, INSS Administrative data, EMIS – Ministry of Education.
Macroeconomics	Current and projected economic indicators, including the inflation rate, average monthly wage, minimum wage, poverty line, poverty rate, GDP growth rate, GDP at constant price, GDP at current prices, labour market data. These indicators are used to estimate and project the cost of social protection benefits and to express these cost estimates as a percent of GDP.	Timor-Leste Annual National Accounts, Timor-Leste Labour Force Survey (LFS) 2021, Timor-Leste Survey of Living Standards (TL-SLS) 2014, IMF Fiscal Monitor, and IMF World Economic Outlook.
General government operations (GGO)	Information on the government revenues (tax and non-tax) and expenditure. This information will be used to calculate the cost of the proposed policy options as a percent of the government expenditure. GGO status quo provides the government revenues and expenditures assuming that no additional social protection benefits have been implemented. Another worksheet, GGO benefits, presents the government's revenues and expenditures assuming that additional provisions to complete the social protection floor in the country will be implemented in the near future.	General State Budget Books – Ministry of Finance, IMF Fiscal Monitor, IMF World Economic Outlook.

Source: Authors' elaboration

Note1: Historical data and projections are needed to calculate the cost of the social protection provisions and to project the cost over several years.

Note2: Although the ILO/RAP model includes labor market data, these were not used in this paper. However, they can be incorporated in future analyses to support estimations and projections of social protection policies targeting working-age individuals.

<sup>9</sup> See at <https://inetl-ip.gov.tl/national-accounts/>

<sup>10</sup> See details at [budgettransparency.gov.tl/public/index?&lang=en](https://budgettransparency.gov.tl/public/index?&lang=en)

<sup>11</sup> See at <https://www.imf.org/en/Countries/TL>

## Assumptions for ILO/RAP model

Projections in this paper, derived from the ILO/RAP methodology, rely on assumptions about how demographic, living standards, economic, and fiscal indicators are likely to evolve over time.

### Demographic assumptions

Population projections until 2030 (by sex and age) were sourced from the Population Projection 2022-2050 based on the Timor-Leste Population and Housing Census 2022 available at the NIS<sup>12</sup>. The demographic data provides the basis for estimating the eligible population groups and projecting the number of beneficiaries, which will have an influence on the projected costs.

The total population of Timor-Leste is projected to increase steadily from approximately 1.39 million in 2023 to 1.56 million by 2030. Both male and female populations are expected to grow over this period, with the number of men increasing from around 703,671 to 791,954 and women from 681,359 to 769,504. This gradual population growth, averaging around 2.5 percent per year, will have important implications for social protection planning, as the increasing population will expand the number of potential beneficiaries for programs targeting children, working-age adults, and the elderly.

Considering the population trends by age group, children (0–14 years), the working-age population (15–59 years), and the older persons (60+ years) are expected to grow, though at varying rates. Children will continue to represent a significant share of the population (31 percent in 2030). The working-age group, which forms the bulk of the population, will expand gradually from 59 percent in 2026 to 60 percent in 2030. The elderly population (60+), while smaller in absolute numbers, is projected to grow steadily (9 percent in 2030).

**Table 3 - Total population projections to 2030**

	2023	2024	2025	2026	2027	2028	2029	2030
Total	1,385,030	1,412,604	1,415,136	1,463,989	1,488,949	1,513,626	1,537,744	1,561,458
Male	703,671	717,293	719,437	743,328	755,539	767,967	780,010	791,954
Female	681,359	695,311	695,699	720,661	733,410	745,659	757,734	769,504

Source: ILO/RAP

### Macroeconomic and fiscal assumptions

The ILO/RAP model applies key macroeconomic and public finance indicators to estimate the costs of each social protection program for the period 2023–2030. *Table 4* presents the current data and projections for the main macroeconomic and public finance indicators used in the ILO/RAP model in Timor-Leste.

According to the most recent data, following the contraction caused by the COVID-19 crisis, GDP recovered rapidly, largely driven by high government spending and private consumption, and is projected to continue growing, although at a gradually declining rate from 2023 onwards. Between 2023 and 2030, Timor-Leste's non-oil GDP is projected to grow steadily from USD 1.8 billion to USD 2.8 billion, with annual growth stabilizing at around 3 percent after 2025. Inflation, which peaked at 8.4 percent in 2023, is expected to decline sharply and remain stable at around 2 percent from 2027 onward, suggesting a more positive context that can support household consumption, particularly by low-income families.

On the fiscal side, public revenues are projected to stagnate and even decline slightly in nominal terms after 2024, which is mostly explained by the fast decline in the Petroleum Fund. On the contrary, public expenditure remains very high. This gap between revenue and expenditure highlights a persistent fiscal imbalance that could limit the government's ability to finance the social protection system in a sustainable way, particularly since non-contributory programs constitute the largest share, unless additional revenue sources are identified or spending is reprioritized.

<sup>12</sup> See at <https://inetl-ip.gov.tl/2024/05/14/population-projection-2022-2050/>

**Table 4 - Macroeconomic and Public Finance projections**

Indicators	2023	2024	2025	2026	2027	2028	2029	2030
Nominal Non-oil GDP (million USD)	1,802	1,939	2,073	2,215	2,363	2,522	2,688	2,769 (i)
Real Non-oil GDP growth (%)	2.4%	3.5%	3.4%	3.2%	3.2%	3.1%	3.0%	3.0%
Inflation rate (%)	8.4%	2.1%	0.4%	1.7%	2.0%	2.0%	2.0%	2.0%
Total Public Revenue (million USD)	927	953	956	945	933	918	903	903 (i)
Total Public Expenditure (million USD)	1,493	1,747	2,617	2,104	2,096	2,169	2,244	2,323

Source: IMF Country Reports at <https://www.imf.org/en/Countries/TLS#countrydata> provided the non-oil GDP data, non-oil GDP growth, inflation rate, and public revenue; Ministry of Finance Timor-Leste Budget Transparency Portal at [budgettransparency.gov.tl/public/index?&lang=en](http://budgettransparency.gov.tl/public/index?&lang=en) provided the expenditure data for 2023 and 2025. Actuals were used for 2023 and 2024. Budget was used for 2025. IMF estimates and projections were used for 2026 onwards.

Notes: (i) Author's estimate based on the growth rate from the previous year.

### Living standards and social protection assumptions

The economic recovery after the COVID-19 crisis has been critical for households to access goods and services, also potentially improving the working-age population's access to the labour market. But there are enormous challenges that have limited this effect. Economic growth hasn't been sufficient to reduce poverty levels with nearly half of the Timorese living in poverty. In 2014, the Timor-Leste Living Standard Survey estimated that 41.8 percent of the total population live below the national poverty line (USD 1.54 per capita per day). Poverty is also more frequent in children. One in every two children are poor. The proportion of young people living in poor households is also high (39.5 percent). In this paper, it was assumed that the poverty rates will remain constant during the period of projection.

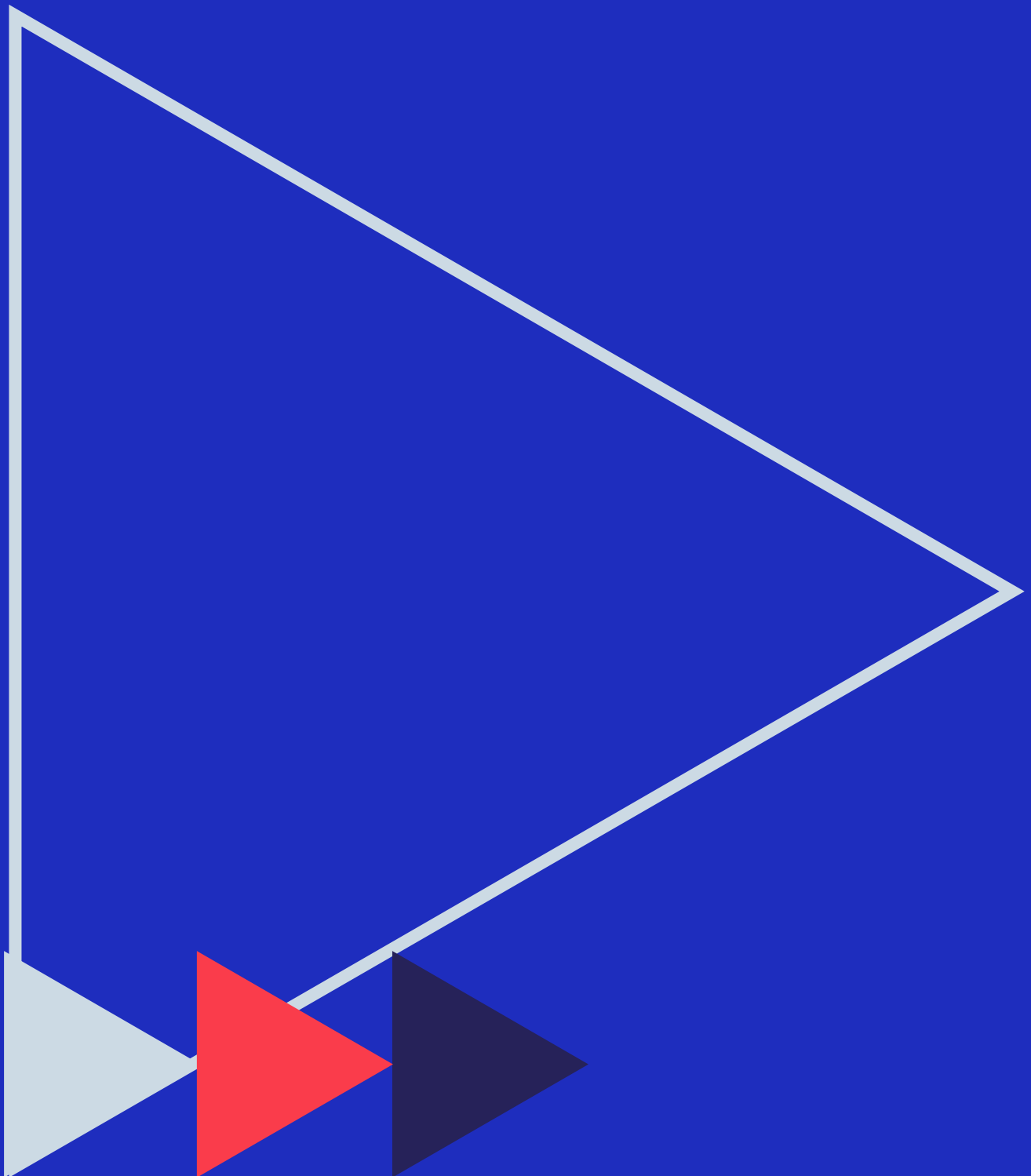
Regarding social benefit levels, values were assumed to remain constant in nominal terms for the status quo scenario and Reform Scenario 1, while in Reform Scenario 2, benefit amounts were adjusted for inflation. The following section provides a detailed explanation of the specific assumptions applied to each social protection benefit.

For coverage and take-up rates, administrative data on the number of beneficiaries of existing social protection benefits (numerator) was used for 2023 and 2024, relative to the corresponding reference population (denominator). For the introduction of new benefits, take-up rates were estimated by comparing the expected number of beneficiaries (numerator) with the size of the potentially eligible population (denominator). From 2025 onwards, both coverage and take-up rates were projected based on the targeting characteristics of each program.

### Costs assumptions

Administrative data on expenditures for individual social benefits were used for 2023 and 2024. The projected total cost of implementing a reform scenario is estimated by multiplying the total number of beneficiaries for each social benefit by the corresponding cash transfer amount and then adding administrative costs. An administrative cost of 6 percent was assumed for all social protection programs, except for the old-age and invalidity social pensions, for which a 1 percent administrative cost was applied, based on data provided by the INSS.



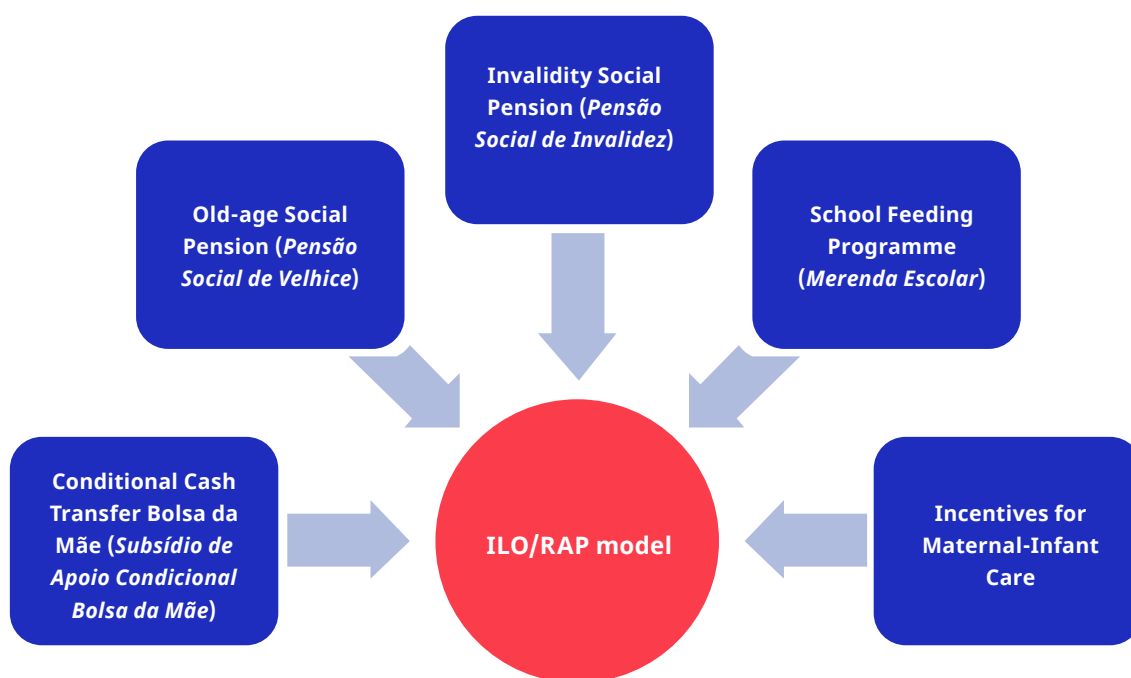


## ► 3. Costing results

This section presents the costing results for five main social protection programs (*Figure 2*). The social programs and their respective reform scenarios are organized according to the Social Protection Floor (SPF) guarantees. The SPF defines sets of basic social protection guarantees that should ensure essential health care and basic income security over the entire life cycle for everyone, including those in need, with the goal of preventing poverty, vulnerability, and social exclusion.

- i. Basic income security for children, providing access to nutrition, education, care and any other necessary goods and services: via two main programs, the conditional cash transfer *Bolsa da Mãe* program for vulnerable children and the School Feeding Program.
- ii. Basic income security for people in active age: limited to income support to working-age individuals unable to work through the invalidity social pension
- iii. Basic income security for the elderly: through the old-age social pension.
- iv. Access to essential health care, including maternity care: via the incentives for maternal-infant care proposed under the NSSP.

**Figure 2 - Social protection benefits included in the ILO/RAP in Timor-Leste**



Source: Authors' elaboration

Note: All social protection benefits have been implemented, except for the incentives for maternal-infant care that was proposed under the NSSP 2021-2030.

For most programs, alternative policy scenarios are included to illustrate the potential range of costs arising from different policy choices. These scenarios can guide future decision-making by Timorese policymakers, supporting the vision of extending coverage and improving benefit adequacy in line with national development strategies, in particularly with the NSSP 2021-2030, and international standards recommended by the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102)<sup>13</sup>. These minimum standards, covering all nine branches of social security<sup>13</sup>, relate to the proportion of the protected population, the level of minimum benefits guaranteed, and the conditions

<sup>13</sup> See the ILO Convention No. 102 see at [https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_INSTRUMENT\\_ID:312247](https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_INSTRUMENT_ID:312247)

and duration of entitlement. Convention No. 102 does not prescribe specific pathways to achieve these objectives, allowing member states flexibility in implementation. Coverage goals can be met through universal schemes, social insurance programs with earnings-related or flat-rate components, social assistance schemes, or a combination of these approaches.

In practice, the reform scenarios aim to progressively expand coverage and enhance the adequacy of social protection benefits. Reform Scenario 1 proposes extending coverage to a universal level - except for the poverty-targeted *Bolsa da Mãe* program - while keeping benefit amounts at their current nominal levels. Reform Scenario 2 advances further by extending universal coverage to all population groups and indexing benefit amounts to inflation, thereby preserving the real value of social protection benefits against rising prices. Together, these scenarios provide a basis for analyzing both the fiscal implications and estimate the additional resources needed to close the social protection coverage gap. *Table 5* below provides the description of the Status Quo Scenario and Reform Scenarios 1 and 2 for each of the social protection benefits organized by the SPF guarantee.

