



**A Survey Research Project on  
“Small and Medium Enterprises Development Policies of  
4 ASEAN Countries”:  
Brunei Darussalam, Cambodia, Lao PDR, Myanmar**

**Submitted to  
Japan Overseas Development Corporation (JODC)**

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## Small & Medium Enterprises Development Policies in Brunei Darussalam





## **List of Acronyms and Abbreviations**

ASEAN	Association of South-East Asian Nations
BEDB	Brunei Economic Development Board
BFC	Business Facilitation Centre
BIA	Brunei Investment Agency
BLNG	Brunei Liquefied Natural Gas
BN\$ or B\$	Brunei Dollar
Cap.	Chapter
EFS	Enterprise Facilitation Scheme
ERS	Export Refinancing Scheme
ICT	Information and Communications Technology
JPKE	Jabatan Perancangan dan Kemajuan Ekonomi (Department of Economic Planning and Development)
LNG	Liquefied Natural Gas
MFS	Microcredit Financing Scheme
MIB	Melayu Islam Beraja or Malay Muslim Monarchy
MIPR	Ministry of Industry and Primary Resources
MoF	Ministry of Finance
OIC	Organisation of the Islamic Conference
PMO	Prime Minister's Office
RKN	Rancangan Kemajuan Negara (National Development Plan)
SCP	Supplemental Contributory Pension
SCREAM	Smart Credit Risk Evaluation and Assessment of Management
Sdn Bhd	Sendirian Berhad (Incorporated)
SLA	Sungai Liang Authority
SMEs	Small and Medium Enterprises
SPARK	Sungai Liang Industrial Park
SWF	Sovereign Wealth Fund

TAP

Employee's Provident Fund

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Brunei International Chamber of Commerce	Mr. Haji Shazali bin Dato Sulaiman (Chairman)
SME Services Centre, Bank Islam Brunei Darussalam	Haji Mohd Sofian bin Haji Emran, Pg Sanusi Iskandar bin Pg Hj Ismail (Senior Relationship Officer)
Baiduri Bank	Rosmawati P.D.I.S. Haji Johari (Accounts Relationship Manager)

Note: Exchange rate of the local currency (Brunei Dollar) per US Dollar

October 08, 2009 1.394 B\$/USD<sup>1</sup>

October 08, 2010 1.307 B\$/USD<sup>2</sup>

<sup>1</sup> [http://www.imf.org/external/np/fin/data/rms\\_mth.aspx?SelectDate=2009-10-31&reportType=REP](http://www.imf.org/external/np/fin/data/rms_mth.aspx?SelectDate=2009-10-31&reportType=REP)

<sup>2</sup> [http://www.imf.org/external/np/fin/data/rms\\_mth.aspx?SelectDate=2010-10-31&reportType=REP](http://www.imf.org/external/np/fin/data/rms_mth.aspx?SelectDate=2010-10-31&reportType=REP)

## **Chapter 1 Small and Medium Enterprise Policies –Overview**

### **1-(1) Definition of SMEs**

Under the Commonwealth Secretariat Final Report on Marketing Services for Brunei Darussalam Small and Medium Enterprises (SMEs) in March 2008, in the context of Brunei Darussalam, SMEs can be defined as those enterprises having 1 to 100 employees. The SMEs include micro, small, and medium enterprises. Micro enterprises are those businesses having 1 to 5 employees. Small enterprises are those businesses having 6 to 50 employees. Medium enterprises are those businesses having 51 to 100 employees (Table 1).

**Table 1: Definition of SMEs in Brunei Darussalam<sup>3</sup>**

Type of enterprise	Number of employees
Micro	1-5
Small	6-50
Medium	51-100
Large	101 and above

### **1-(2) Environment and Conditions Surrounding SMEs**

Brunei Darussalam is a Malay, Islamic Monarchy and an independent sovereign Sultanate governed on the basis of a written constitution. The population is estimated at 406,200 people in 2009, with 57% are aged from 20-54 years old. The literacy rate is about 93.7%. The Brunei's dollar is pegged to the value of the Singapore dollar and both currencies can be used interchangeably in Brunei and Singapore.<sup>4</sup> The government provides free education to all Brunei Darussalam citizens and permanent residents who

<sup>3</sup> Labour Department, Ministry of Home Affairs, Brunei Darussalam, September 2009.

