

KEY POINTS

- **With domestic policy reforms and support from partners, Timor-Leste can catch up with ASEAN peers.** Its current level of development is ahead of Cambodia and the Lao PDR and comparable to Viet Nam, at the time of their ASEAN accession.
- **Important gains in gender equality, electricity access, and literacy rates provide a strong foundation to reach convergence.** The focus is to strengthen child nutrition; invest more in health, education, and skills; expand digital connectivity; and improve financial access.
- **Strengthening governance and institutional capacity will be key to unlocking the full benefits of integration.** By enhancing public services through e-government, digital transformation, strengthened policies and regulations, and capacity skills, Timor-Leste can build stronger confidence.
- **The regional architecture to support Timor-Leste is in place.** Mechanisms to assist newer members, monitor development progress, and coordinate country-level integration planning are available. Practical capacity-building, technical assistance, and knowledge support from ASEAN and partners should be continued.

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Timor-Leste Joins ASEAN: Can It Close the Development Gap?

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CONTEXT: DEVELOPMENT GAPS ARE COMMON AT ACCESSION

Cambodia, the Lao People's Democratic Republic (Lao PDR), Myanmar, and Viet Nam joined the Association of Southeast Asian Nations (ASEAN) from 1995 to 1999 with development gaps. Such accession gaps are normal. These gaps narrowed over the past 2 decades through interventions and reforms, and sustained commitment. The Initiative for ASEAN Integration (IAI) played a key role in narrowing these gaps. Timor-Leste enters ASEAN at a time when the IAI and ASEAN Framework for Equitable Economic Development (AFEED) monitoring are in place.

This brief maps Timor-Leste's position and outlines priority actions. It uses three ASEAN country groupings: **High-income** (HI) member states comprise Brunei Darussalam, Malaysia, and Singapore; **rapidly developing** (RD) economies include Indonesia, the Philippines, Thailand, and Viet Nam; and **low-income** (LI) member states comprise Cambodia, the Lao PDR, Myanmar, and Timor-Leste.

Notes: In this publication, "\$" refers to US dollars. Effective 1 February 2021, ADB placed a temporary hold on sovereign project disbursements and new contracts in Myanmar.

HUMAN DEVELOPMENT SETBACKS REQUIRE ASEAN SUPPORT TO BUILD RESILIENCE

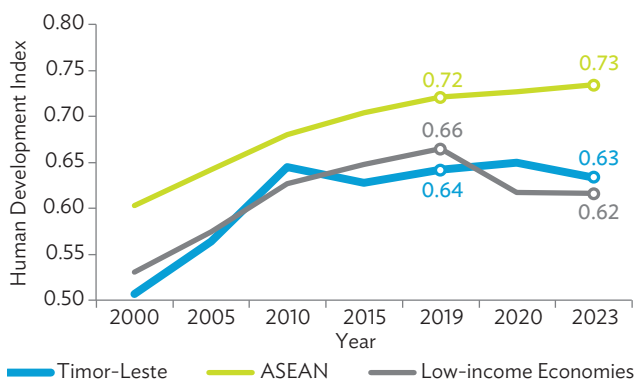
Two decades of convergence prove ASEAN integration works, but recent shocks expose fragility. To address human development challenges, stronger support is needed to strengthen regional resilience.

From 2000 to 2019, gross domestic product (GDP) per capita gaps between ASEAN economies in the HI and LI groupings narrowed substantially from 26.4 to 11.1 times. Maternal mortality in LI economies fell by more than 70%, and financial inclusion showed the fastest convergence gains, reflecting trade openness, connectivity investments, and targeted support.

From 2020 to 2023, HI and RD economies rebounded from the coronavirus disease (COVID-19) pandemic, while LI economies experienced sluggish and sometimes reversed recovery.

Although the Human Development Index (HDI) ratio between HI and LI ASEAN economies declined from 2000 to 2019, the ratio widened to 1.41 by 2023 (Figure 1), GDP per capita convergence stalled (Figure 2), and extreme poverty among LI economies rose from 9.6% in 2019 to 15.4% by 2025 (Figure 3). Timor-Leste’s GDP per capita contracted in 2020 but is recovering after the pandemic. While still below the ASEAN average, Timor-Leste’s post-pandemic rebuilding aligns with the experience of LI economies.