**Table 5 - Social protection benefits and reform scenarios used in the ILO/RAP model**

SPF Guarantees	Social Protection Benefits	Scenarios
Access to essential health care, including maternity care.	Incentives for Maternal-Infant Care	<p><b>Reform Scenario 1:</b> Full Coverage - Benefit of USD 5 in each of the 4 pre-natal appointments, and USD 10 will in each of 2 post-delivery exams. Benefit level maintained in nominal terms</p> <p><b>Reform Scenario 2:</b> Full Coverage - Benefit of USD 5 in each of the 4 pre-natal appointments, and USD 10 will in each of 2 post-delivery exams. Benefit level maintained in real terms.</p>
Basic income security for children, providing access to nutrition, education, care and any other necessary goods and services.	Conditional Cash Transfer Bolsa da Mãe program ( <i>Subsídio de Apoio Condicional Bolsa da Mãe</i> )	<p><b>Status Quo Scenario:</b> Maintain Take Up Rates &amp; Benefit value constant in nominal terms.</p> <p><b>Reform Scenario 1:</b> Reform Scenario 1: Full coverage of poor children &amp; benefit level maintained in nominal terms.</p> <p><b>Reform Scenario 2:</b> Full coverage of all children &amp; Benefit level maintained in real terms.</p>
	School Feeding program ( <i>Merenda Escolar</i> )	<p><b>Status Quo:</b> Maintain coverage and provide 1/2 Food Poverty Line USD 0.42 for each school day (246 days per year)</p> <p><b>Reform Scenario 1:</b> Benefit level maintained (1/2 Food Poverty Line USD 0.42) and expanded coverage (universal).</p> <p><b>Reform Scenario 2:</b> Benefit level maintained in real terms (inflation adjustment) and expanded coverage (universal).</p>
Basic income security for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability	Social Pension for People who are unable to work ( <i>Pensão Social de Invalidez</i> )	<p><b>Status Quo:</b> - Maintain take-up rates &amp; benefit level in nominal terms.</p> <p><b>Reform Scenario 1:</b> Expand coverage to 100% of eligible individuals &amp; benefit level constant in nominal terms</p> <p><b>Reform Scenario 2:</b> Expand coverage to 100% of eligible individuals &amp; benefit level constant in real terms</p>

14 This includes the following branches: medical care; sickness benefit; unemployment benefit; old-age benefit; employment injury benefit; family benefit; maternity benefit; invalidity benefit; and survivors' benefit.

SPF Guarantees	Social Protection Benefits	Scenarios
Basic income security for older persons.	Old-age Social Pension ( <i>Pensão Social de Velhice</i> )	<p><b>Status Quo:</b> Maintain take-up rates &amp; benefit level constant in real terms</p> <p><b>Reform Scenario 1:</b> Expand coverage to 100% of eligible individuals in all age groups &amp; benefit level constant in nominal terms.</p> <p><b>Reform Scenario 2:</b> Expand coverage to 100% of eligible individuals in all age groups &amp; benefit level constant in real terms.</p>

Source: Authors' elaboration

### 3.1. Access to essential health care

Timor-Leste has a universal and public health care system, which guarantees free access to essential health services for the entire population. The universal right to health is established in Article 57 of the Constitution, setting the legal foundation for a universal, accessible, and progressively financed national health system.

Despite significant progress in recent years, including advances in maternal and child health and wider immunization coverage, the health system continues to face challenges. Pregnant women and new mothers, especially in rural and remote areas, still face limited access to medical facilities. The time and financial costs associated with reaching these facilities often influence the decision to seek care. To reduce access barriers and encourage pregnant women and new mothers to undergo the recommended routine exams, the NSSP 2021–2030 proposed a small cash benefit as an incentive for attendance and care, which has not yet been put into practice.

#### 3.1.1. Incentives for Maternal-Infant Care

The Incentives for Maternal-Infant Care (IMIC) program was proposed to encourage pregnant women and new mothers to attend the recommended routine prenatal and postnatal exams. Low attendance is partly linked to difficulties reaching medical facilities, since the time and cost of travel can discourage people from seeking essential care. The IMIC program aims to improve access to health services by helping cover transportation and related expenses incurred by women when attending these appointments. Under this program, pregnant women would be eligible to receive up to USD 5 per prenatal appointment (up to a maximum of four) and USD 10 per postnatal appointment (up to a maximum of two). In total, each woman could receive up to USD 40 per pregnancy if she completes all six sessions. It should be noted, however, that while this benefit is outlined in the NSSP 2021–2030, it has not yet been implemented. Accordingly, the following analysis is based on hypothetical reform scenarios.

#### Scenarios

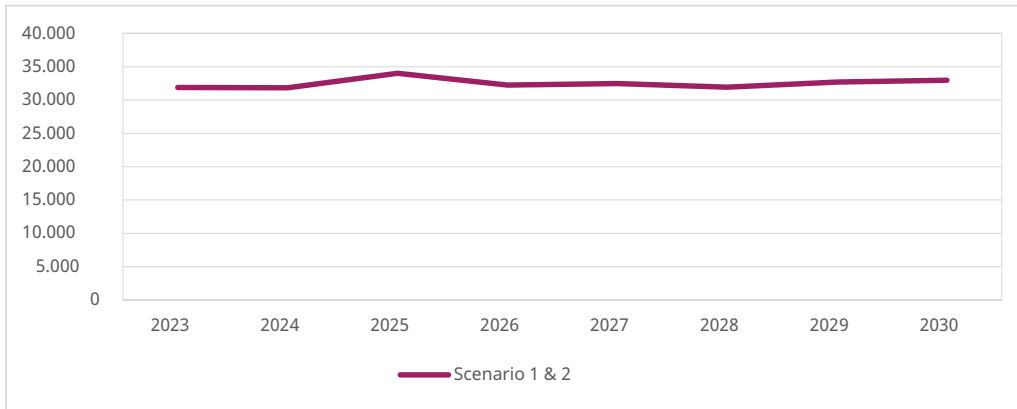
- **Scenario 1:** A benefit of USD 5 for each of the four pre-natal appointments, and USD 10 for each of the two post-delivery exams. Full coverage of all pregnant women is assumed, with benefit values kept constant in nominal terms.
- **Scenario 2:** A benefit of USD 5 for each of the four pre-natal appointments, and USD 10 for each of two post-delivery exams. Full coverage of all pregnant women is considered, with benefit amounts maintained in real terms.

#### Results

- In **Scenario 1**, the number of beneficiaries is projected to slightly increase during 2023–2030, in line with demographic trends. Program costs remain modest at around USD 1.3–1.4 million per year, representing only 0.05–0.08 percent of non-oil GDP and public expenditure.
- In **Scenario 2**, the benefit amount per pregnancy is projected to increase gradually from USD 40 in 2023 to USD 48 in 2030. The program's cost would then rise to about USD 1.7 million by 2030, corresponding to 0.06–0.08 percent of non-oil GDP and of public expenditure.

According to projections, the number of beneficiaries will increase only slightly, from 31,910 in 2023 to 32,972 in 2030, which represents a growth of just 3 percent over the period (Figure 3). This modest rise reflects the country’s relatively stable demographic trends regarding the target population group.

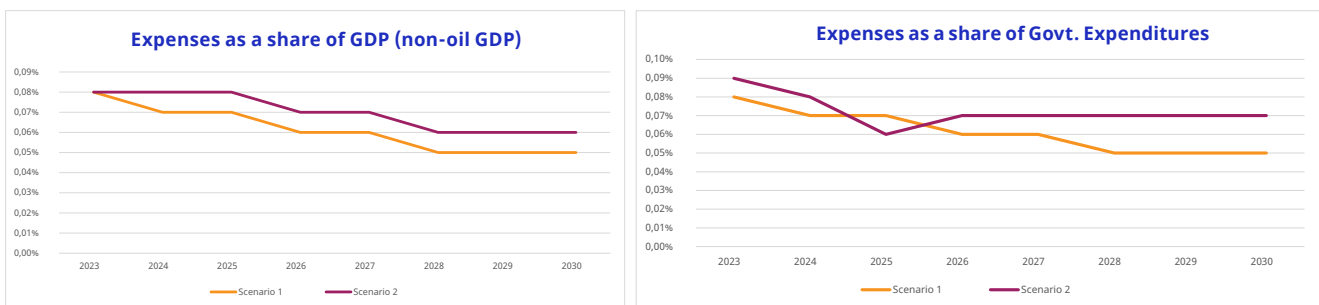
**Figure 3: Projected number of beneficiaries of the Incentives for Maternal-Infant Care proposal, 2023–2030**



Source: Authors’ elaboration based on ILO/RAP model Timor-Leste

The introduction of the benefit will have a low cost, representing a small share of the non-oil GDP and government expenditure (Figure 4). From 2026 onwards, the cost, as a share of GDP, will be reduced in both scenarios. In Scenario 1, the cost, as a share of government expenditure, will decline and remain at a lower level, since benefit amounts are kept constant. By contrast, Scenario 2 adjusts benefit amounts for inflation, resulting in higher relative costs. This demonstrates that it is possible to expand coverage and preserve the real value of benefits at a relatively higher cost. The decreasing trend in costs over time reflects real GDP growth outpacing expenditure growth, as well as demographic changes in the eligible population. This benefit has the potential to be a cost-effective intervention to increase demand for maternal and infant care before and after birth, thereby contributing to improved health outcomes and a reduction in maternal and child morbidity and mortality.

**Figure 4: Projected cost of the Incentives for Maternal-Infant Care , as a share of GDP and as a share of government expenditure, 2023-2030**



Source: Authors’ elaboration based on ILO/RAP model Timor-Leste

### 3.2. Basic income security for children

Timor-Leste has established a range of social protection benefits aimed at improving the well-being of children in different aspects, such as poverty reduction, social inclusion, education, health and nutrition. With regard to ensuring basic income security for children and improving access to nutrition and education, two key programs stand out. The first is the Conditional Cash Transfer ‘Bolsa da Mãe’ (*Subsídio de Apoio Condicional Bolsa da Mãe*), administered by the MSSSI since 2012. The second is the School Feeding Program (*Merenda Escolar*), fully implemented by the MOE since 2011. Both social programs are integrated into the NSSP 2021-2030 as part of the vision to reduce child poverty, improve access to education and nutrition, and promote equitable opportunities for all children across the country.

However, significant concerns remain regarding the guarantee of basic income security for children. In 2024, only 13.2 percent of children aged 0–14 years (13.3 percent of boys and 13.1 percent of girls) received cash benefits, primarily through the *Bolsa da Mãe* program (MSSI, 2025). Large coverage gaps remain a key challenge. Furthermore, the benefit

level of this program is low, corresponding to only 17 percent of the national poverty line. In addition, constraints in administrative capacity for program implementation and monitoring continue to undermine overall effectiveness. In the case of the *Bolsa da Mãe* program, the benefit is conditional on school enrolment, which, in the context of high dropout rates, increases the risk of children being left behind. Similarly on nutrition, the children attending the school are the ones benefiting from the school feeding program. To extend coverage and maximize impact, the design of these programs should be complemented by targeted measures aimed at reducing barriers to school enrolment and attendance, especially for vulnerable children.

### 3.2.1. Conditional Cash Transfer Bolsa da Mãe

The Conditional Cash Transfer Bolsa da Mãe is the only poverty-targeted programme aimed at providing a conditional cash benefit to the most vulnerable families with children. Until 2023, the program operated as a conditional cash transfer scheme, providing households with children aged 0 to 17 a regular cash benefit of USD 5 per child per month (USD 60 per year), for up to three children. Beneficiary households were expected to comply with soft conditions related to education (school enrolment and attendance) and health (prenatal care, vaccinations, and check-ups)<sup>15</sup>, although in practice these conditionalities were rarely monitored.

Since 2024, certain features of the *Bolsa da Mãe* program have been revised. The program now targets the most vulnerable children enrolled in grades 1 through 12. Benefit levels have increased and are differentiated according to the education cycle. Children in the 1st cycle of basic education (Grades 1 to 4) receive 8 USD per month (96 USD per year), those in the 2nd cycle (Grades 5 to 6) receive 9 USD per month (108 USD per year), and those students in the 3rd cycle (Grades 7 to 9) and in the secondary (Grades 10 to 12) receive 10 USD per month (120 USD per year).

#### Scenarios

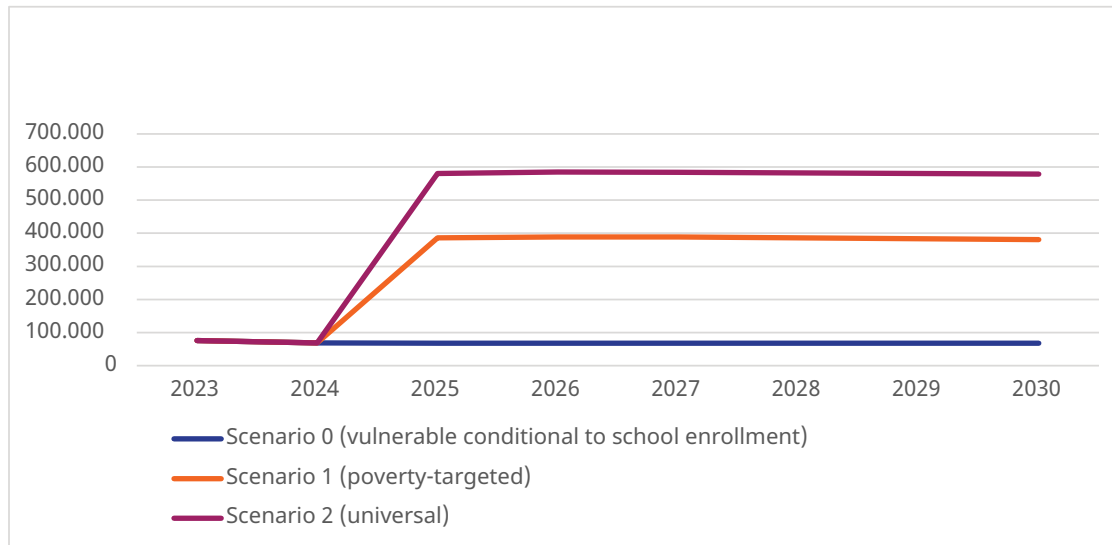
- **Status Quo:** Current coverage levels for children enrolled at school (Grades 1 to 12) and benefit amounts kept constant in nominal terms (8 USD per month per child in the 1<sup>st</sup> cycle of education, 9 USD for those in the 2<sup>nd</sup> and 3<sup>rd</sup> cycle, and 10 USD for children in the secondary education).
- **Scenario 1:** Change in eligibility to cover all poor children (0-17) and benefit amounts kept constant in nominal terms.
- **Scenario 2:** Change in eligibility to universal for children (0-17) and benefit amounts kept constant in real terms (adjusted for inflation).

#### Results

- In the **Status Quo**, the number of beneficiaries is projected to decline slightly over the period 2023–2030, reflecting the demographics trends. As a result, projected costs are expected to reach approximately USD 7.84 million by 2030, remaining below 0.4 percent of both non-oil GDP and total public expenditure.
- In **Scenario 1**, the number of beneficiaries is projected to rise considerably between 2023 and 2030 as coverage expands to include all poor children. Program costs would increase significantly in absolute terms, reaching approximately USD 42 million by 2030, yet they would remain affordable at about 1.5 percent of non-oil GDP and 1.7 percent of public expenditure.
- In **Scenario 2**, coverage is expected to expand substantially to include all children up to 17 years of age (universal coverage). This expansion leads to a sharp increase in total program costs, projected to reach 4.3 percent of non-oil GDP and 5.1 percent of public expenditure.

The *Bolsa da Mãe* program benefited 76,094 children in 2024 (MSSI, 2025). Under the current context, the projected number of beneficiary children is expected to decline by about 11 percent, reaching 67,712 by 2030, reflecting the overall decreasing trend in the child population. Under a reform scenario in which coverage is expanded to include children living in poverty, based on an estimated child poverty rate of 49 percent, the number of beneficiaries is projected to rise to nearly 381,222 by 2030 (Scenario 1). If the program is further expanded to become universal, covering all children aged 0-17 years and adjusting benefits for inflation to maintain purchasing power, the number of beneficiaries could reach almost 578,607 by 2030.

<sup>15</sup> The specific requirements included: (i) Enrolling all children aged 6–17 years old in school and ensuring a minimum of 80% school attendance; (ii) Vaccinating all children aged 0–1 year old according to the national immunization schedule; (iii) Ensuring that children aged 0–5 years old undergo at least one check-up at the nearest health center every six months; (iv) Participation of beneficiary households in community development sessions.