<sup>4</sup> Information Department, Prime Minister's Office, Brunei Darussalam in Seconds, 2010 edition.

attend government schools. In addition, citizens of Brunei Darussalam are charged a nominal fee at public hospitals and health clinics.<sup>5</sup>

Brunei's economy is almost totally supported by exports of crude oil and natural gas. Oil and gas continue to account for 48% of economic output measured at constant prices based on the year 2000. However, their production continues to gradually decline every year.<sup>6</sup> Therefore, the government has taken steps towards diversification through a variety of initiatives.

Brunei's Gross Domestic Product (GDP) had a negative growth rate of 1.8 percent in 2009<sup>7</sup>. It is because of the decline in oil & gas sector whereas the non-oil & gas sector grew by less than 1%. The value of the GDP at current prices was estimated at B\$15.6 billion and the GDP per capita at current prices was B\$ 38,400. The data are illustrated in Table 2. The ADB estimated that the Brunei economy will grow by 1.1% in the year 2010 and 1.5% in 2011<sup>8</sup>.

**Table 2: Brunei GDP Growth Rates**

Economic Sectors	2008			2009		
	B\$ (billion)	(B\$) Per capita	Growth rate	B\$ (billion)	(B\$) Per capita	Growth rate
Non-Oil & Gas Sector			2.4			0.9
Oil & Gas Sector			-6.2			-4.6
Gross Domestic Product (GDP)	20.4	51,300	-1.9	15.6	38,400	-1.8

The government has been encouraging economic diversification, mainly into business services, financial services, hospitality and tourism, transport and logistics,<sup>9</sup> manufacturing, primary resources (i.e. agriculture and agri-food, fisheries, and ecotourism)<sup>10</sup> and agro-food and halal industries.<sup>11</sup> In order to achieve the economic

<sup>5</sup> Ministry of Industry and Primary Resources, Business and Investment Guide, 2009 edition.

<sup>6</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

<sup>7</sup> Department of Economic Planning and Development (JPKE), Prime Minister's Office, Media Release.

<sup>8</sup> ADB estimates: Asian Development Outlook Database.

<sup>9</sup> [http://www.philexport.ph/policy/wto/businessbriefingvol9\\_tpr\\_brunei.pdf](http://www.philexport.ph/policy/wto/businessbriefingvol9_tpr_brunei.pdf)

<sup>10</sup> Ministry of Industry & Primary Resources, Brunei Darussalam Business & Investment Guide, 2009 edition.

diversification, the government has developed many initiatives to encourage both local and foreign investors. In addition, the government philosophy is for sustainable development. Therefore, all polluting industries are banned.<sup>12</sup>

Brunei's agriculture sector is very small and Brunei imports more than 80% of its food requirements. To reduce Brunei's dependence on food imports and to attain a greater degree of self sufficiency in agriculture, government policy has sought to boost domestic production of rice, vegetables, poultry, and livestock; develop the agri-food industry; produce high-value added products using new techniques; and conserve and protect the country's biological diversity.<sup>13</sup>

The country also aims to be a Regional Financial Hub for services sector, especially in the areas of Islamic banking and finance, insurance, asset management, mutual funds, trusts and corporate activities.<sup>14</sup>

Small and medium enterprises (SMEs) have been identified as major players in industrial development that have a high potential in contributing to the diversification of the economy. Currently, SMEs contributed 58% to Brunei's total employment in the private sector and 22% to GDP in all sectors.<sup>15</sup> The statistics show that in 2008 all businesses in Brunei Darussalam are made up of 52.3% of micro enterprises, 43.8% of small enterprises, 2.23% of medium enterprises, and 1.63% of large enterprises (Table 3 and Figure 1).

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<sup>11</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

<sup>12</sup> Ministry of Industry & Primary Resources, Brunei Darussalam Business & Investment Guide, 2009 edition.