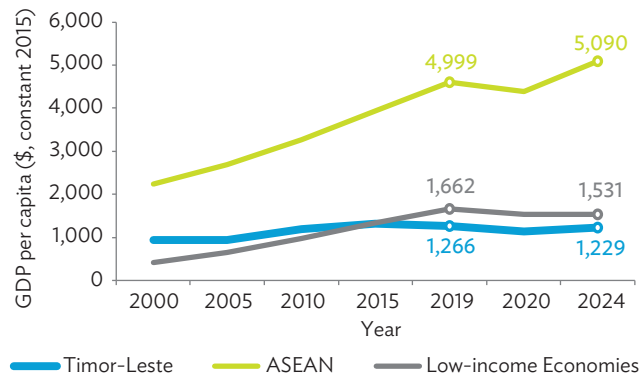
Figure 1: The Pandemic Reversed Two Decades of HDI Progress in Low-Income ASEAN Economies



ASEAN = Association of Southeast Asian Nations, HDI = Human Development Index.

Source: United Nations Development Programme Human Development Index <https://hdr.undp.org/data-center/documentation-and-downloads> (accessed January 2026).

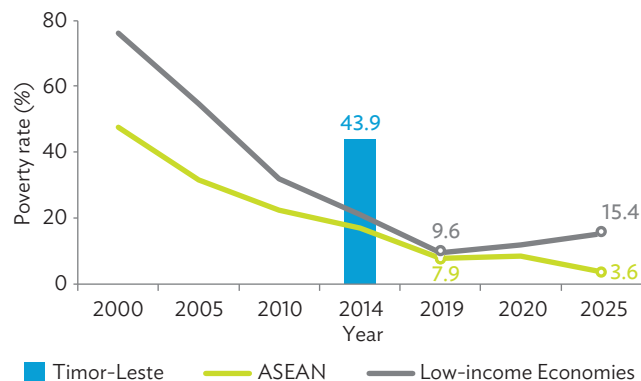
Figure 2: Income Gaps Between Low-Income Economies, Timor-Leste, and ASEAN Widened Since the Pandemic



ASEAN = Association of Southeast Asian Nations, GDP = gross domestic product.

Sources: World Bank (<https://data.worldbank.org/>) and National Institute of Statistics of Timor-Leste (<https://inetl-ip.gov.tl/>).

Figure 3: Post-Pandemic Poverty Rose in Low-Income ASEAN Economies, with Timor-Leste’s Latest Estimate Far Above Regional Averages



ASEAN = Association of Southeast Asian Nations.

Note: Poverty figures are the proportion of population below the international poverty line (\$3 per day in 2021 purchasing power parity prices), World Bank’s Poverty and Inequality Platform (PIP) modeled estimates extrapolated from poverty surveys using national accounts growth (“lined-up” methodology). Poverty monitoring frequency varies: Indonesia annually, the Philippines every 2–3 years, and the Lao People’s Democratic Republic every 5–6 years. Timor-Leste’s latest estimate was in 2014.

Source: World Bank. PIP. <https://data.worldbank.org/indicator/SI.POV.DDAY> (accessed January 2026).