**Figure 5: Projected number of beneficiaries of the Conditional Cash Transfer Bolsa da Mãe, 2023 -2030**

Source: Authors' elaboration based on ILO/RAP model Timor-Leste

Overall, program costs in the scenarios are projected to grow more slowly than GDP. As a result, the cost of the programs as a share of non-oil GDP will gradually decline over time, even if the absolute expenditure increases. In terms of total government expenditure, the share estimated for both scenarios is expected to increase, as overall public spending is projected to decline significantly due to reductions in the Petroleum Fund.

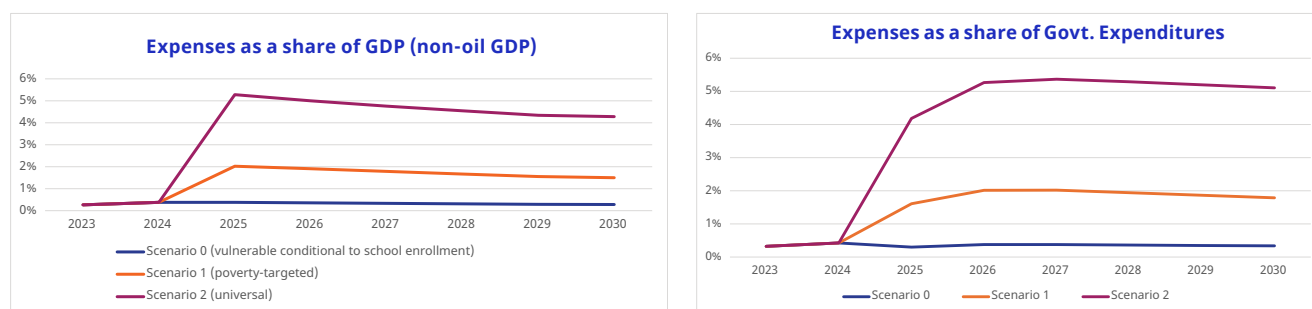
In the current context, assuming no changes to the program, the projected costs increase from USD 4.84 million in 2023 to a peak of USD 7.91 million in 2026, before gradually declining to USD 7.84 million by 2030. As a share of non-oil GDP, costs rise from 0.27 percent in 2023 to 0.38 percent in 2025, then decline to 0.28 percent by 2030. As a percent of total public expenditure, costs fluctuate between 0.30 and 0.43 percent and gradually decreased to 0.34 percent in 2030.

In Scenario 1, coverage expands to include all children living in poverty, based on an estimated child poverty rate of 49 percent, resulting in nearly a sixfold increase in the number of beneficiaries by 2030. This expansion significantly impacts program costs, which are projected to rise from USD 7.43 million in 2024 to USD 41.57 million in 2030. This would correspond to a gradual increase from 0.38 percent to 1.50 percent of non-oil GDP over the same period. Similarly, the projected cost as a percent of public expenditure would grow from 0.43 percent in 2024 to 1.79 percent in 2030.

In Scenario 2, universal coverage with benefits adjusted for inflation would entail a substantially larger fiscal commitment, with projected costs exceeding USD 100 million from 2025 onwards. This would require the program to absorb roughly 5 percent of non-oil GDP between 2025 and 2028, before declining to 4.28 percent in 2030.. As a share of total public expenditure, costs are estimated at around 4 percent in 2025, increasing to above 5 percent in subsequent years. Although such an expansion implies a strong fiscal effort, it also ensures that the benefit amount evolves in line with living costs, while the relative weight of the program on the economy tends to stabilize over time.

This illustrates that, while expanding coverage and maintaining the real value of transfers would likely enhance the program's social impact on poverty reduction and inequality, it would also require the MSSI to secure a significantly larger and sustained portion of the general state budget.

**Figure 6: Projected cost of the Conditional Cash Transfer Bolsa da Mãe, as a share of GDP and as a share of government expenditure, 2023-2030**



Source: Authors' elaboration based on ILO/RAP model Timor-Leste

### 3.2.2. School Feeding Program

The School Feeding Program (*Programa Merenda Escolar*) remains one of the largest social protection interventions in the country in terms of both beneficiaries and total cost. It aims to provide one school meal per day for every child enrolled in pre-school and in the compulsory nine years of basic education.

In July 2022, an increase in the benefit amount was approved from USD 0.25 to USD 0.42 per student and per school day, equivalent to half of the national food poverty line as proposed in the NSSP 2021-2030. At the same time, the legal framework approved a set of rules and procedures to facilitate the implementation in the field. These included the possibility of multi-year contracts, thus improving financial planning and ensuring the inclusion of funds for program implementation in the budget; the inclusion of requirements related to the hygiene and nutritional quality of the meals provided; and the provision of a monitoring and evaluation study to assess the program's impact.

Despite its universal design, the program continues to face significant gaps in effective coverage. High dropout and repetition rates, combined with a shortage of pre-school facilities, create substantial coverage gaps among children aged 3–5, while milder but persistent gaps remain for those aged 6–14. Moreover, geographic disparities persist, as some municipalities include only public schools in the program, whereas others incorporate both public and private schools.

**Scenarios**

- **Status Quo:** Maintain coverage levels and benefit amount (USD 0.42 per student per school day) kept constant in nominal terms.
- **Scenario 1:** Change in eligibility to universal coverage for children of pre-school and basic education age, and benefit amounts kept constant in nominal terms.
- **Scenario 2:** Change in eligibility to universal coverage for children of pre-school and basic education age, and benefit amounts kept constant in real terms (adjusted for inflation).

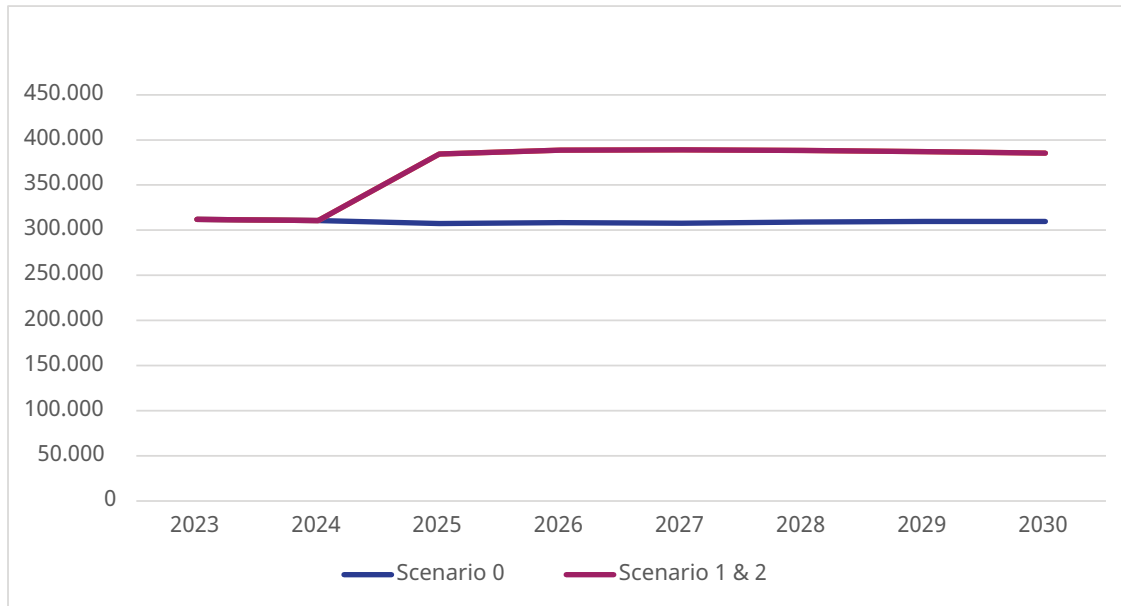
**Results**

- In the **Status Quo**, the number of beneficiaries is projected to remain largely unchanged, with program costs estimated at roughly USD 34 million over the period. This corresponds to approximately 1.22 percent of non-oil GDP and 1.46 percent of total public expenditure in 2030.
- In **Scenario 1**, the projections reflect the expansion of coverage, with an average of 78,000 more beneficiaries between 2025 and 2030. Projected costs are expected to rise and then remain relatively stable, reaching approximately USD 42.2 million by 2030 (or 1.52 percent of non-oil GDP and 1.82 percent of public expenditure).
- In **Scenario 2**, the same school coverage levels as in Scenario 1 and benefit amounts adjusted for inflation lead to a relatively higher projected cost over the period, which is expected to reach USD 50.63 million in 2030, equivalent to 1.83 percent of non-oil GDP and 2.18 percent of public expenditure.

The School Feeding Program benefited 311,936 children in pre-school and basic education in 2023 (MSSI, 2025). Under reform Scenarios 1 and 2, the projected number of beneficiaries is expected to remain relatively stable (384,267 in 2025 compared to 385,463 in 2030), adding an average of 78,419 children over the period 2025–2030. This trend is explained by medium- to long-term demographic dynamics, particularly declining fertility rates, combined with inefficiencies in the education system, such as early dropouts and high repetition rates, which are expected to gradually reduce the school-age population<sup>16</sup>.

Although the projected expansion is modest, even a small increase is significant given its potential to guarantee children access to at least one hot meal per school day. This not only supports child nutrition but also encourages school attendance and improves learning outcomes, particularly among the most vulnerable children.

**Figure 7: Projected number of beneficiaries of the School Feeding Programme, 2023 -2030**



Source: Authors’ elaboration based on ILO/RAP model Timor-Leste

Under the Status Quo, the total program cost was estimated at USD 34.2 million in 2023 (equivalent to 1.9 percent of non-oil GDP and 2.3 percent of public expenditure). Given the relatively stable coverage described above, costs are projected to decline slightly to USD 33.9 million by 2030, representing 1.22 percent of non-oil GDP and 1.46 percent of public expenditure. In the absence of further reforms, the program places only limited pressure on public finances while continuing to cover nearly all children enrolled in pre-school and basic education.

In reform Scenario 1, the benefit remains fixed at USD 0.42 per student per school day and coverage is expanded to all children in the target age group, without indexation to offset the impact of inflation on purchasing power. Under this scenario, program costs rise from USD 34.2 million in 2023 (1.9 percent of non-oil GDP and 2.3 percent of public expenditure) to USD 42.6 million in 2026–27 and then levels off at about USD 42.2 million in 2030 (1.5 percent of non-oil GDP and 1.8 percent of public expenditure).

This pattern reflects the fact that primary school enrolment is already close to universal, leaving only limited scope for expansion in pre-school where coverage gaps persist. At the same time, demographic dynamics, particularly declining fertility rates, are gradually reducing the size of the school-age population. Consequently, even with universal coverage, the number of beneficiaries stabilizes, and the program’s fiscal pressure diminishes over time, supporting its affordability and sustainability in the context of fiscal consolidation.

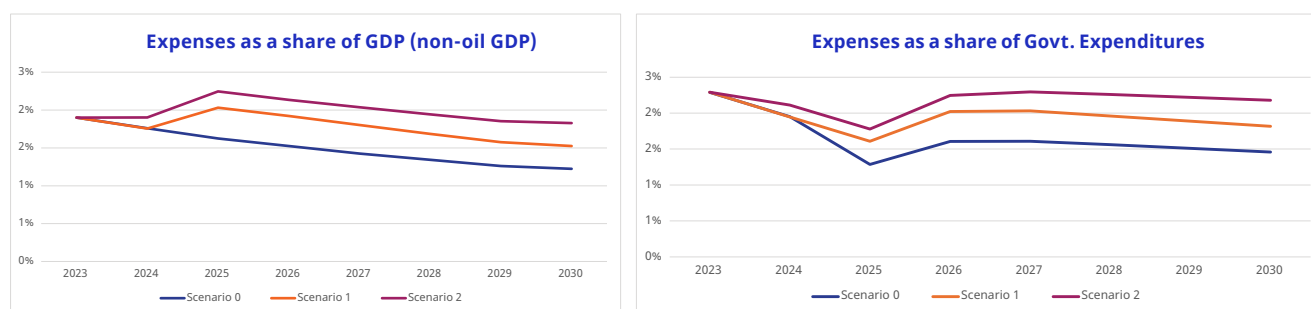
In reform Scenario 2, benefits are adjusted for inflation while maintaining universal coverage. This results in program costs rising moderately from 34.2 million USD in 2023 to 42.2 million USD in 2030. In relative terms, the share of non-oil GDP decreases slightly from 1.90 percent in 2023 to 1.83 percent in 2030, and the share of public expenditure falls from 2.29 percent to 2.18 percent over the same period. This gradual decline reflects the combination of stable enrolment and sustained economic growth, which together they tend to reduce the program’s fiscal weight over time.

16 UNSCDF Timor-Leste 2021-2025, page 22.

Under this reform scenario, achieving universal coverage would require allocating 2.18 percent of public expenditure in 2030, compared to 1.46 percent under the Status Quo. The higher resource needs highlight the importance of mobilizing additional fiscal space through either reallocation or efficiency gains. Nonetheless, the fiscal burden remains manageable in the medium term, if municipalities can strengthen implementation capacity and ensure the schools deliver the school meals effectively.

However, it is important to note that even under this scenario, the benefit amount does not reach the minimum food poverty line, which may limit the program’s impact, especially in the absence of stronger indexation mechanisms. By 2030, the real value of the benefit would be partly eroded, affecting the ability of schools to continue providing an adequate meal for children.

**Figure 8: Projected cost of the School Feeding Program, as a share of GDP and as a share of government expenditure, 2023-2030**



Source: Authors’ elaboration based on ILO/RAP model Timor-Leste

### 3.3. Basic income security for persons in active age who are unable to work

Timor-Leste has made notable progress in expanding social protection coverage through the contributory social security system, established by law in 2016. The general social security scheme applies to all workers and employers in both the public and private sectors. It is designed with flexibility, comprising two types of contributions to accommodate different categories of workers: mandatory contributions, paid jointly by employers and employees, and voluntary contributions for other workers with the capacity to contribute but not covered by the mandatory scheme. The voluntary scheme is particularly important for informal workers, providing them with an incentive to join the system.

When contributors comply with payment obligations, deadlines, and other requirements, they are entitled to benefits in cases of income loss or reduction due to maternity, old-age, invalidity, and death. As a defined benefit type of system, the cash benefits that beneficiaries receive are pre-determined by law. Contributions are pooled together, and the system redistributes resources to provide income security for contributors facing risks such as old-age, disability, maternity, or death during their life cycle. This system offers predictability and fairness, ensuring that all beneficiaries receive protection aligned with their contribution career.

Nonetheless, the low level of labour market formality in Timor-Leste has constrained the reach of the system. In 2024, only 27.1 percent of the labour force contributed to a pension scheme and can therefore expect to receive a contributory pension upon retirement (MSSI, 2025). In terms of effective coverage, approximately 12.2 percent of the total population is protected by at least one contributory social security cash benefit, while 14.8 percent is covered by at least one non-contributory cash benefit. This means that a large share of workers and other vulnerable groups of the population, particularly those in informal or vulnerable employment or elderly without a contributory career as well as people unable to work due to severe incapacities, continue to be excluded from the contributory social security system and rely instead on non-contributory schemes.

In 2024, approximately 24.2 percent of people with a work incapacity received an invalidity social pension, with coverage slightly higher among men (25.1 percent) than women (23.3 percent) (MSSI, 2025). This indicates that many individuals unable to work due to severe disabilities remain without adequate income protection, leaving them vulnerable to poverty and social exclusion. Although the current low coverage may reduce the fiscal burden on the state budget, it undermines the program’s effectiveness, as the system fails to provide sufficient protection to address the group’s vulnerability.

### 3.3.1. Invalidity Social Pension

The Invalidity Social Pension is a non-contributory cash benefit designed to provide basic income support to individuals who are permanently unable to work due to incapacity. This pension was originally part of the Subsidy to Support the Elderly and Invalids (*Subsídio de Apoio a Idosos e Inválidos – SAI*), which was approved in June 2008. The SAI aimed to extend social protection to vulnerable populations, particularly the elderly and people with disabilities, ensuring a minimum standard of living and social inclusion.

The monthly benefit is calculated based on a daily value considered the minimum necessary for living with dignity, estimated by the government according to the poverty line and economic situation. Currently, that value is set at USD2, making the monthly pension amount USD 60<sup>17</sup> (or USD 720 per year). This pension is paid monthly (12 months per year) and is subject to INSS verification of the beneficiary's incapacity condition, age, and employment status. The pension cannot be accumulated with income from work or other professional activities.

In 2024, a total of 8,822 individuals received the Invalidity Social Pension, representing a 12 percent increase compared to the previous year (*MSSI, 2025*). The total cost of this social pension in 2024 was USD 6.1 million, of which approximately 1 percent was allocated to administrative expenses. According to INSS, this is a relatively low administrative cost due to the improvements and more efficient program management, so most resources can be directed at the cash transfers to eligible beneficiaries.

#### Scenarios

- **Status Quo:** Current coverage levels for people who are permanently unable to work and benefit amount of USD 60 kept constant in nominal terms.
- **Scenario 1:** Expand coverage to all eligible individuals and benefit amounts kept constant in nominal terms.
- **Scenario 2:** Expand coverage to all eligible individuals and benefit amounts kept constant in real terms (adjusted for inflation).