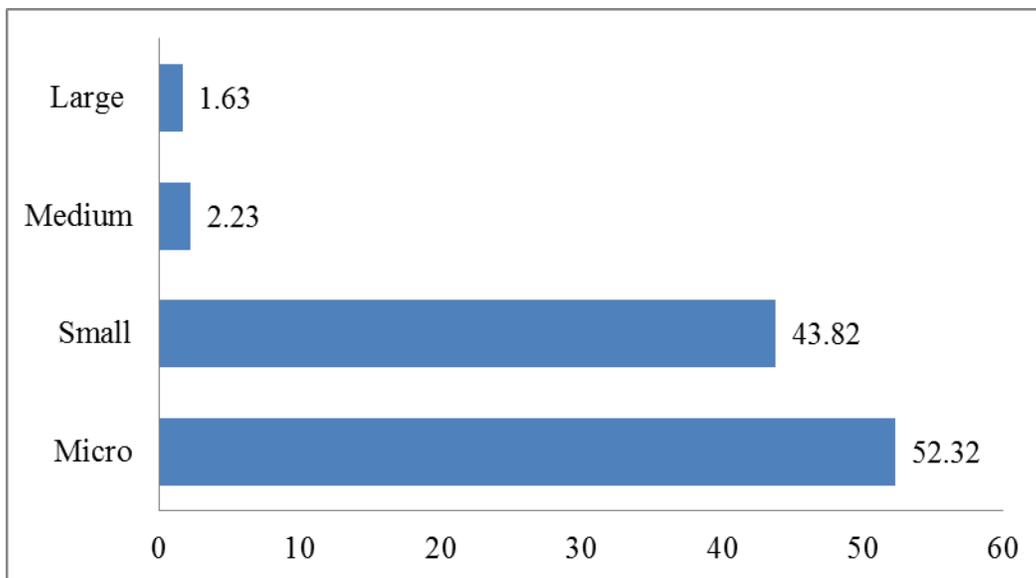
<sup>13</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

<sup>14</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

<sup>15</sup> Labour Department, Ministry of Home Affairs, Brunei Darussalam, September 2009.

**Table 3: Distribution of SMEs in Brunei Darussalam<sup>16</sup>**

Type of enterprise	% of establishments, Year 2008
Micro	52.32
Small	43.82
Medium	2.23
Large	1.63



**Figure 1: Distribution of SMEs in Brunei Darussalam**

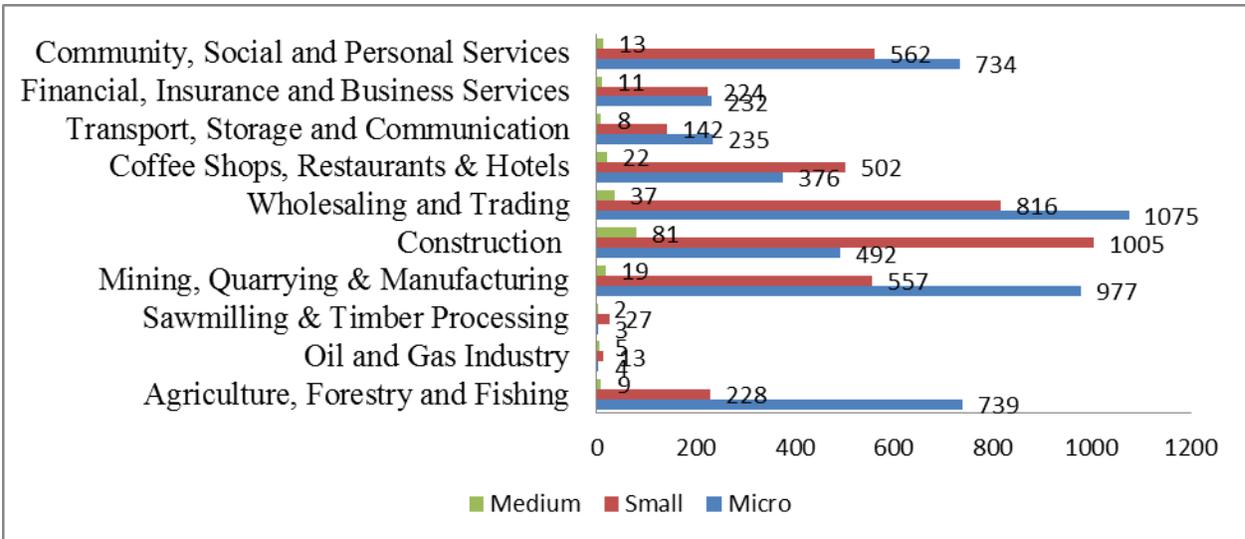
<sup>16</sup> Labour Department, Ministry of Home Affairs, Brunei Darussalam, September 2009.