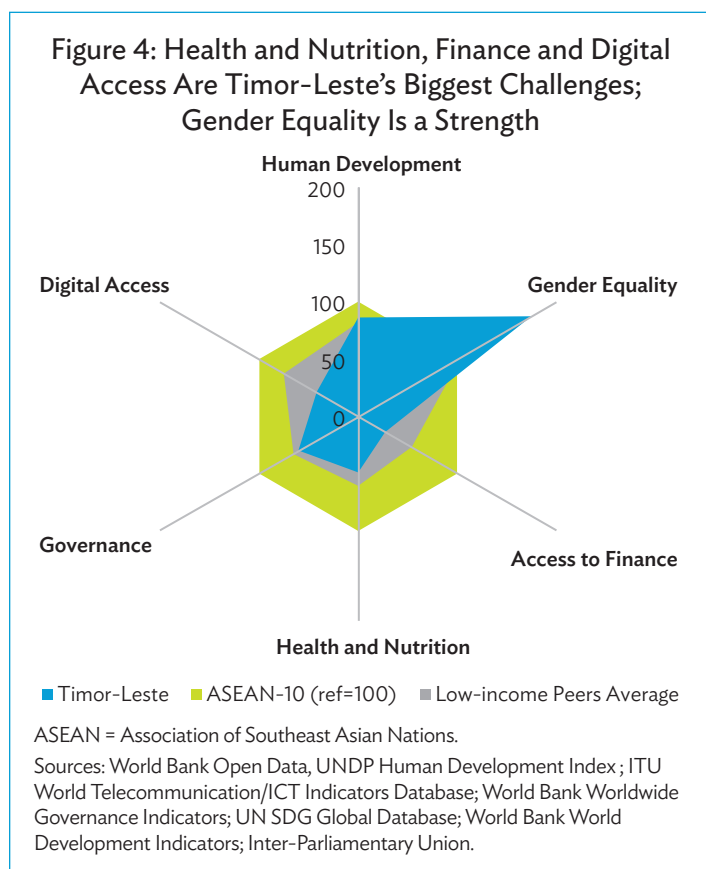
TIMOR-LESTE: A FAMILIAR STARTING POINT WITH ACTIONABLE STRUCTURAL CHALLENGES

Timor-Leste enters ASEAN from a starting point that is more favorable than commonly perceived, and the structural issues are well understood and actionable.

Timor-Leste’s recent development indicators are comparable to Viet Nam’s and better than LI peers in the early 2000s—HDI 0.63, literacy 72.5%—a baseline from which convergence is achievable. Diversifying the economy and promoting private-sector-led growth are essential to reduce dependence on the Petroleum Fund and accelerate convergence with ASEAN peers.

Literacy rose from 37.6% (2001) to 72.5% (2022) and tertiary gross enrollment from 8% (2002) to 31% (2023), yet these indicators and pre-primary enrollment (25% as of 2020) lag behind ASEAN averages.

The AFEED scorecard confirms strengths— gender equality¹ (174%) and universal electricity access—alongside gaps in finance (27%), digital access (42%), health and nutrition (49%), and material well-being (24%).



ENABLING CONDITIONS: DIGITAL ACCESS, GOVERNANCE, AND SOCIAL PROTECTION

Several AFEED dimensions highlight progress in electricity, gender, and disaster resilience, but also show room for improvement in digital access, governance capacity, and social protection.

Gender Equality: A Foundation to Build On

Women hold 35.4% of parliamentary seats—among ASEAN’s highest—and managerial representation has risen from 10.1% to 22.8%. The priority is to build on these gains in women’s representation and promote more economic opportunities in employment and entrepreneurship.

Living Conditions and Infrastructure Have Improved

Electricity access rose from 17.8% coverage to universal coverage, while urban slum incidence declined from 56.1% to 33.9%. However, electricity production remains import- and fossil-fuel-dependent with high transmission losses. Road connectivity, water supply, and basic services still lag behind other ASEAN members.

Environmental Sustainability: Natural Capital as Competitive Advantage

Forest area remains high at 62% of land compared to other ASEAN economies, except Brunei Darussalam and the Lao PDR, while disaster resilience improved, with affected persons per 100,000 falling from over 16,000 to 71. Marine protected areas declined from 1.4% to 0.7%, a concern for blue-economy diversification.

Digital Access and Skills: The Biggest Opportunity for Convergence

Digital access offers the greatest potential for leapfrogging, where targeted investments deliver the fastest gains. In Timor-Leste, internet penetration is only 34% and 4G reaches 45%. Progress is sequential; wider network coverage enables access, greater affordability drives uptake, better skills determine productive use, and expanded digital services strengthen governance.

Social Protection: From Shock Response to a Macro-Stabilization Tool

With social protection coverage still at 35%, expanding and better targeting social protection will help Timor-Leste build a stronger and more efficient system, supported by digital unique identification, payment platforms, civil registry, and predictable financing, contributing to macroeconomic stability.

Robust social protection systems protect human capital by helping households sustain health, nutrition, and education investments during economic downturns.