#### Results

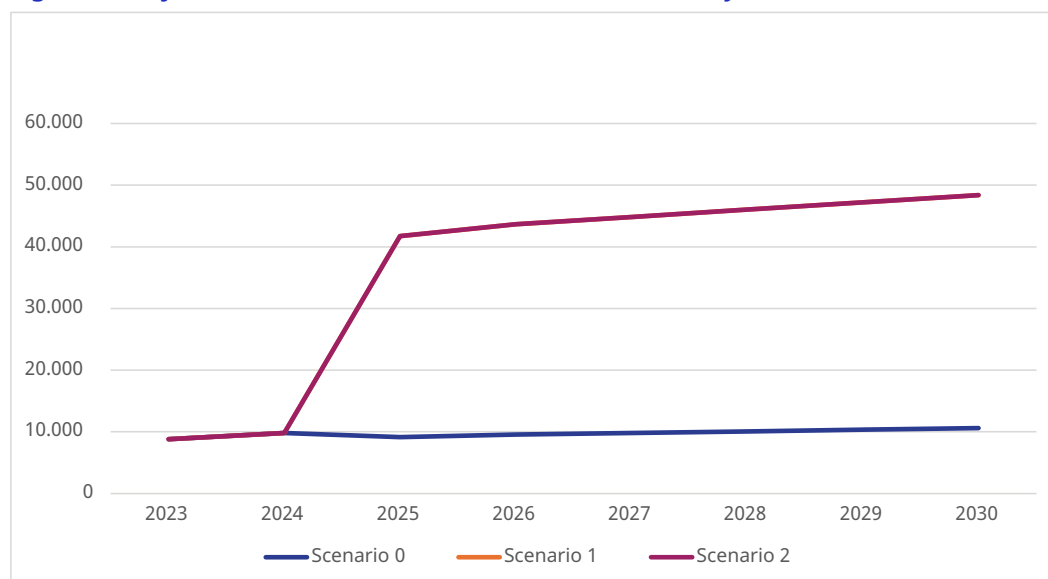
- In **Status Quo**, the number of beneficiaries is projected to rise from 8,781 to 10,591 beneficiaries over the period 2023–2030, corresponding to an increase of 21 percent. As a result, projected costs are expected to increase from USD 6.3 million in 2023 to USD 7.7 million in 2030, varying between 0.4 and 0.3 percent of both non-oil GDP and total public expenditure.
- In **Scenario 1**, the number of beneficiaries is projected to rise six-fold, reaching 48,403 beneficiaries. The invalidity social pension costs would increase significantly in absolute terms, reaching approximately USD 35.2 million by 2030, yet they would remain at about 1.3 percent of non-oil GDP and 1.5 percent of public expenditure.
- In **Scenario 2**, coverage is expected to remain the same as in the previous scenario while the update of the benefit amount in line with inflation will lead to a slight increase in total program costs to USD 44.1 million, projected to reach 1.6 percent of non-oil GDP and 1.9 percent of public expenditure.

According to administrative data (*MSSI, 2025*), the Invalidity Social Pension benefited 8,781 people in 2023 and 9,822 people in 2024. Under the Status Quo scenario, the number of beneficiaries is projected to rise modestly to 10,591 by 2030. By contrast, under the extension of coverage to all eligible individuals (Scenarios 1 and 2), the number of beneficiaries is expected to increase substantially, reaching 48,403 in 2030. This would bring approximately 38,000 additional people with incapacity into the system.

Expanding coverage to all eligible individuals would be a significant step toward ensuring an income guarantee for persons with severe disabilities who are unable to work, thereby strengthening the fulfillment of their social protection rights. Such an expansion would also contribute to reducing the risk of poverty and social exclusion, enabling greater social inclusion and dignity for people with severe incapacities.

17 For further details see at [https://segurancasocial.gov.tl/beneficios/invalides#inv\\_n\\_cont](https://segurancasocial.gov.tl/beneficios/invalides#inv_n_cont)

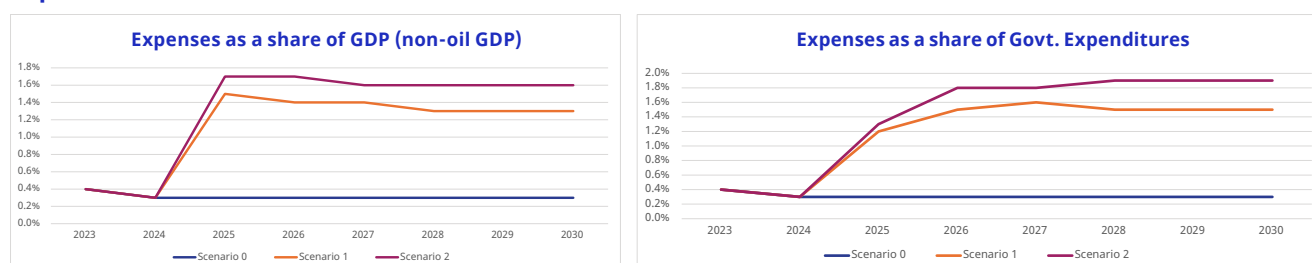
**Figure 9: Projected number of beneficiaries of the Invalidation Social Pension, 2023 -2030**



Source: Authors’ elaboration based on ILO/RAP model Timor-Leste

Under the current context, the cost of the Invalidation Social Pension is projected to rise from USD 6.3 million in 2023 to USD 7.7 million in 2030, remaining at around 0.3 percent of non-oil GDP and public expenditure. While the current context indicates a modest fiscal cost, it leaves most eligible people excluded. However, scaling up coverage to all eligible individuals would require a substantial budget increase. Under Reform Scenario 1 (nominal values), costs would reach USD 35.2 million by 2030, equivalent to 1.3 percent of non-oil GDP and 1.5 percent of public expenditure. Under Reform Scenario 2 (with indexation to inflation), the fiscal burden would rise further to USD 44.1 million by 2030, or 1.6 percent of non-oil GDP and 1.9 percent of public expenditure.

**Figure 10: Projected cost of the Invalidation Social Pension as a share of GDP and as a share of government expenditure, 2023-2030**



Source: Authors’ elaboration based on ILO/RAP model Timor-Leste

### 3.4. Basic income security for older persons

In Timor-Leste, the elderly is the population group with the most comprehensive social protection coverage. This is largely due to the universal old-age social pension introduced in June 2008 under the *Subsídio de Apoio a Idosos e Inválidos* (SAII), which guarantees a basic income floor for all older persons aged 60 and above, regardless of their employment history.

In addition, older persons with a history of formal employment and contributions to the social security system are entitled to contributory pensions under the General Contributory Social Security Scheme, which provides a second and higher layer of income protection beyond the old-age social pension. Moreover, older persons who are veterans of the national liberation fight for independence receive the largest pensions in the system, reflecting the State’s recognition of their service.

Compared to other vulnerable groups, such as children and people with disabilities, the elderly thus enjoy more predictable income security and broader effective coverage, highlighting equity challenges related to the gaps that remain for other vulnerable groups.

According to MSSSI (2025), an estimated 91.6 percent of the elderly received at least one type of old-age pension, with coverage reaching 98.9 percent of women and 83.6 percent of men in 2024. The largest share of this income guarantee derives from the non-contributory Old-Age Social Pension, which provides near-universal coverage, benefiting 90.3 percent of the elderly (including 98.3 percent of women and 81.5 percent of men). By contrast, the contributory Old-Age Pension reaches only 1.3 percent of the elderly overall, with coverage higher among men (2.1 percent) than women (0.6 percent).

This pattern highlights the importance of the non-contributory system in guaranteeing income security for older persons in Timor-Leste, while also points out the still-limited role of contributory pensions, which remain accessible to a small part of the population.

### 3.4.1. Old-Age Social Pension

The Old-Age Social Pension is a non-contributory monthly cash benefit designed to provide basic income support to all citizens aged 60 and above, regardless of their contribution history, who have reached at least the legally established minimum age for access to the old-age pension, currently set at 60 years old.

This pension is paid monthly (12 months per year) and cannot be accumulated with income from work or other professional activities. The monthly benefit is calculated based on a daily value considered the minimum necessary for living with dignity, estimated by the government according to the poverty line and economic situation. Currently, that value is set at USD2, which adds up to the monthly pension amount of USD 60<sup>17</sup> (or USD 720 per year). Additional amounts are added to adjust the pension benefit according to age: USD20 for elderly between the ages of 70 and 79 and USD40 for elderly over the age of 80.

In 2024, a total of 95,133 elderly received the Old-Age Social Pension, representing a 5 percent increase compared to the previous year (MSSSI, 2025). The total cost of this social pension in 2024 was USD 76.4 million, of which approximately 1 percent was related to administrative expenses. According to INSS, this is a relatively low administrative cost due to the improvements and more efficient program management, so most resources can be directed at the cash transfers to eligible beneficiaries.

#### Scenarios

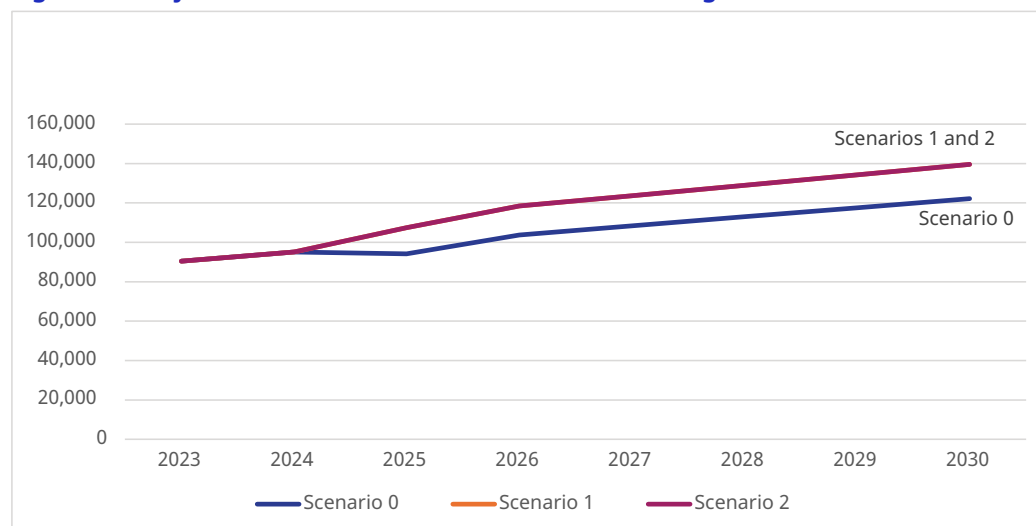
- **Status Quo:** Maintain current coverage levels of the old-age social pension and keep benefit amounts constant in nominal terms.
- **Scenario 1:** Expand coverage to all eligible individuals and keep benefit amounts constant in nominal terms.
- **Scenario 2:** Expand coverage to all eligible individuals and keep benefit amounts constant in real terms (adjusted for inflation).

#### Results

- In the **Status Quo**, the number of beneficiaries is projected to grow from 90,405 in 2023 to 122,193 in 2030, representing an increase of around 35 percent. As a result, projected costs are expected to rise from USD 62.2 million in 2023 to USD 107.4 million in 2030, reflecting a slight increase in fiscal burden - from 3.5 percent to 3.9 percent of non-oil GDP and from 4.2 percent to 4.6 percent of total public expenditure over the same period.
- In **Scenario 1**, the number of beneficiaries is projected to increase by only 17,396, due to its nearly universal coverage, reaching 139,589 beneficiaries in 2030. Consequently, the cost of the Old-Age Social Pension will rise from USD 62.2 million in 2023 to USD 122.6 million in 2030. The fiscal impact remains relatively modest in terms of non-oil GDP, with costs rising from 3.5 percent in 2023 to 4.4 percent in 2030 from 4.2 percent to 5.3 percent of total public expenditure over the same period.
- In **Scenario 2**, coverage is expected to remain the same as in the previous scenario while the inflation adjustment of the benefit amount will lead to a much higher increase in total program costs to USD 190 million, projected to reach 6.9 percent of non-oil GDP and 8.20 percent of total public expenditure.

Across all scenarios, the number of old age social pension beneficiaries is projected to rise steadily over the period 2023–2030, driven by demographic aging. Under the Status Quo, beneficiaries increase moderately from 90,405 in 2023 to 122,193 in 2030. In the Reform 1 and Reform 2 scenarios, where coverage is extended to all eligible individuals (universal coverage), the number of beneficiaries increases from 90,405 in 2023 to 139,589 in 2030, adding only 17,396 new beneficiaries. This is explained by the nearly universal coverage of the Social Old-Age Pension.

**Figure 11: Projected number of beneficiaries of the Old-Age Social Pension, 2023 -2030**



Source: Authors' elaboration based on ILO/RAP model Timor-Leste

The total cost of the old-age social pension in Timor-Leste increased by approximately 32.8 percent between 2023 and 2025, driven primarily by higher benefit amounts. From 2026 onwards, the projected cost rises in both scenarios, but at markedly different paces as shown in *Figure 12*.

Under the Status Quo, expenditures rise rapidly from USD 62.2 million in 2023 to 82.6 million in 2025, driven by higher social pension amounts. After that, projected costs increase more gradually, from USD 91.6 million in 2026 to USD 107.4 million in 2030, reflecting primarily demographic pressures. Relative to the economic output, costs remain stable, rising only slightly from 3.5 percent of non-oil GDP in 2023 to approximately 4 percent in 2025 and 2030. As a share of public expenditure, the cost is somewhat higher, increasing from 4.2 percent to 4.6 percent over the same period.

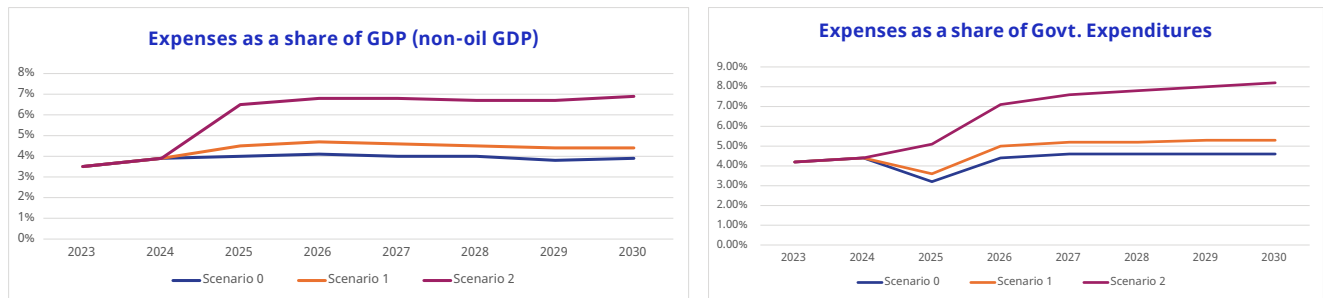
In Reform Scenario 1, where universal coverage is introduced but benefit levels remain constant in nominal terms, projected costs rise more sharply, from USD 62.2 million in 2023 to USD 94.2 million in 2025 and USD 122.6 million in 2030. As a share of non-oil GDP, the program increases from 3.5 percent in 2023 to 4.5 percent in 2025 and, after that, it remains relatively stable reaching 4.4 percent by 2030. Relative to total public expenditure, it will grow from 4.2 percent in 2023 to 3.6 percent in 2025 and 5.3 percent in 2030.

In Reform Scenario 2, which combines universal coverage with benefits preserved in real terms, expenditures rise the most, exceeding those in Scenario 1 due to the inflation adjustment applied to benefit levels. By 2030, total costs are projected to reach USD 190 million, equivalent to 6.9 percent of non-oil GDP and 8.2 percent of total public expenditure, compared to 6.5 percent of non-oil GDP and 5.1 percent of total public expenditure in 2025.

The old-age social pension is currently almost universal, which explains why the cost difference between Scenario 0 and Scenario 1 remains minimal: both scenarios cover nearly the same number of beneficiaries. Reform Scenario 1 achieves universal coverage at a modest additional fiscal cost.

By contrast, Scenario 2 shows a marked increase in expenditure, as pension amounts are indexed to inflation. This adjustment ensures that the real value of benefits is preserved over time, but it also places greater fiscal pressure on the system, particularly when there are also other vulnerable groups of the population in need.