The total registered business establishment in all sectors in Brunei Darussalam was 9,302 in 2008. Within this figure, there were 9,150 active SMEs or 98.37% of the total establishments. Most of the SMEs were in the wholesaling and trading businesses; followed by the construction sector; mining, quarrying and manufacturing sector; community, social and personal sector; and agriculture, forestry, and fishing, respectively (Table 4 and Figure 2).

**Table 4: Number of SMEs by Sector, Year 2008<sup>17</sup>**

Sector	1-5	6-10	11-20	21-50	51-100	Total
Agriculture, Forestry and Fishing	739	175	38	15	9	976
Oil and Gas Industry	4	5	2	6	5	22
Sawmilling & Timber Processing	3	6	14	7	2	32
Mining, Quarrying & Manufacturing	977	340	152	65	19	1553
Construction	492	411	347	247	81	1578
Wholesaling and Trading	1075	432	257	127	37	1928
Coffee Shops, Restaurants & Hotels	376	254	168	80	22	900
Transport, Storage and Communication	235	68	41	33	8	385
Financial, Insurance and Business Services	232	109	77	38	11	467
Community, Social and Personal Services	734	312	166	84	13	1309
Total	4867	2112	1262	702	207	9150

<sup>17</sup> Labour Department, Ministry of Home Affairs, Brunei Darussalam, September 2009.



**Figure 2: Distributions of SMEs by Sector, Year 2008**

Within the Brunei context, the primary resources sectors, Islamic financial market and halal market have been identified as key growth areas for local SMEs. One of the areas SMEs are being encouraged to enter is ecotourism. Some survey works are now being done to identify marine sites that would be suitable for diving holidays.

The government also recognises the need to develop the capability and competitiveness of local entrepreneurs and businesspersons in terms of socially responsible entrepreneurship qualities<sup>18</sup>, penetration of the export market, productivity, innovation and technology transfer. To enhance the development of local SMEs into competitive and viable businesses both domestically and internationally, the government provides various forms of assistance such as in financing entrepreneurial development, investment incentives, technology transfer, infrastructure and various other facilities.

In line with the development of local investors, the government has also emphasised on attracting foreign investors and international cooperation. Foreign investors are actively sought through extensive promotions and installation of various incentive schemes. Regional, bilateral and multilateral cooperation is considered as the way to further open up more trade and investment opportunities for Brunei Darussalam.<sup>19</sup>

<sup>18</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

<sup>19</sup> Ministry of Industry & Primary Resources, Brunei Darussalam Business & Investment Guide, 2009 edition.

Within all the major diversification activities planned, the types of opportunities for local SMEs are as in Table 5.<sup>20</sup>

**Table 5: General SME opportunities in economic diversification**

<b>SME Sector</b>	<b>Opportunities</b>
Transportation	Freight movement, people movement, logistics, distribution
Finance	Banking, insurance carriers, insurance agents and brokers, remittance
Trade	Building materials, general merchandise, food stores, car dealerships
Health	Doctors, surgeons, specialists, dentists, nurse
Business services	Engineering, accounting, agriculture, property
Packaging	Boxes, sacks, plastics, bags
Tourism	Hotels, apartments, travel agents

The potential new manufactured products which may flow from the methanol plant at Sungai Liang will provide many new business opportunities for local SMEs as described in Table 6.<sup>21</sup>

**Table 6: SME spin-off opportunities from the methanol plant**

<b>Spin-off product</b>	<b>New product opportunities</b>
Formaldehyde	Disinfectants, adhesives
Polyacetal	Car interior trim parts
Neopentylglycol	Polyester resins for coatings, fiber reinforced plastics
Pentaerythritol	Paint, coatings, printing ink, sealants
Acetic acid	Photographic films
Methylmethacrylate	House paint, pulp paper
Methylamines	Agricultural chemicals
Choline chloride	Nutrients, dietary supplements

<sup>20</sup> The Development of Marketing Services for Brunei SMEs reported and published by the Commonwealth Secretariat in June 2007.