They also prevent vulnerable families from falling into poverty when shocks hit, reducing long-term economic and social losses.

¹ The strength is indicator-specific and does not necessarily reflect gender equality outcomes across all sectors.

Table 1: Social Protection Coverage: Timor-Leste vs. ASEAN Reference Points (% of population)

Economy	Social Assistance	Social Insurance	Social Protection and Labor
Timor-Leste	35	–	35
Indonesia	55 ↑	9	65 ↑
Thailand	87 ↑	5	87 ↑
ASEAN average*	55–60	10–15	60–65

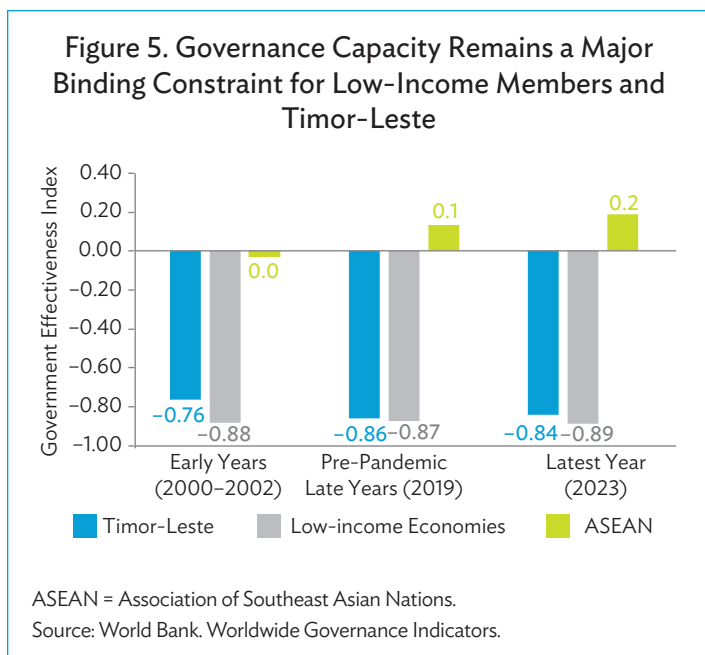
ASEAN = Association of Southeast Asian Nations.

Note: ASEAN Average excludes economies with no data. ↑ denotes improvement since pre-pandemic year.

Source: World Bank ASPIRE Database.

Governance and Institutions: Positioning for Success

Governance and institutional strengthening offers Timor-Leste opportunities for faster progress. The government effectiveness score (–0.84) is among ASEAN’s lowest. B-Ready 2025 highlights similar weaknesses in regulation and service delivery. Experiences from newer ASEAN members show that sustained improvement is achievable through targeted reforms, regulatory modernization, and sustained capacity building.



PRIORITY AREAS FOR ACTION

Four priority areas emerge, considering both urgency and feasibility. The first two are preconditions for the latter two.

Priority 1 (Continuous): Strengthen Macro Foundations and Reduce Volatility

Persistent income gap is the central challenge. GDP per capita at constant prices fell from \$1,266 in 2019 to \$1,141 in 2020, and had recovered to \$1,229 by 2024—still below pre-pandemic levels.

- Adopt a medium-term fiscal framework that sets clear public investment programs, spending limits, and deficit-financing plans, while leveraging long-term and low-cost development finance to close funding gaps.
- Enhance domestic resource mobilization through more efficient and digitized tax administration and modernized tax policies to broaden the tax base.
- Rebalance recurrent and capital expenditures to prioritize human development, infrastructure, and basic services; reduce fiscal dominance; and create space for private sector growth.
- Improve fiscal spending efficiency to boost the productivity of public investments and ensure a lower incremental capital-output ratio.
- Continue strengthening the Petroleum Fund investment management frameworks to maximize long-term returns and buffer against commodity price volatility.

Priority 2 (High Feasibility): Build Digital Infrastructure, Data Systems, and Mobile Financial Access

Timor-Leste can leapfrog legacy systems with mobile money and data. Gender parity will support inclusive digital expansion. ASEAN’s digital architecture and data systems offer entry points.