**Figure 12: Projected cost of the Old-Age Social Pension as a share of GDP and as a share of government expenditure, 2023-2030**



Source: Authors' elaboration based on ILO/RAP model Timor-Leste

### 3.5. Summary of costing results

The results presented in the previous sections indicate that the cost of the selected social protection cash benefits is expected to increase under all scenarios, although the rate and magnitude of growth vary considerably. *Figure 13* summarizes the projected costs for selected benefits, organized by the four social guarantees, under three scenarios:

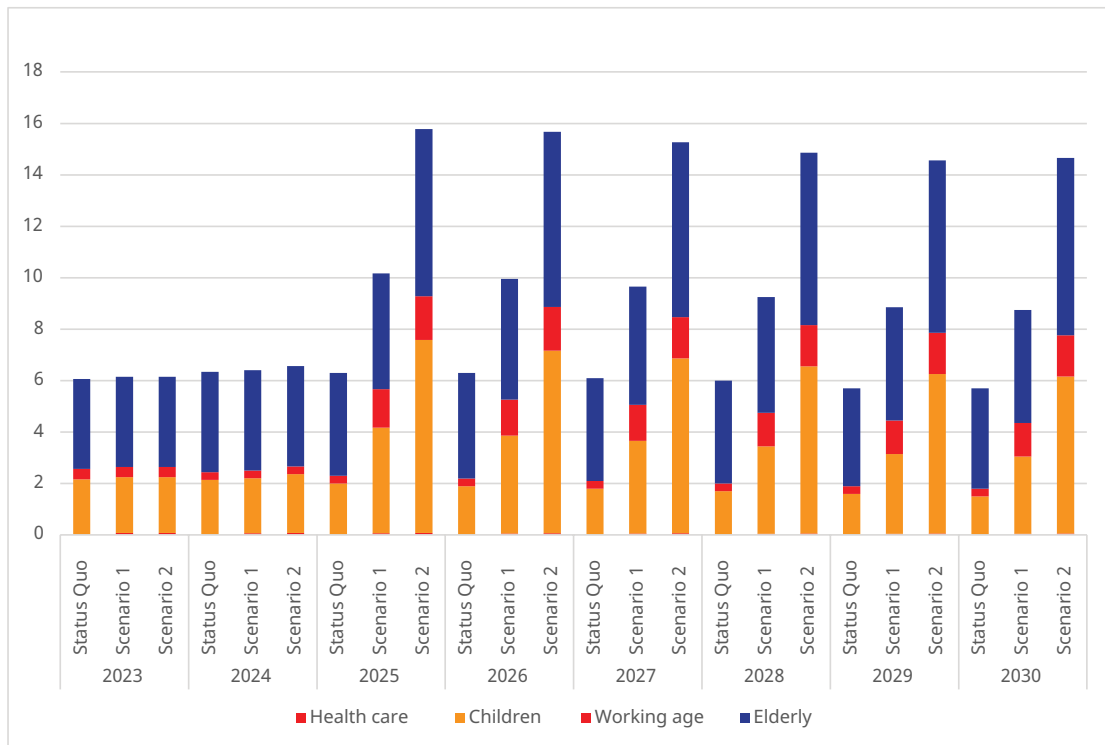
- Status Quo scenario: Benefits continue with existing features and design, including the most recent approved reforms.
- Reform scenario 1: Benefits are extended to universal (except for *Bolsa da Mãe* poverty-targeted program) while keeping current benefit amounts constant in nominal terms.
- Reform scenario 2: Benefits are extended to universal coverage with benefit amounts adjusted for inflation.

Under the Status Quo, the costs remain relatively contained, with expenditures on children declining gradually from 2.17 percent of non-oil GDP in 2023 to 1.51 percent in 2030, while support for the older persons rises modestly from 3.5 percent to 3.9 percent. Support to individuals unable to work permanently due to severe disability stays low at around 0.3–0.4 percent. This scenario maintains fiscal stability but allows only limited expansion of coverage, reaching a total of 510,060 beneficiaries. Programmes continue with their existing features and design, including the most recently approved reforms.

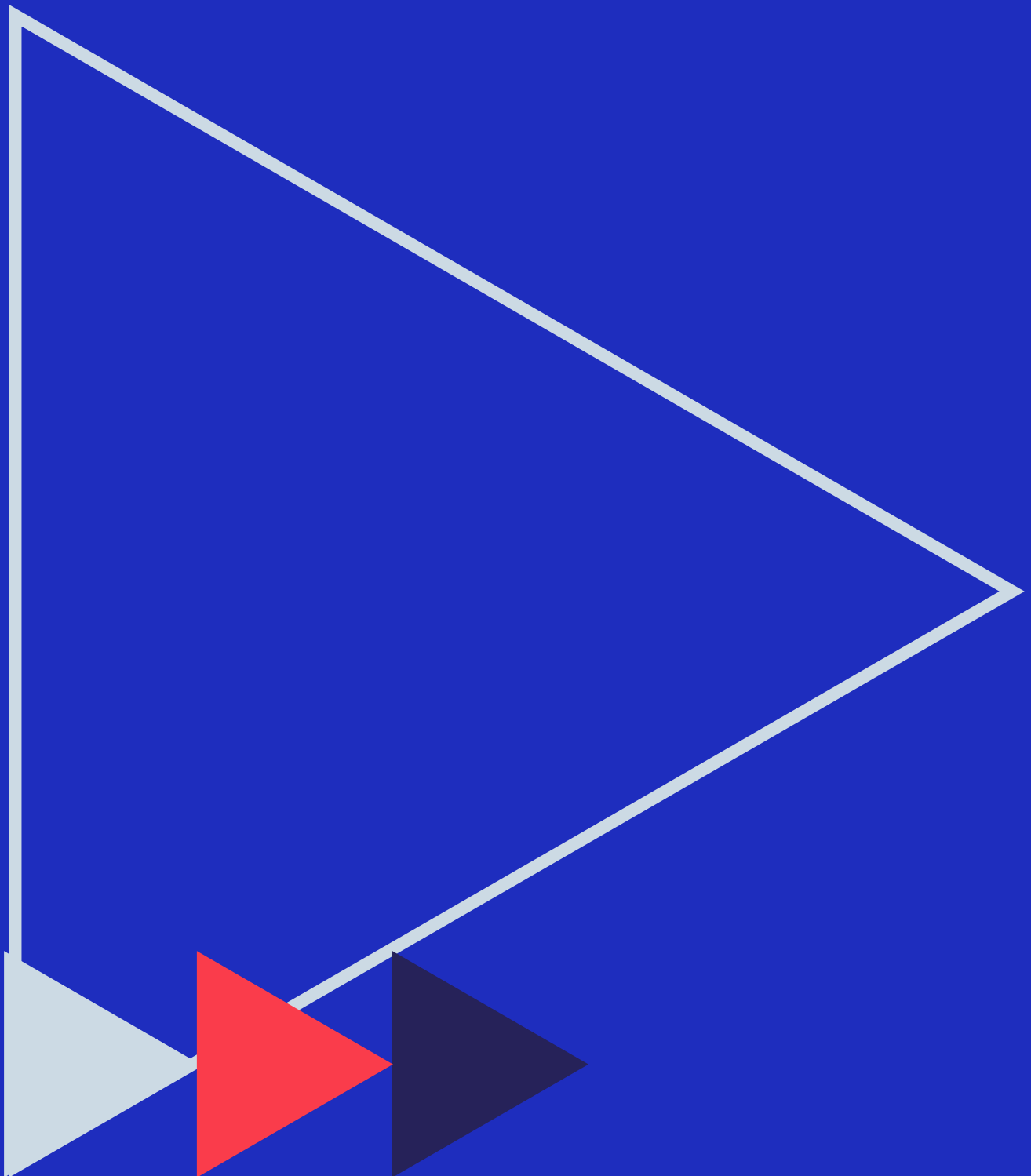
Under Reform Scenario 1, expanding coverage to universal levels, except for the *Bolsa da Mãe* program) while maintaining current benefit amounts in the selected programmes results in higher but still manageable costs. By 2030, spending on children reaches 3 percent of non-oil GDP, while elderly costs rise to 4.4 percent, and support to those unable to work stabilizes at 1.3 percent. The proposed healthcare incentive programme represents a very small proportion of about 0.05 percent. Overall, this scenario strengthens inclusivity and offers a more balanced path over the period at a low additional cost. This scenario would reach a total of 987,649 beneficiaries by 2030, which means an increase of 477,579 compared to the Status Quo, while keeping fiscal pressures moderate (See *Table 12* in Annex).

Under Reform Scenario 2, combining universal coverage with benefits indexed to inflation produces the sharpest cost trajectory. By 2030, expenditures on children rise significantly to 6.1 percent of non-oil GDP, elderly costs climb to 6.9 percent, and working-age support expands to 1.6 percent, with health care around 0.06 percent. This scenario nearly triples total spending compared to the Status Quo, creating significant fiscal challenges which will require a detailed analysis of financing options to address the gap. It is important to highlight that this scenario would extend coverage to over a million people, adding 674,974 beneficiaries to the existing system (See *Table 13* in Annex).

**Figure 13: Summary of projected costs until 2030, selected programmes and scenarios, as a share of GDP, under the four social protection guarantees**



Source: Authors' elaboration based on ILO/RAP model Timor-Leste



## ► 4. Financing gap estimates

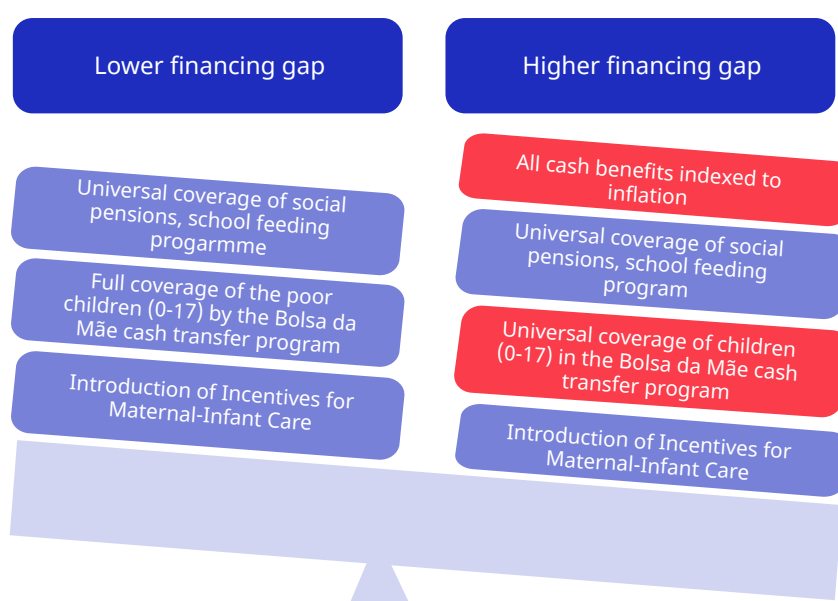
The financing gap refers to the monetary resources needed to provide basic income security for those who should be eligible for a benefit but are not currently receiving it. This gap represents the additional expenditure needed to achieve universal social protection coverage (Cattaneo, U., Schwarzer, H., Razavi, S., Visentin, A., 2024).

The financing gap for social protection in Timor-Leste was calculated as the additional resources needed to address coverage gaps and update benefits for the selected social protection cash benefits (non-contributory) under this analysis, namely:

- Conditional Cash Transfer *Bolsa da Mãe* Program
- School Feeding Program
- Old-age Social Pension
- Invalidity Social Pension
- Incentives for Maternal-Infant Care

The additional fiscal space ranges between a lower financing gap, represented by the differences between the Status Quo Scenario and Reform Scenario 1, and a higher financing gap, reflected in the differences between the Status Quo Scenario and Reform Scenario 2. As shown in *Figure 14*, on one hand, the lower financing gap is based on the assumption that additional resources are required to reach universal coverage for the selected social protection benefits, with the exception of the *Bolsa da Mãe* program which is poverty-targeted, and keep the benefit amount constant in nominal terms. On the other hand, the higher financing gap is determined by the additional resources needed not only to achieve universal coverage but also to adjust benefit values to inflation. The principal rationale for indexing social protection cash benefits is to prevent a decline in beneficiaries' living standards by protecting them against rising prices over time. But it is important not to forget that adequacy is usually assessed by comparing the benefits levels against minimum standards for essential goods and services (national poverty line and minimum wage salary).

**Figure 14 - Differences between the lower and the higher financing gaps**



Source: Authors' elaboration

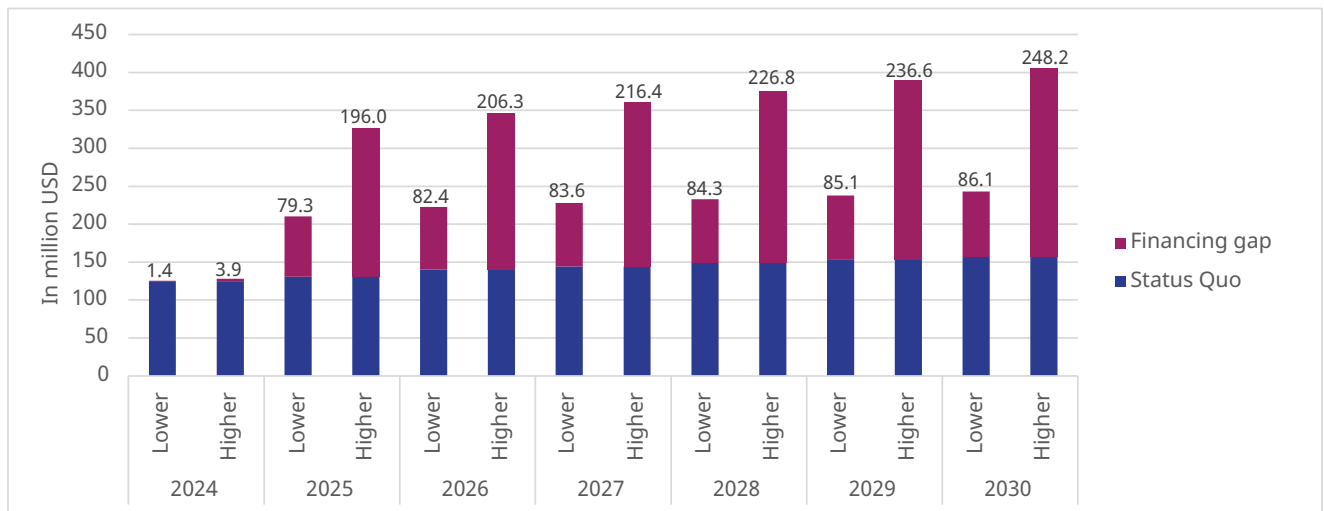
### Total financing gap

**Lower financing gap:** While the status quo projects a moderate cost increase from 123.9 million USD in 2024 to 156.8 million USD in 2030 (6.3-5.7 percent of non-oil GDP and 7.1-6.7 percent of public expenditure), Reform Scenario 1 requires higher spending, rising from 125.3 million USD in 2024 to 243 million USD by 2030 (6.4-8.8 percent of non-oil GDP and 7.1-10.5 percent of public expenditure). The estimated difference between these two scenarios - corresponding to the lower financing gap - would grow from only 1.4 million USD in 2024 to 86.1 million USD in 2030. By then, this would represent an additional weight of 3.1 percentage points over non-oil GDP and 3.8 percentage points over public expenditure. These results suggest that extending coverage to all eligible individuals while maintaining benefit adequacy in real terms could be fiscally sustainable if sufficient fiscal space is created to close the financing gap.

**Higher financing gap:** The higher financing gap reflects a more ambitious reform. Reform Scenario 2, which includes universal coverage and benefits indexed to inflation, leads to a significant increase in costs from 127.9 million USD in 2024 to 405 million USD by 2030 (6.6 percent of non-oil GDP and 14.7 percent of public expenditure). The financing gap is projected to rise significantly from 3.9 million USD in 2024 to 248.2 million USD in 2030. By 2030, this would represent an additional weight of 9 percentage points over non-oil GDP and 10.8 percentage points over public expenditure.