<sup>21</sup> The Development of Marketing Services for Brunei SMEs reported and published by the Commonwealth Secretariat in June 2007.

The planned ammonia/urea plant at Sungai Liang will produce myriad opportunities for local SMEs as illustrated in Table 7.

**Table 7: SME spin-off opportunities from the ammonia/urea plant**

<b>Spin-off product</b>	<b>New product opportunities</b>
Melamine	Wooden panels, dinnerware, coating resins, paper, textiles
Urea formaldehyde	Decorative paper laminates, pulp and paper processing aids
Hexamine	Corrosion inhibitors, pharmaceuticals
Ammonium bicarbonate	Fire extinguishing compounds
Carbon dioxide	Soft drinks
Specialty gases	Steel fabrication, feedstock

Besides the governmental supports, Brunei Darussalam has four chambers of commerce that play an important role in the development of SMEs. These are the National Chamber of Commerce and Industry, the Brunei Malay Chamber of Commerce and Industry, Brunei International Chamber of Commerce and Industry and the Chinese Chamber of Commerce. All of them share the common objective of promoting co-operation between its members and strengthening business ties with each other to attain economic prosperity.<sup>22</sup>

### **1-(3) Legislations for SMEs**

Details of Brunei's Acts and Orders are available on the website of the Attorney General's Chambers of Brunei Darussalam, <http://www.agc.gov.bn/>.

In the overall, Brunei Darussalam has two systems of laws, i.e. the Common Law system or the civil courts and the Sharia courts. The civil courts have exclusive jurisdiction over civil and criminal laws. The Sharia courts have limited exclusive jurisdiction to hear and decide matters of personal law for members of the Islamic faith pertaining to marriage, divorce, inheritance, maintenance of dependents, and the estates of Muslims. In the event that parties to a commercial or business transaction mutually

<sup>22</sup> <http://www.brunet.bn/org/bsmehp/brunei/sme/smecham.htm>

agree that Islamic principles are to apply to the contract, then, in addition to complying with civil law, the transaction must also comply with sharia principles. However, in the areas of Islamic banking and insurance, the civil courts will still have the jurisdiction to hear and determine the case.<sup>23</sup>

There is no specific law for SMEs. In general, there are laws related to business conducts such as laws on monopoly, income tax (see 2-2), labour, price control, entry and exit of firms, trademarks and patent registration, business registration and miscellaneous business license which are applicable to SMEs' businesses.

Brunei does not have a competition law. However, there is a Monopolies Act (Cap 73) designed to make provisions for the granting of certain monopoly rights to firms in Brunei and to protect the monopolies granted.<sup>24</sup> The grant is limited to dealings in defence equipment and to collecting and exporting of wildlife produce. There is no anti-trust legislation in Brunei Darussalam.

The Employment Order 2009 governs the termination of employment, medical care, leave, rest days, hours of work, benefit, and compensation for disablement. The Government has recently implemented the Workers' Provident Fund to cover workers both in the public and private sectors.

Regarding the price control, the Price Control Act 1974 (amended 1999) is enforced by the Department of Economic Planning and Development (DEPD). Under the Act, Price Controller may fix maximum prices and charges of goods. In addition to that, the Price Controller will ensure that all commodities do have price tags. Price controlled commodities to date are rice & sugar, cars, cigarettes, milk powder and cooking oil.<sup>25</sup>

In manufacturing, industrial and intellectual property (IP), the laws which facilitate the setting up, and encourage and protect business activities include Industrial Coordination Order 2001, Industrial Designs Order 1999, Trademarks Order 2000, Layout Designs Order 1999, Patents Order 1999, Investment Incentives Order 2001, Companies Act Cap. 39, Business Names Act. Cap. 92, and Income Tax Act.<sup>26</sup> The Income Tax Act rules on the deduction and payment of tax for businesses. A new tax threshold has been introduced to reduce tax liabilities of SMEs (see 2-2).