- Fully operationalize the fiber-optic submarine cable to cut wholesale bandwidth costs by up to 50%, reinvest savings in rural last-mile 4G rollout for the 55% still unserved, and align with ASEAN’s Digital Masterplan frameworks.
- Align the national QR payment system and its regulations with ASEAN digital payment interoperability standards from the outset.
- Develop and implement a unique digital identification system with support from ADB’s transaction advisory services.
- Scale up digital literacy programs with gender equality full mainstreamed.
- Invest in data systems.

Priority 3 (Ongoing): Invest in Human Capital and the School-to-Work Transition

Stronger human capital from early learning to skills and mobility, ensuring quality and relevance, is essential for inclusive growth.

- Increase human capital investments and reallocate resources toward health, education, food and nutrition security, and skills development.
- Seek ASEAN Mutual Recognition Arrangement coverage for Inspectorate qualifications certified by the Inspectorate for Labour and Vocational Training Qualification and Accreditation to give workers from Timor-Leste credential portability across ASEAN and help address the 29% rate for those not in education, employment, or training.

- Improve pre-primary enrollment (25% versus 61% in ASEAN), using community-based models from Cambodia and Viet Nam.
- Channel IAI Work Plan V public health funding to last-mile delivery where stunting rates and data gaps are most severe.
- Set AFEED targets: adult literacy at 85% and upper secondary completion at 70% by 2030.

Priority 4 (Medium Term): Build a Stronger Private Sector with Micro, Small, and Medium-Sized Enterprises; and Digital and Green Transformation

Strengthening micro, small, and medium-sized enterprises (MSMEs); building competitive value chains; advancing inclusive and green enterprise development; and expanding blue-economy, export, and carbon-market opportunities will drive private sector-led growth.

- Strengthen the MSME ecosystem by improving regulatory environment, simplifying business processes, improving access to finance, expanding digital and physical infrastructure, and providing targeted skills and entrepreneurship support.
- Build competitive value chains in priority sectors while improving standards, market access, and links between MSMEs and larger firms, collaborating with the ASEAN Coordinating Committee on MSMEs (2024).
- Promote inclusive and resilient MSME growth through women-led business, entrepreneurship, and youth-focused programs; green and climate-smart practices; and stronger institutions and support services across municipalities.
- Develop a blue-economy strategy aligned with ASEAN maritime frameworks (*Blue Economy Policy*, 2021), focusing on sustainable fisheries, marine tourism, and aquaculture, supported by cold-chain logistics and stronger marine governance.
- Improve productivity, quality standards, and value-chain depth for coffee—where demand already exceeds supply—and develop market access for fisheries and agricultural and natural products under the ASEAN Trade in Goods Agreement where needed, drawing on the National Strategic Plan for the Development of Tourism in Timor-Leste 2023–2030 and ADB value-chain assessments.
- Position Timor-Leste in carbon markets and renewable energy, leveraging its 62% forest cover to attract green finance.

THE ROLE OF ASEAN AND DEVELOPMENT PARTNERS

Timor-Leste can advance more rapidly when reforms are matched by ASEAN’s capacity-backed support and coordinated partner assistance.

The Role of ASEAN

Supporting Timor-Leste’s reforms gives ASEAN a chance to demonstrate a regional integration model, especially through IAI and AFEED. Timor-Leste’s convergence requires actions in three areas.

First, every accession commitment should carry an IAI capacity package. ASEAN’s digital agenda should include Timor-Leste connectivity under IAI Work Plan V, focusing on broadband, fintech, and governance reform, drawing on lessons from Cambodia’s business environment reforms and Viet Nam’s digital economy strategy.

ASYCUDA++² boosted customs revenue by over 50% in its first year; remaining priorities are phytosanitary standards, ASEAN Single Window integration, and raising the B-Ready score (39) toward the ASEAN average (65).

Second, supplier development should link Timorese producers to ASEAN supply chains, starting with agriculture and natural products, fisheries, coffee value chain development, and tourism.

Third, integrate Timor-Leste into ASEAN payment systems (alongside the QR rollout) and establish a statistical capacity compact under IAI Work Plan V.