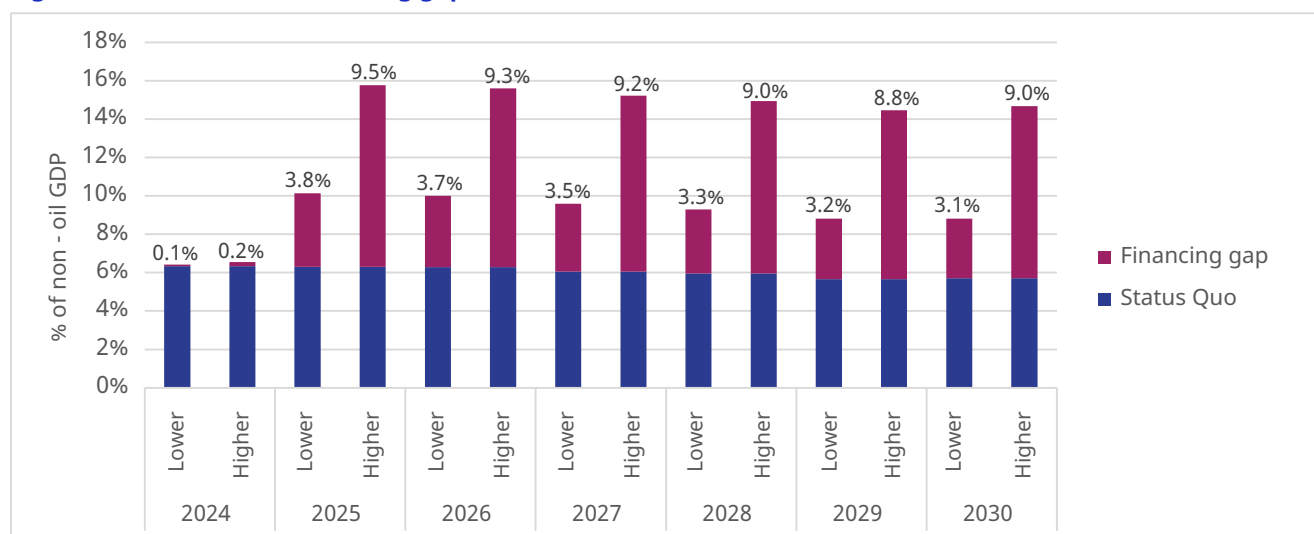
In summary, the financing gap in 2026 is projected to range between USD 82.4 million and USD 206.3 million, depending on the reform scenario chosen (Figure 15). By 2030, the gap would increase to between USD 86.1 million and USD 248.2 million. Expressed as a share of non-oil GDP, this corresponds to 3.7-9.3 percent in 2026 and 3.1-9.0 percent in 2030 (Figure 16). The fact that the difference in the financing gap as a share of non-oil GDP is not much larger by 2030 compared to 2026 reflects that the role of positive economic growth in helping to absorb rising costs. Even though expenditures increase in absolute terms, real non-oil GDP growth reduces their relative weight, stabilizing the fiscal pressure. Moreover, the modest relative increase suggests that demographic pressures and benefit indexation do not significantly outpace GDP growth after 2026. This relative stability provides the government with a window of opportunity to implement reforms gradually, balancing universal coverage and adequacy with fiscal sustainability.

**Figure 15 - Timor-Leste Financing gap in USD million, 2024-2030**



Source: Authors' elaboration based on ILO/RAP model Timor-Leste

**Figure 16 - Timor-Leste Financing gap as a share of non-oil GDP, 2024-2030**



Source: Authors' elaboration based on ILO/RAP model Timor-Leste

### Financing gap by program

Figure 17 shows the financing gap, expressed as a percentage of non-oil GDP, for the selected social protection benefits. The financing gap of the Incentives for Maternal-Infant Care remains constant at 0.1 percent of GDP in both the Low and Higher scenarios in 2026 and 2030, showing stability over time with a minimal financing gap.

The financing gap of the Conditional Cash Transfer *Bolsa da Mãe* Program is projected at 1.6 percent (Low) and 4.6 percent (Higher) in 2026, decreasing slightly to 1.2 percent (Low) and 4.0 percent (Higher) in 2030. The reduction between 2026 and 2030 reflects improved cost-efficiency, demographic changes and positive economic growth.

The financing needs of the School Feeding Program are relatively small, and the gap declines slightly in the Low case from 0.4 percent to 0.3 percent between 2026 and 2030. In the higher financing gap case, costs are steady at 0.6 percent.

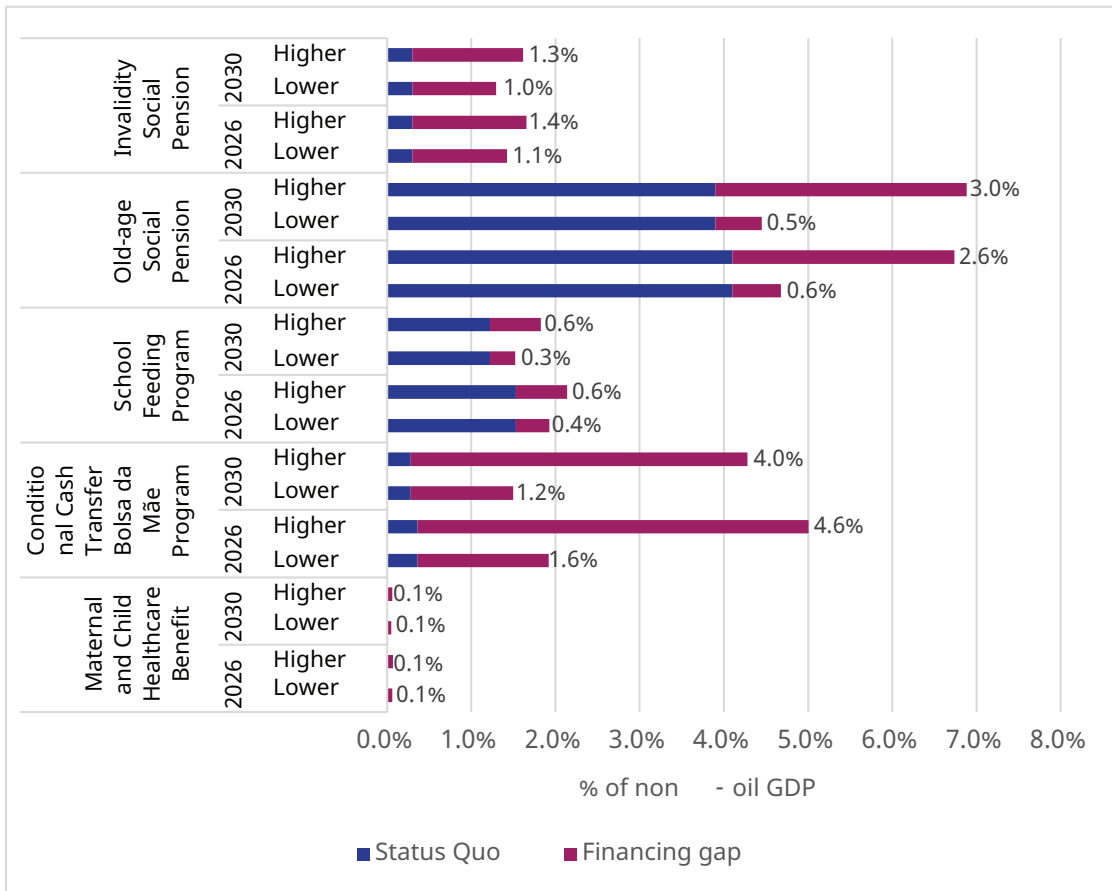
The lower financing gap of the Old-age Social Pension remains stable with 0.6 percent in 2026 and 0.5 percent in 2030, but the higher financing case indicates increased fiscal stress, growing from 2.6 percent to 3 percent between 2026 to 2030.

A moderate financing gap is projected for the Invalidity Social Pension. The trend shows a slight reduction by 2030 in both scenarios. The Financing gap is 1.1 percent (Low) and 1.4 percent (Higher) in 2026, and it declines slightly to 1.0 percent (Low) and 1.3 percent (Higher). The higher case consistently requires increased fiscal space.

In the lower financing gap scenario (low scenario), the Maternal and Child Benefit remains negligible at only 0.1 percent of GDP, highlighting its affordability and limited fiscal implications. The largest pressures in this scenario come from the *Bolsa da Mãe* program, which accounts for between 1.2 percent (2030) and 1.6 percent (2026) of non-oil GDP, and the Invalidity Social Pension, which remains close to 1.0 percent (2030) – 1.1 percent (2026). The Old-age Social Pension also represents a continuing financing need, though at a more manageable level of around 0.5 percent (2030) – 0.6 percent (2026) because the benefit has already nearly reached universality. These social protection benefits together result in a total financing gap of 3.7 percent of non-oil GDP in 2026, falling to 3.1 percent of GDP by 2030. This overall decline suggests gradual fiscal improvement and a more sustainable path under largely universal coverage assumptions (with the exception of the *Bolsa da Mãe* Program), as the system's financing needs become lighter relative to national income over time.

In contrast, the higher financing gap (high scenario) presents a more challenging picture. Here, the Conditional Cash Transfer *Bolsa da Mãe* program emerges as the highest investment needed, with financing needs ranging from 4.0 percent (2030) to 4.6 percent (2026) of non-oil GDP, followed by the Old-age Social Pension at 3 percent (2030) and 2.6 percent (2026). In addition, the costs arise from the School Feeding Program and the Invalidity Social Pension remain moderate at 0.6 percent (2030 and 2026) and 1.3 percent (2030) – 1.4 percent (2026), respectively. Unlike the low scenario, the financing gaps in this case rise over time, signaling growing long-term fiscal pressure if increased benefit levels are adopted without proportionate revenue measures. As a result, the total financing gap is projected at 9.3 percent of non-oil GDP in 2026, increasing slightly to 9.8 percent in 2030. Unlike the low scenario, this trajectory indicates more fiscal pressure that requires additional revenue to address the necessary needs in a sustainable way.

**Figure 17 - Financing gap as a share of non-oil GDP for the selected social protection benefits, 2026 and 2030**

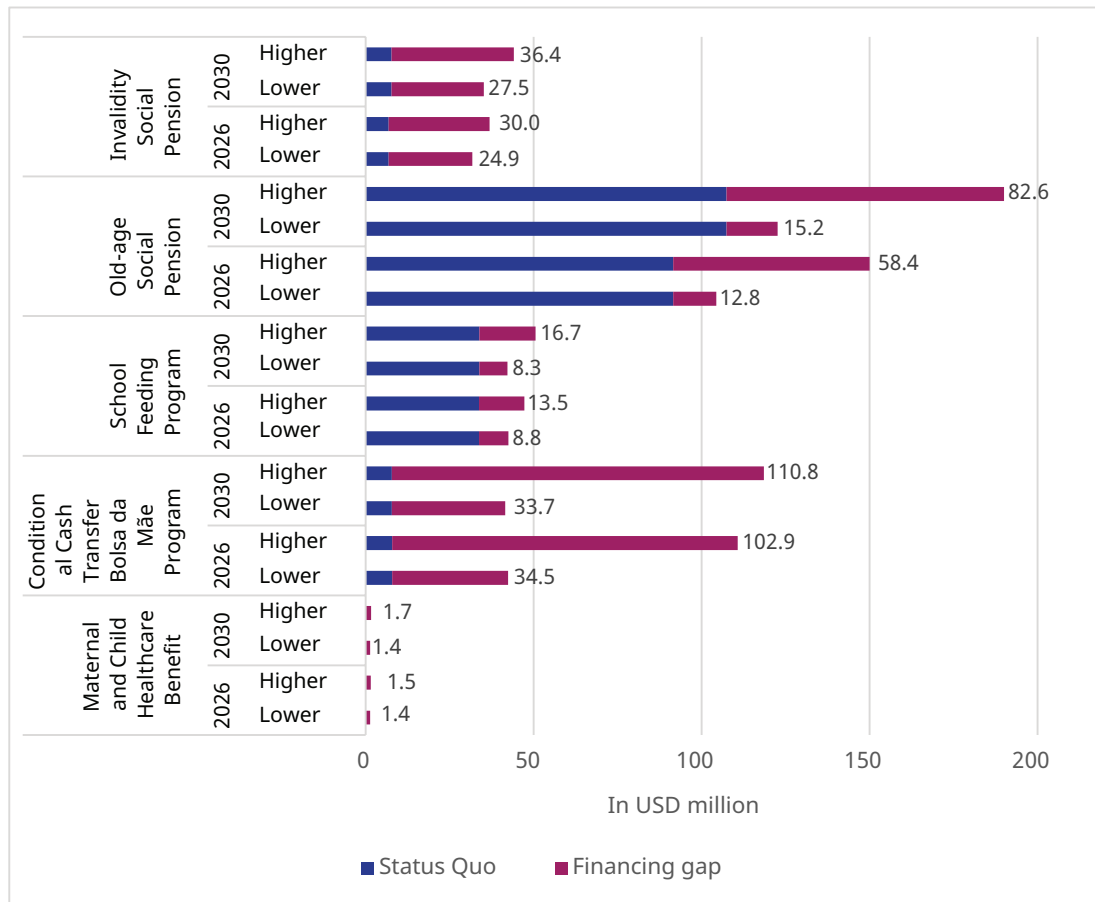


Source: Authors’ elaboration based on ILO/RAP model Timor-Leste

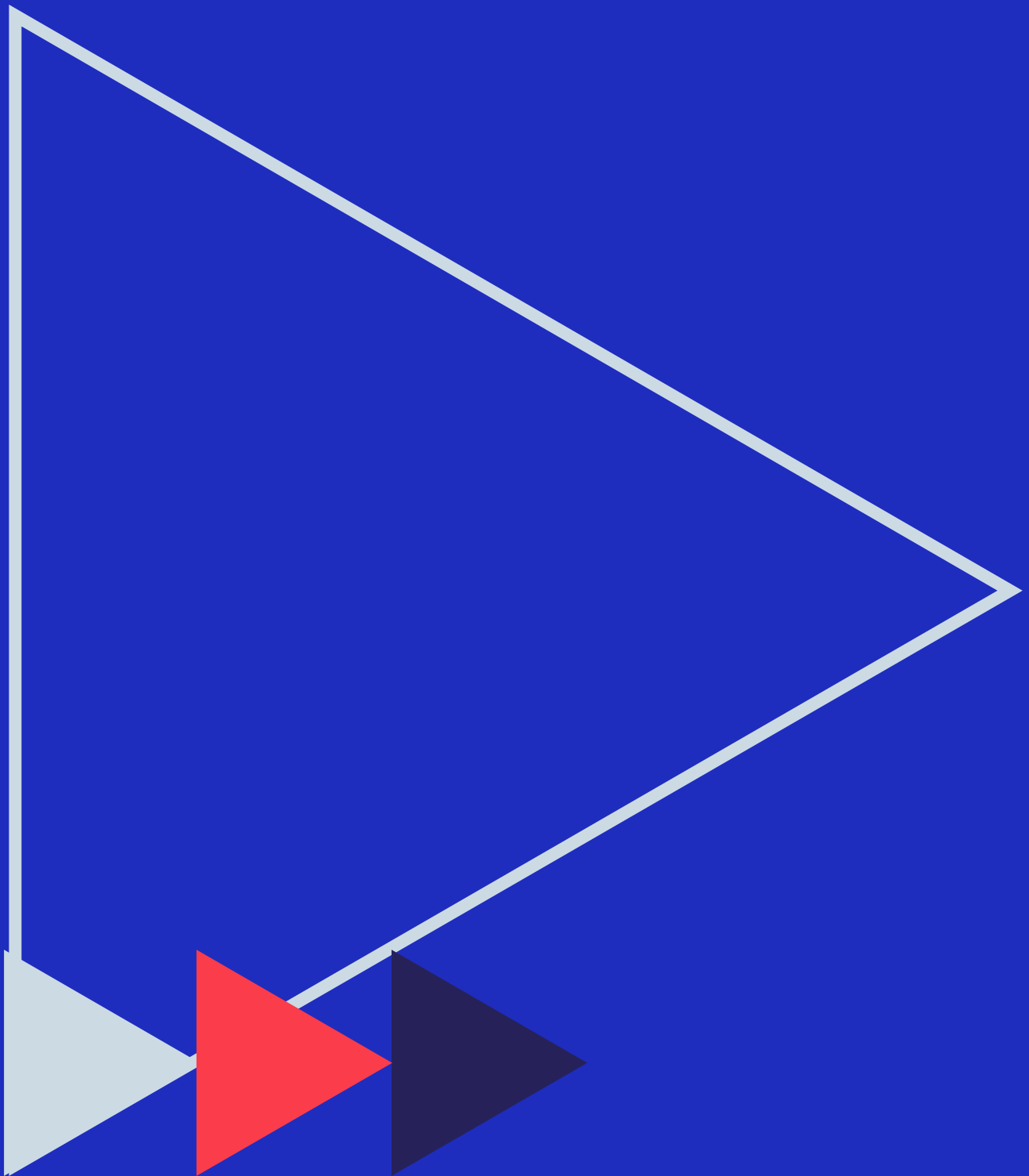
Figure 18 shows the corresponding financing gap in absolute terms (in USD million) for the selected social protection benefits in 2026 and 2030. In the low scenario, the financing needs remain relatively moderate and broadly stable over time. The Incentives for Maternal-Infant Care represent a very small gap of approximately USD 1.4 million both in 2026 and 2030 when compared to other programs. The Conditional Cash Transfer *Bolsa da Mãe* Program corresponds to the largest amount, accounting for USD 33.7 million in 2030, decreasing from 34.5 million in 2026. Other significant but smaller contributions come from the School Feeding Program (increasing from USD 8.3 million in 2026 to USD 8.8 million in 2030) and the Old-age Social Pension (rising from USD 12.8 million to 15.2 million). The Invalidity Social Pension also adds to a sizable financing need, increasing from USD 24.9 million to 27.5 million between 2026 and 2030. Overall, the total financing gap in this scenario is projected to increase slightly from USD 82.4 million in 2026 to USD 86.1 million in 2030, suggesting relatively stable fiscal requirements over time.

In the higher scenario, financing needs grow substantially, reflecting the adjustment in terms of adequacy of the benefit amount combined with the universal coverage. The Conditional Cash Transfer *Bolsa da Mãe* Program dominates, requiring USD 102.9 million in 2026 and rising further to USD 110.8 million by 2030. The Old-age Social Pension also involves financing needs expanding from USD 58.4 million in 2026 to USD 82.6 million in 2030. Additional investment is also needed for the Invalidity Social Pension (USD 30 million in 2026 and USD 36.2 million in 2030) and for the School Feeding Program (USD 13.5 million in 2026 and USD 16.7 million in 2030). Incentives for Maternal-Infant Care remain minor in absolute terms (USD 1.52–1.68 million in 2026 and 2030). Collectively, these pressures push the total financing gap to USD 206.3 million in 2026, rising to USD 248.2 million in 2030. This trajectory highlights higher fiscal pressure, with the system requiring more than double the investment compared to the low scenario.

**Figure 18 - Financing gap in absolute terms (in USD million) for the selected social protection benefits, 2026 and 2030**



Source: Authors' elaboration based on ILO/RAP model Timor-Leste



## ► 5. Conclusion and policy considerations to close the financing gap

Since the approval of the NSSP 2021–2030, the Government of Timor-Leste has shifted its social protection agenda from strategic planning toward the implementation of reforms and the strengthening of institutions, all within a context of fiscal consolidation<sup>18</sup>. Simultaneously, the launch of the first Social Protection Statistical Bulletin by the MSSSI marked an important milestone for evidence-based policymaking, as well as for transparency and accountability.

In 2024-25, the Government's priorities shifted towards increasing benefit amounts and protecting the most vulnerable populations. The reforms included rises in the benefit levels for old-age and invalidity social pensions, increases in the conditional cash transfer amounts of the *Bolsa da Mãe* programme aimed at improving coverage and school attendance for vulnerable children.

At the fiscal and policy level, the Government has emphasized more ambitious structural reforms to preserve fiscal sustainability and reduce fiscal deficits gradually during 2025-34. For social protection, this has included discussions around the extension of the contributory social security system, including to the informal workers, indexation of benefits to inflation, improvement of the social protection delivery systems, and debating financing options to sustain non-contributory benefits in the medium and long term. For example, expanding the contributory social security system to include informal workers could reduce pressure on the state budget for non-contributory benefits. This would happen if the most vulnerable workers became covered under the contributory system and were no longer eligible for other non-contributory programs, or if they remained eligible but received smaller or adjusted benefit amounts.

The Government has made substantial investments in Timor-Leste's social protection system, although spending remains disproportionately concentrated. MSSSI (2025) reports that social protection expenditure amounted to 11.4 percent of non-oil GDP, with the vast majority allocated to non-contributory programs (11.3 percent) and only a small fraction to the contributory social security system (0.1 percent). Excluding veterans' payments, total social protection expenditure would be 6.7 percent of non-oil GDP, remaining above the regional average of around 6 percent.

Despite high levels of spending, only 27 percent of the population receives at least one social protection cash benefit (MSSSI, 2025), leaving the majority without coverage. Access remains particularly limited for vulnerable groups such as children, working-age adults, and persons with disabilities, whereas others - especially the elderly and veterans - have benefited most from the existing system.

Investing strategically in social protection is critical to addressing these persistent gaps. Broadening coverage is central to realizing universal social protection, a fundamental measure for poverty eradication (SDG 1.3) and a necessary condition for sustainable and inclusive growth consistent with the 2030 Agenda.<sup>19</sup>

According to the ILO (2024), the financing gap to achieve universal coverage of social protection floors for the low- and middle-income countries was equivalent to the annual amount of 3.3 percent of GDP. In 2024, for low- and middle-income countries, the additional government spending needed to achieve universal social protection represented 10.6 percent of their annual government expenditure, or 31.6 percent of their social protection expenditure. In the case of Timor-Leste, the cost of universalization was estimated at 10.1 percent of non-oil GDP (5.7 percent for essential healthcare and 4.4 percent for social protection cash benefits).

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18 According to IMF (2024), the government revenues (which include the Petroleum Fund's estimated sustainable income) are projected to decline significantly from 37.6 percent in 2025 to 28.2 percent in 2029, and further to about 12.5 percent by 2044. The Petroleum Fund, which is the main source of public spending, is expected to be fully depleted by 2039.

19 For further details see International Labour Conference 109<sup>th</sup> Session 2021 on Building the Future of Social Protection for a Human-Centred World of Work at [https://www.ilo.org/ilc/ILCSessions/109/reports/reports-to-the-conference/WCMS\\_780953/lang-en/index.htm](https://www.ilo.org/ilc/ILCSessions/109/reports/reports-to-the-conference/WCMS_780953/lang-en/index.htm)

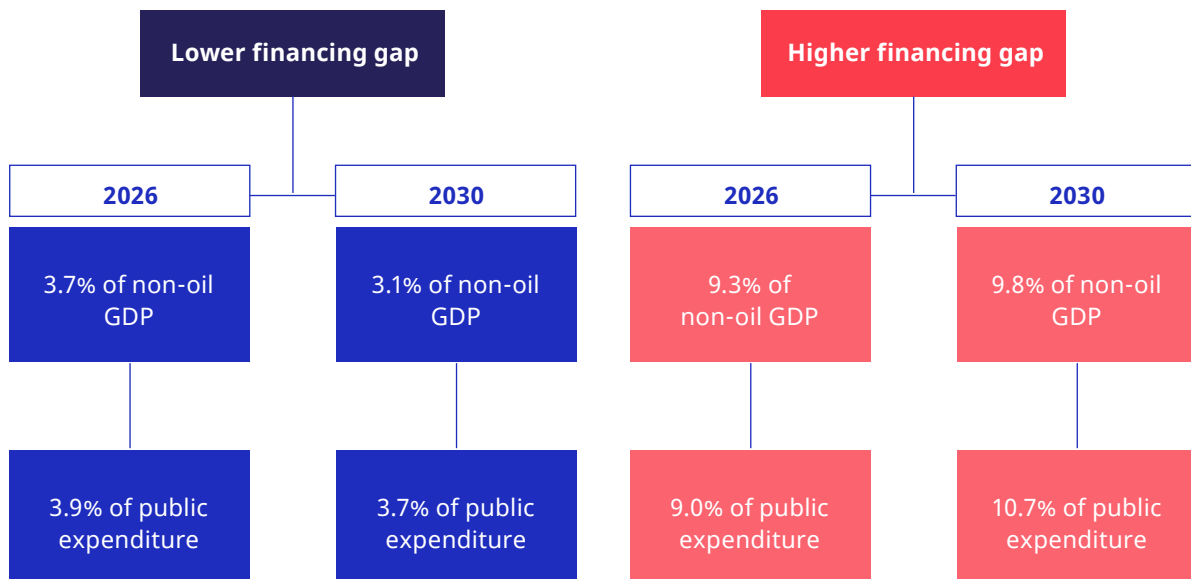
This paper presents updated estimates of the cost and financing gaps for selected social protection cash benefits, with a focus on extending coverage to universal levels. The analysis is based on the NSSP 2021–2030 and incorporates recent social protection reforms introduced since mid-2023, including increased benefit levels for social pensions and the conditional cash transfer *Bolsa da Mãe* program for vulnerable children.

The costing exercise, based on the ILO/RAP model adapted to Timor-Leste, shows that:

- Maintaining the current social benefits (social pensions, cash transfer *Bolsa da Mãe* programme) and introducing maternal-infant care cash incentives requires similar fiscal efforts over the next coming years. The spending would remain within 6 percent of the non-oil GDP and 7 percent of the public expenditure. While this situation may provide stability, it also risks perpetuating the low coverage and intergenerational cycle of poverty.
- More importantly, the reform scenarios towards achieving universal coverage are within reach. The reform scenario that extends social protection coverage to universal levels, with the exception of *Bolsa da Mãe* programme that is poverty-targeted, (Reform Scenario 1) would lead to a slight rise in costs in 2026 (10 percent of non-oil GDP and 10.6 percent of public expenditure) but it would gradually decrease over time (8.8 percent of non-oil GDP and 10.5 percent of public expenditure in 2030). Combining universal coverage with benefits indexed to inflation (Reform Scenario 2), would significantly improve the adequacy of the social benefits, but at a higher fiscal cost (14.7 percent of non-oil GDP and 17.5 percent of public expenditure in 2030). Both reform scenarios indicate that after an initial growth in spending to address the necessary fiscal effort, the level of spending would slightly decrease without leading to uncontrolled growth relative to GDP or total expenditure.
- The first reform scenario would place the financing gap at a lower level between 3.7 and 3.1 percent of non-oil GDP in 2026 and 2030. The additional government spending needed would represent 3.9 percent and 3.7 percent of their public expenditure for the same period. The second reform scenario would imply a higher financing gap between 9.3 and 9.8 percent of non-oil GDP in 2026 and 2030. The additional government spending would correspond to 9 percent and 10.7 percent of their public expenditure for the same period. *Figure 19* below summarizes the financing gap in 2026 and 2030.

In conclusion, the modest increase in the financing gap as a share of non-oil GDP across reform scenarios by 2030 (compared to 2026) indicates that economic growth could absorb much of the additional cost. This relative stability provides the government with space to pursue gradual social protection reforms that extend coverage toward universality while strengthening adequacy, effectiveness and ensuring sustainability.

**Figure 19 – Financing gap for the selected social protection benefits in Timor-Leste, 2026 and 2030**



Source: Authors' elaboration based on ILO/RAP model Timor-Leste

In this context, it is urgent for Timor-Leste to identify the best combination of financing options to strengthen its social protection system by expanding coverage, providing adequate benefits, and ensuring long-term sustainability. While there is no one-size-fits-all approach to mobilizing resources, ILO Recommendation No. 202 encourages countries to consider a wide range of options.

Estimating the magnitude of the financing gap, as this paper has done, is a crucial step for the Government and its key partners, including representatives of employers and workers, to carefully assess the current status of social protection in terms of coverage, adequacy, and expenditure, and to evaluate the fiscal strategies available to close the gap.

The results highlight that the policy path will depend on available fiscal space, revenue strategies, and the political commitment to prioritize social protection in the national budget. National-level discussions on these issues have recently gained momentum, with active engagement from the ILO.

The ILO has contributed to these discussions through a recent paper on fiscal space for financing social protection in Timor-Leste<sup>20</sup>. A high-level Round Table held in March 2024 presented and debated the various financing options and their fiscal implications for sustainable social protection. Proposed options include increasing tax revenues, expanding social security coverage and contributory revenues, eliminating illicit financing flows, re-prioritizing public expenditures, tapping into fiscal and foreign exchange reserves, managing debt through borrowing or restructuring, adopting a more accommodating macroeconomic framework, and increasing aid and transfers.

Despite the many available options, it is important to emphasize that sustainable financing should primarily come from domestic sources, such as progressive taxes and social security contributions, given that the social protection system represents a long-term commitment.

- Taxation is one of the most important ways to mobilize resources for achieving universal social protection system, including the provision of adequate benefits across the life cycle. In the case of Timor-Leste, domestic taxation can provide predictable financing and strengthening the social contract between the citizens and the state, i.e. Timorese are more willing to contribute if they see the taxes they pay will translate into real improvements in their lives such as health care and other social benefits. The country has a broad range of financing options to increase tax revenue, with the potential to generate an estimated 8.4 to 12.08 percent of non-oil GDP in additional revenue.
- Extending the collection of social security contributions represents the most reliable and sustainable way to finance social protection, as it directly links benefits to workers' contributions. Broadening coverage of social security strengthens the financial base of the system while promoting equity, fairness, solidarity, self-financing among other principles of the system<sup>21</sup>, guaranteeing the social protection can be expanded and sustainable over the long term. It is also important to use actuarial studies to assess the sustainability of the social security benefits, system adequacy, financing and funding considerations over the medium and long term.
- Increasing contributory revenues could generate an estimated 1.0 to 2.4 percent of non-oil GDP in additional resources. The maximum revenue would come from the additional revenue obtained by broadening the contributory base, and ensuring more workers are protected, and increasing contribution rates, simultaneously.
- Reprioritization of public expenditure from areas of high-cost and low impact investments to those with a greater socioeconomic impact can free significant budget amounts. It was estimated that adopting ASEAN or CPLP benchmarks for spending in the areas of general public services and economics affairs could lead to a reallocation of approximately 16.6 percent to 25.5 percent of non-oil GDP to social protection and other human development investment related areas.
- Eliminating or recovering part of the illicit financial flows can also be seen as a financing option. It was estimated that recovering 5 percent to 30 percent could generate a revenue of 0.24 to 0.30 percent of non-oil GDP.
- Effective management of sovereign debt can also provide a relevant option to expand fiscal space. In the case of Timor-Leste, it was estimated that adopting the Debt-to-GDP ratio of 19.6 percent as per IMF forecast for 2027 could generate an extra revenue of 2.1 percent of non-oil GDP. According to the IMF (2024), the debt sustainability threshold currently applicable to the country is 35 percent for the present value of the public debt-to-GDP ratio, which would lead to an additional revenue of 5.6 percent of non-oil GDP.

20 Fernandes, R. M. S, Gamito, C. A. C. (2024), Fiscal Space for Social Protection in Timor-Leste, ILO Policy Paper, Dili: International Labour Office. <https://www.ilo.org/publications/fiscal-space-social-protection-timor-leste>

21 See at [https://segurancasocial.gov.tl/quem\\_somos/seguran%C3%A7a\\_social\\_o\\_que\\_eeen](https://segurancasocial.gov.tl/quem_somos/seguran%C3%A7a_social_o_que_eeen) for all social security principles of the contributory social security in Timor-Leste.

- While domestic resource mobilization remains at the heart of the efforts to finance social protection, international solidarity is very important to close the financing gap. International development cooperation, including official development assistance had contributed significantly to implementing the 2030 Agenda and realizing the SDGs. South-South and triangular cooperation have been an important complement too. The Sevilla Commitment signed in July 2025 called for efforts to revert the declining trends in official development assistance and increase financial support to achieve the targets of 0.7 percent of gross national income for official development assistance to developing countries. It also stated that triangular cooperation can be strengthened through stronger collaboration and partnerships. In the case of Timor-Leste, the project ACTION Portugal financed by the Portuguese Ministry of Labour, Social Security and Solidarity and implemented by the ILO in Timor-Leste has been a great example of technical cooperation directed at strengthening the social protection system, since 2015. The project has provided technical assistance, promoted knowledge exchange, aligned efforts with the national priorities and the SDGs and built national capacity to produce evidence-based for informing policy, which this paper is a very good example, and to better manage the progress of the social protection system.