IAI Work Plan V support should focus on (i) macroeconomic stability; (ii) digital connectivity and fintech capacity; (iii) health, nutrition, education, and skills cofinancing; (iv) trade facilitation and supply chain integration; and (v) addressing data gaps. AFEED monitoring should set benchmarks and trigger IAI responses when indicators deteriorate.

A regional social protection harmonization track should include Timor-Leste, and a 2028 review should reallocate resources if convergence stalls. The tools exist; political will and accountability must ensure delivery.

Development Partners’ Support to Timor-Leste

Sustained engagement from development partners is essential to scale investments, improve the business environment, and align reforms with integration goals. Joint planning will ensure policy, technical, and capacity support are well sequenced, and consistent with integration commitments.

Implications for ASEAN and Development Partners

ASEAN and development partners should activate three support tracks simultaneously: capacity-building packages tied to each integration step, supply chain programs targeting Timor-Leste’s key exports, and agreements that improve digital and financial interoperability—all coordinated through the IAI and AFEED frameworks.

² The Automated System for Customs Data (ASYCUDA++) is a UNCTAD customs automation platform that streamlines declaration processing and trade statistics; Timor-Leste adopted it to modernize its customs administration.

WAYS FORWARD: FROM EVIDENCE TO ACTION

Timor-Leste's convergence challenge is not unprecedented. Three principles guide the path forward.

- State capacity is the binding constraint. Every integration commitment must be backed by a concrete IAI capacity-building package.
- Digital infrastructure and skills must come first. ICT and digital finance yield the highest returns.
- Social protection should serve as a macroeconomic stabilizer, not just a safety net. Weak coverage and targeting risks long-term losses in human capital.

The *National AEC Implementation Roadmap 2026–2030* provides the governance architecture—Integrated Coastal Management in East Asia, technical working groups, and the Private Sector Advisory Council—to sequence reforms and implementation. The task now is to deploy IAI, AFEED monitoring, and peer learning with urgency.

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APPENDIX: ASEAN FRAMEWORK FOR EQUITABLE ECONOMIC DEVELOPMENT CONVERGENCE SCORECARD

The following tables summarize convergence trends under the ASEAN Framework for Equitable Economic Development (AFEED) across all 12 dimensions for 10 members of the Association of Southeast Asian Nations (ASEAN 10) (Table A.1), and the 11th member, Timor-Leste (Table A.2). Traffic light assessments reflect the direction of AFEED indicator trends. For stunting; governance effectiveness; and those not in education, employment, or training (NEET rates), scores are adjusted so that higher values indicate better outcomes. Timor-Leste's figures are shown as a percentage of the ASEAN 10 average.

Table A.1 summarizes the direction of convergence across all 12 AFEED dimensions for the ASEAN, with some information on trends grouped by income level, from 2000 to the latest available year. Status (traffic light) reflects the current level relative to early years; trend reflects whether gaps are narrowing or widening.

Table A.1: ASEAN Convergence (First 10 Members): Development Gap Trends by Income Group

Dim	Dimension	Lead Indicator	Status	Trend	Assessment
I	Overall Human Development	HDI	●	↗	HI-to-LI HDI ratio fell 1.28→1.18 (2000–2019), spiked to 1.38 in 2021 (above even 2000 level), and has since stabilized — but above pre-COVID-19.
II	Material Well-Being	GDP per capita (PPP)	●	↗	Gap of HI to LI compressed 26.4 (in 2000) × to 11.1× pre-COVID-19; uneven recovery post-2020
III	Employment	Youth NEET rate	●	↗	Structural informality persists; youth NEET rates divergent across members
IV	Access to Finance	ATMs per 100,000 adults	●	↑	Strongest convergence dimension; mobile money equalizing access rapidly
V	Health and Nutrition	U5 stunting prevalence	●	↑	LI maternal mortality fell >70%; child mortality halved; stunting by a third; gains held through pandemic
VI	Education	Adult literacy rate	●	↗	Literacy and enrollment converging; quality and completion gaps remain
VII	Digital Access	Internet users (% pop.)	●	↑	Rapid growth in LI economies; absolute gap with HI and RD economies reduced though remaining large
VIII	Gender Equality	Women in Parliament (%)	●	↑	Gender parity indices near 1.0 at most education levels across ASEAN
IX	Living Conditions	Electricity access (%)	●	↑	Near-universal electricity in most members; slum proportions declining
X	Social Safety Nets	Social protection coverage	●	↗	Coverage expanding but wide variation (35%–95%); harmonization incomplete
XI	Environment and Climate	Forest area (% land)	●	↗	Forest stable in aggregate; marine protected areas declining in several members
XII	Governance and Institutions	Government effectiveness index	●	↗	Wide dispersion persists; institutional capacity gaps slow integration gains