**Table 6 - Financing options and estimated additional revenue as percent of non-oil GDP in Timor-Leste**

<b>Increasing tax revenues</b>	<ul style="list-style-type: none"> <li>► <b>Progressive Personal Income Tax (PIT) brackets:</b> Stronger PIT progressivity → <b>+0.8%</b></li> <li>► <b>Corporate Income Tax:</b> Increase from 10% to 15% → <b>+1.4%</b></li> <li>► <b>VAT introduction:</b> Replace service and sales tax with a VAT → <b>+1.9%</b></li> <li>► <b>Excise taxes:</b> On vehicles, sugar, alcohol, tobacco → <b>+2.2%</b></li> <li>► <b>Import duties:</b> → <b>+1.2%</b></li> <li>► <b>Property tax</b> (circulation of vehicles /land property) → <b>~ 0.06% - 2.4%</b></li> <li>► <b>Tourism small levies</b> (air/sea ticket tax, solidarity tax, hotel tax) → <b>~ 0.3%</b></li> <li>► <b>Financial Transaction Tax:</b> → <b>~ 0.5% - 1.8%</b></li> <li>► <b>Financial Activities Tax</b> (banking profits and remunerations): → <b>0.08%</b></li> </ul>
<b>Expanding social security coverage and contributory revenues</b>	<ul style="list-style-type: none"> <li>► <b>Social security coverage:</b> Increase to all employed persons (≈234,300 workers) → <b>+ 1.0%</b></li> <li>► <b>Social Security Contribution rate:</b> Increase from 10% to 15% → <b>+ 1.2%</b></li> <li>► <b>Improved coverage and contribution rate:</b> Full coverage of employed persons with a higher contribution rate (15%) → <b>+ 2.4%</b></li> </ul>
<b>Public expenditure reprioritization</b>	<ul style="list-style-type: none"> <li>► <b>Use ASEAN benchmark:</b> Less spending on general public services and economic affairs → <b>+ 16.6%</b></li> <li>► <b>Use CPLP benchmark:</b> Reduction on general public services and economic affairs → <b>+ 25.5%</b></li> </ul>
<b>Eliminating illicit financing flows</b>	<ul style="list-style-type: none"> <li>► <b>Recover illicit financial flows:</b> Recover 5% to 30% of the illicit financing flows → <b>~ 0.24% - 0.30%</b></li> </ul>
<b>Use of fiscal and foreign exchange reserves</b>	<ul style="list-style-type: none"> <li>► <b>Use a prudent macro-financial management criterion:</b> 5% to 10% of fiscal and foreign exchange reserves → <b>+29.3%</b></li> </ul>
<b>Debt restructuring</b>	<ul style="list-style-type: none"> <li>► <b>Debt restructuring:</b> adopt the Debt-to-GDP ratio of 35% → <b>+5.6%</b></li> </ul>
<b>Increasing aid and transfers</b>	<ul style="list-style-type: none"> <li>► 9.9 percent of GNI (2027)</li> </ul>

Source: Adapted from Fernandes, R. M. S, Gamito, C. A. C. (2024), Fiscal Space for Social Protection in Timor-Leste, ILO Policy Paper, Dili: International Labour Office. <https://www.ilo.org/publications/fiscal-space-social-protection-timor-leste>

## ► Annex

**Table 7 - School Feeding (Merenda Escolar) results for the status quo and other reform scenarios**

Parameters	2023	2024	2025	2026	2027	2028	2029	2030
<b>Status Quo: Maintain coverage and provide 1/2 Food Poverty Line USD 0.42 for each school day (246 days per year)</b>								
Number of Beneficiaries	311,936	310,728	307,461	308,523	307,641	309,096	309,643	309,564
Benefit per Person (USD)	103	103	103	103	103	103	103	103
Projected Cost (million USD)	33.3	34.8	33.7	33.8	33.7	33.9	33.9	33.9
as a % of non-oil GDP	1.85%	1.79%	1.62%	1.53%	1.43%	1.34%	1.26%	1.22%
as a % of public expenditure	2.23%	1.99%	1.29%	1.61%	1.61%	1.56%	1.51%	1.46%
<b>Reform Scenario 1: Maintain benefit (1/2 Food Poverty Line USD 0.42) and expand coverage (universal)</b>								
Number of Beneficiaries	311,936	310,728	384,267	388,584	388,973	388,262	386,890	385,463
Benefit per Person (USD)	103	103	103	103	103	103	103	103
Projected Cost (million USD)	34.2	34.0	42.1	42.6	42.6	42.5	42.4	42.2
as a % of non-oil GDP	1.90%	1.76%	2.03%	1.92%	1.80%	1.69%	1.58%	1.52%
as a % of public expenditure	2.29%	1.95%	1.61%	2.02%	2.03%	1.96%	1.89%	1.82%
<b>Reform Scenario 2: Maintain real value of benefit (inflation adjustment) + expand coverage (universal)</b>								
Number of Beneficiaries	311,936	310,728	384,267	388,584	388,973	388,262	386,890	385,463
Benefit per Person (USD)	103.32	112.00	114.35	114.81	116.76	119.10	121.48	123.91
Projected Cost (million USD)	34.23	36.89	46.58	47.29	48.14	49.01	49.82	50.63
as a % of non-oil GDP	1.90%	1.90%	2.25%	2.13%	2.04%	1.94%	1.85%	1.83%
as a % of public expenditure	2.29%	2.11%	1.78%	2.25%	2.30%	2.26%	2.22%	2.18%

Source: ILO/RAP

**Table 8 - Conditional Cash Transfer Bolsa da Mãe (Subsídio de Apoio Condicional Bolsa da Mãe) results for the status quo and other reform scenarios**

Parameters	2023	2024	2025	2026	2027	2028	2029	2030
<b>Status Quo: Maintain Take Up Rates &amp; Benefit value constant in nominal terms</b>								
Number of Beneficiaries	76,094	68,697	67,935	68,114	67,796	67,937	67,866	67,712
Annual Benefit per Person (USD)								
1st cycle(6 to 9 years old)	60	96	96	96	96	96	96	96
2nd cycle (10 to 11 years old)	60	108	108	108	108	108	108	108
3rd cycle (12 to14 years old)	60	120	120	120	120	120	120	120
Secondary (15 to 17 years old)	60	120	120	120	120	120	120	120
Projected Cost (million USD)	4.84	7.43	7.89	7.91	7.88	7.89	7.87	7.84
as a % of non-oil GDP	0.27%	0.38%	0.38%	0.36%	0.33%	0.31%	0.29%	0.28%
as a % of public expenditure	0.32%	0.43%	0.30%	0.38%	0.38%	0.36%	0.35%	0.34%
<b>Reform Scenario 1: Full coverage of poor children &amp; benefit value constant in nominal terms</b>								
Number of Beneficiaries	76,094	68,697	385,818	389,106	388,578	385,907	383,494	381,222
Annual Benefit per Person (USD)								
Pre school (0 to 5 years old)	-	-	96	96	96	96	96	96
1st cycle(6 to 9 years old)	60	96	96	96	96	96	96	96
2nd cycle (10 to 11 years old)	60	108	108	108	108	108	108	108
3rd cycle (12 to14 years old)	60	120	120	120	120	120	120	120
Secondary (15 to 17 years old)	60	120	120	120	120	120	120	120
Projected Cost (million USD)	4.84	7.43	42.06	42.43	42.37	42.09	41.83	41.57
as a % of non-oil GDP	0.27%	0.38%	2.03%	1.92%	1.79%	1.67%	1.56%	1.50%
as a % of public expenditure	0.32%	0.43%	1.61%	2.02%	2.02%	1.94%	1.86%	1.79%
<b>Reform Scenario 2: Full coverage all children &amp; Benefit value constant in real terms</b>								
Number of Beneficiaries	76,094	68,697	580,748	584,880	583,896	582,427	580,681	578,607
Annual Benefit per Person (USD)								
Pre school (0 to 5 years old)	-	-	105	106	108	110	112	114
1st cycle(6 to 9 years old)	60	96	164	164	167	171	174	177
2nd cycle (10 to 11 years old)	60	108	206	207	210	214	219	223
3rd cycle (12 to14 years old)	60	120	253	254	258	263	268	274
Secondary (15 to 17 years old)	60	120	253	254	258	263	268	274
Projected Cost (million USD)	4.84	7.43	109.53	110.78	112.51	114.66	116.68	118.59
as a % of non-oil GDP	0.27%	0.38%	5.28%	5.00%	4.76%	4.55%	4.34%	4.28%
as a % of public expenditure	0.32%	0.43%	4.19%	5.26%	5.37%	5.29%	5.20%	5.11%

**Table 9 – Invalidation Social Pension for people who are unable to work (Pensão Social de Invalidez) results for the status quo and other reform scenarios**

Parameters	2023	2024	2025	2026	2027	2028	2029	2030
<b>Status Quo: - Maintain take-up rates &amp; benefit value constant in nominal terms</b>								
Number of Beneficiaries	8,781	9,822	9,131	9,554	9,815	10,076	10,335	10,591
Annual Benefit per Person (USD)	684	720	720	720	720	720	720	720
Projected Cost (million USD)	6.3	6.1	6.6	6.9	7.1	7.3	7.5	7.7
as a % of non-oil GDP	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
as a % of public expenditure	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
<b>Reform Scenario 1: Expand coverage to 100% of eligible individuals &amp; benefit value constant in nominal terms</b>								
Number of Beneficiaries	8,781	9,822	41,727	43,663	44,855	46,046	47,231	48,403
Annual Benefit per Person (USD)	684	720	720	720	720	720	720	720
Projected Cost (million USD)	6.3	6.1	30.3	31.8	32.6	33.5	34.3	35.2
as a % of non-oil GDP	0.4%	0.3%	1.5%	1.4%	1.4%	1.3%	1.3%	1.3%
as a % of public expenditure	0.4%	0.3%	1.2%	1.5%	1.6%	1.5%	1.5%	1.5%
<b>Reform Scenario 2: Expand coverage to 100% of eligible individuals &amp; benefit value constant in real terms</b>								
Number of Beneficiaries	8,781	9,822	41,727	43,663	44,855	46,046	47,231	48,403
Annual Benefit per Person (USD)	684	720	833	836	850	867	885	902
Projected Cost (million USD)	6.3	6.1	35.1	36.9	38.5	40.3	42.2	44.1
as a % of non-oil GDP	0.40%	0.30%	1.70%	1.70%	1.60%	1.60%	1.60%	1.60%
as a % of public expenditure	0.40%	0.30%	1.30%	1.80%	1.80%	1.90%	1.90%	1.90%

**Table 10 – Old-age Social Pension (Pensão Social de Velhice) results for the Status Quo and other reform scenarios**

Parameters	2023	2024	2025	2026	2027	2028	2029	2030
<b>Status Quo: Maintain take-up rates &amp; benefit value constant in real terms</b>								
Number of Beneficiaries	90,405	95,133	94,141	103,774	108,321	112,999	117,541	122,193
Annual Benefit per Person (USD)								
60-69	684	720	720	720	720	720	720	720
70-79	684	960	960	960	960	960	960	960
80-+	684	1200	1200	1200	1200	1200	1200	1200
Projected Cost (million USD)	62.2	76.4	82.6	91.6	95.6	99.7	103.5	107.4
as a % of non-oil GDP	3.50%	3.90%	4.00%	4.10%	4.00%	4.00%	3.80%	3.90%
as a % of public expenditure	4.20%	4.40%	3.20%	4.40%	4.60%	4.60%	4.60%	4.60%
<b>Reform Scenario 1: Expand coverage to 100% of eligible individuals in all age groups &amp; benefit value constant in nominal terms</b>								
Number of Beneficiaries	90,405	95,133	107,434	118,435	123,605	128,997	134,219	139,589
Annual Benefit per Person (USD)								
60-69	684	720	720	720	720	720	720	720
70-79	684	960	960	960	960	960	960	960
80-+	684	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Projected Cost (million USD)	62.2	76.4	94.2	104.4	108.9	113.6	118	122.6
as a % of non-oil GDP	3.50%	3.90%	4.50%	4.70%	4.60%	4.50%	4.40%	4.40%
as a % of public expenditure	4.20%	4.40%	3.60%	5.00%	5.20%	5.20%	5.30%	5.30%
<b>Reform Scenario 2: Expand coverage to 100% of eligible individuals in all age groups &amp; benefit value constant in real terms</b>								
Number of Beneficiaries	90,405	95,133	107,434	118,435	123,605	128,997	134,219	139,589
Annual Benefit per Person (USD)								
60-69	684	720	833	836	850	867	885	902
70-79	684	960	1,449	1,455	1,480	1,509	1,540	1,570
80-+	684	1,200	2,233	2,241	2,280	2,325	2,372	2,419
Projected Cost (million USD)	62	76	134	150	160	170	179	190
as a % of non-oil GDP	3.5%	3.9%	6.5%	6.8%	6.8%	6.7%	6.7%	6.9%
as a % of public expenditure	4.2%	4.4%	5.1%	7.1%	7.6%	7.8%	8.0%	8.2%

**Table 11 - Incentives for Maternal-Infant Care results for the status quo and other reform scenarios**

Parameters	2023	2024	2025	2026	2027	2028	2029	2030
<b>Reform Scenario 1: Full Coverage - Benefit of USD 5 in each of the 4 pre-natal appointments, and USD 10 will in each of 2 post-delivery exams. Value kept in nominal terms</b>								
Number of Beneficiaries	31,910	31,823	34,024	32,235	32,465	31,955	32,703	32,972
Benefit per Person (USD)	40	40	40	40	40	40	40	40
Projected Cost (million USD)	1.4	1.35	1.44	1.37	1.38	1.34	1.39	1.4
as a % of non-oil GDP	0.08%	0.07%	0.07%	0.06%	0.06%	0.05%	0.05%	0.05%
as a % of public expenditure	0.08%	0.07%	0.07%	0.06%	0.06%	0.05%	0.05%	0.05%
<b>Reform Scenario 2: Full Coverage - Benefit of USD 5 in each of the 4 pre-natal appointments, and USD 10 will in each of 2 post-delivery exams. Value kept in real terms</b>								
Number of Beneficiaries	31,910	31,823	34,024	32,235	32,465	31,955	32,703	32,972
Benefit per Person (USD)	40	43	44	44	45	46	47	48
Projected Cost (million USD)	1.4	1.46	1.6	1.52	1.56	1.56	1.63	1.68
as a % of non-oil GDP	0.08%	0.08%	0.08%	0.07%	0.07%	0.06%	0.06%	0.06%
as a % of public expenditure	0.09%	0.08%	0.06%	0.07%	0.07%	0.07%	0.07%	0.07%

**Table 12 - Summary comparison between Status Quo and Reform Scenario 1**

Parameters	2023	2024	2025	2026	2027	2028	2029	2030
<b>Status Quo Scenario: Current design and features</b>								
Number of Beneficiaries	487,216	484,380	478,669	489,965	493,574	500,108	505,385	510,060
Projected Cost (million USD)	107.5	123.9	130.8	140.2	144.3	148.7	152.8	156.8
as a % of non-oil GDP	6.1%	6.3%	6.3%	6.3%	6.1%	6.0%	5.7%	5.7%
as a % of public expenditure	7.2%	7.1%	5.1%	6.7%	6.9%	6.8%	6.8%	6.7%
<b>Reform Scenario 1: Expand coverage to all eligible individuals &amp; Benefit value constant in real terms</b>								
Number of Beneficiaries	519,126	516,203	953,270	972,023	978,476	981,167	984,537	987,649
Projected Cost (million USD)	109.0	125.3	210.1	222.6	227.9	233.1	237.9	2430
as a % of non-oil GDP	6.1%	6.4%	10.1%	10.0%	9.7%	9.2%	8.9%	8.8%
as a % of public expenditure	7.3%	7.1%	8.1%	10.6%	10.9%	10.7%	10.6%	10.5%
<b>Estimated differences between Status Quo and the Scenario 1</b>								
Number of Beneficiaries	31,910	31,823	474,601	482,058	484,902	481,059	479,152	477,589
Projected Cost (million USD)	1,4	1.4	79.3	82.4	83.6	84.3	85.1	86.1
as a % of non-oil GDP	0.1%	0.1%	3.8%	3.7%	3.5%	3.3%	3.2%	3.1%
as a % of public expenditure	0.1%	0.1%	3.0%	3.9%	4.0%	3.9%	3.8%	3.7%

**Table 13 - Summary comparison between Status Quo and Reform Scenario 2**

Parameters	2023	2024	2025	2026	2027	2028	2029	2030
<b>Status Quo Scenario: Current design and features</b>								
Number of beneficiaries	487,216	484,380	478,669	489,965	493,574	500,108	505,385	510,060
Projected Cost (million USD)	107.5	123.9	130.8	140.2	144.3	148.7	152.8	156.8
as a % of non-oil GDP	6.1%	6.3%	6.3%	6.3%	6.1%	6.0%	5.7%	5.7%
as a % of public expenditure	7.2%	7.1%	5.1%	6.7%	6.9%	6.8%	6.8%	6.7%
<b>Reform Scenario 2: Expand coverage to universal &amp; Benefit value adjusted for inflation</b>								
Number of Beneficiaries	519,126	516,203	1148,200	1167,797	1173,794	1177,687	1181,724	1185,034
Projected Cost (million USD)	108.8	127.9	326.8	346.5	360.7	375.5	389.3	405.0
as a % of non-oil GDP	6.1%	6.6%	15.8%	15.7%	15.3%	14.8%	14.6%	14.7%
as a % of public expenditure	7.3%	7.3%	12.4%	16.5%	17.1%	17.3%	17.4%	17.5%
<b>Estimated differences between Status Quo and the Scenario 2</b>								
Number of Beneficiaries	31,910	31,823	669,531	677,832	680,220	677,579	676,339	674,974
Projected Cost (million USD)	1.2	3.9	196.0	206.3	216.4	226.8	236.6	248.2
as a % of non-oil GDP	0.1%	0.2%	9.5%	9.3%	9.2%	9.0%	8.8%	9.0%
as a % of public expenditure	0.1%	0.2%	7.5%	9.8%	10.3%	10.5%	10.5%	10.7%

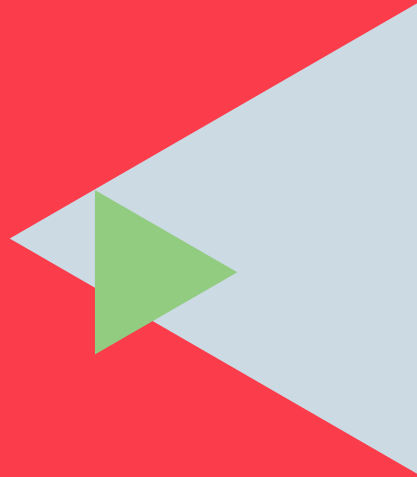
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