Status: ● Good progress ● Mixed / moderate

Trend: ↑ Gap narrowing ↗ Moderately narrowing / stagnating

ASEAN = Association of Southeast Asian Nations; COVID-19 = coronavirus disease; GDP = gross domestic product; HDI = Human Development Index; HI = high income; LI = low income; NEET = not in education, employment, or training; PPP = purchasing power parity; RD = rapidly developing; U5 = under-five.

Sources: World Bank Open Data, UNDP Human Development Report; ITU World Telecommunication/ICT Indicators Database; World Bank Worldwide Governance Indicators; United Nations Sustainable Development Goals Global Database; World Bank World Development Indicators; Inter-Parliamentary Union; World Bank ASPIRE Database; UNESCO Institute for Statistics; World Bank Group's Government Effectiveness Index and B-Ready 2025.

Table A.2: Timor-Leste: Convergence Status vs. ASEAN Average

Dim	Dimension	Status	Trend	Value (% of ASEAN)	Assessment
I	Overall Human Development	●	↑	0.63 (86% of ASEAN avg)	Improving but significant gap; comparable to LI economies' early-accession trajectory
II	Material Well-Being	●	↓	\$1,229 (24% of ASEAN avg)	GDP fell from \$1,266 (2019) to \$1,141 (2020) and had only partially recovered by 2024, remaining well below the ASEAN average
III	Employment	●	↗	NEET 29.1% (52% of ASEAN score)	Low unemployment (1.5%) masks 70% informality; NEET nearly double ASEAN avg
IV	Access to Finance	●	↑	15.4 ATMs (27% of ASEAN avg)	ATM density nearly doubled since 2019; mobile money not yet benchmarkable
V	Health and Nutrition	●	↗	Stunting 45% (49% of ASEAN score)	MMR fell from 796 to 192 (strong); stunting remains highest in region
VI	Education	●	↑	Literacy 72.5% (78% of ASEAN avg)	Literacy up from 37.6%; pre-primary 25% and upper secondary 56.7% lag
VII	Digital Access	●	↑	Internet 34% (42% of ASEAN avg)	4G at 45%; improving but widest convergence gap; no ICT skills data
VIII	Gender Equality	●	↑	Women in Parliament 35% (174%)	Nearly double ASEAN average; GPI near 1.0; genuine area of strength
IX	Living Conditions	●	↑	Electricity 100% (104% of ASEAN)	Surged from 17.8% to universal; exceeds ASEAN average; slums 56%→34%
X	Social Safety Nets	●	↗	Coverage 35% (60% of ASEAN avg)	Social assistance expanding but narrow; no social insurance data available
XI	Environment and Climate	●	↗	Forest 62% (131% of ASEAN avg)	Forest cover exceeds regional norm; marine protected areas declining
XII	Governance and Institutions	●	↗	-0.84 (60% of ASEAN score)	Lowest government effectiveness in region; ease of doing business score 39

Status: ● Good progress ● Mixed / moderate ● Significant challenge
Trend: ↑ Gap narrowing ↗ Moderately narrowing / stagnating ↓ Gap widening

ASEAN = Association of Southeast Asian Nations; avg = average; GDP= gross domestic product; ICT = information and communication technology; GPI = Gender Parity Index; LI = low income; NEET = not in education, employment, or training.

Sources: World Bank Open Data, UNDP Human Development Report; ITU World Telecommunication/ICT Indicators Database; World Bank Worldwide Governance Indicators; United Nations Sustainable Development Goals Global Database; World Bank World Development Indicators; Inter-Parliamentary Union; World Bank ASPIRE Database; UNESCO Institute for Statistics; World Bank Group's Government Effectiveness Index and B-Ready 2025.

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