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<sup>23</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

<sup>24</sup> [http://www.agc.gov.bn/index.php?option=com\\_content&view=article&id=61&Itemid=165](http://www.agc.gov.bn/index.php?option=com_content&view=article&id=61&Itemid=165)

<sup>25</sup> <http://www.depd.gov.bn/control.html>

<sup>26</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

The entry and exit of firms in most industries in Brunei Darussalam are regulated through the issuance of a business licenses through respective sectoral regulators. These industries include retail, construction, manufacturing, finance, telecommunications, and travel agencies. The miscellaneous license, or “Rampaian”, is required by certain companies before they can commence business operations. Application forms are available for purchase at the Municipal Department (see 2-5).<sup>27</sup>

Trademarks are able to be registered under the Trademarks Act (Cap 98). Once registered, they are viable for an initial period of seven years and renewable for a further period of fourteen years. Any person who obtained a grant of a patent in the U.K. or Malaysia or Singapore may apply to the Ministry of Law within three years of the date of issue of such grant to have such grant registered in Brunei Darussalam under the Invention Act (Cap 72).

All business must be registered with the Registrar of Companies and Business Name<sup>28</sup>. The proposed name of the business or company must be approved by the Registrar of Companies. Businesses and Companies may be set up in Brunei Darussalam as one of the following:

a) Sole Proprietorship

Foreigners are generally not eligible to register.

b) Partnership

A partnership may consist of individuals, local companies and/ or branches of foreign companies. Applications by foreign individuals are subject to prior clearance by the Immigration Department before they are registered. The Contracts Act governs partnership laws in Brunei.

c) Private Company (Sendirian Berhad-Sdn. Bhd.)

No minimum share capital is required. Shareholders need not be citizen or permanent resident of Brunei Darussalam. Duration of Registration is usually one - two months.

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<sup>27</sup> [http://www.bedb.com.bn/doing\\_guides\\_rampaian.htm](http://www.bedb.com.bn/doing_guides_rampaian.htm)

<sup>28</sup> [http://www.bedb.com.bn/doing\\_guides\\_setting\\_company.htm](http://www.bedb.com.bn/doing_guides_setting_company.htm)

d) Public Company (Berhad)

No minimum share capital is required. Shareholders need not be citizen or permanent resident of Brunei Darussalam. However, half of the directors in a company must be citizens or permanent resident of Brunei Darussalam. A public company may issue freely transferable shares to the public. Duration of Registration is usually one - two months.

e) Branch of Foreign Company

No minimum share capital is required.<sup>29</sup>

#### **1-(4) Planning and Implementation of SME Development Policies**

The SMEs development policies are planned and implemented mainly by the Ministry of Primary Resources (MIPR) and the Brunei Economic Development Board (BEDB) in accordance with the principles of APEC, and the National Long-Term Plan. Nevertheless, it can be said that the SMEs development is a target of every ministry of the government of Brunei in order to achieve the goal of the national long term plan. The National Long-Term Plan covers a period of 30 years and consists of three elements, i.e., the Wawasan Brunei 2035 or Vision Brunei 2035, the outline of strategies and policies for development (OSPD), and the national five-year development plans<sup>30</sup>.

##### The Principles of APEC

As a member of APEC, Brunei Darussalam also participates in the APEC Ad Hoc Policy Level group on Small and Medium Enterprises meeting. The Group which was established in 1995 oversees activities for SMEs across all APEC groups. The group organises workshops and as part of its action program, five major priority areas are identified for the development of SMEs: human resources development, information access, technology and technology sharing, financing, and market access. The APEC Ministers in charge of SMEs meets annually.

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<sup>29</sup> Ministry of Industry & Primary Resources, Brunei Darussalam Business & Investment Guide, 2009 edition.

<sup>30</sup> <http://www.brusearch.com/news/28902>

## The National Long-Term Plan

The national long-term plan covers a period of 30 years. The goal of the plan is stated as the Wawasan Brunei 2035 or Brunei's National Vision 2035. To achieve the National Vision, strategies and policies will be executed through three consecutive 10-year OSPDs. Each OSPD contains two consecutive 5-year National Development Plans (NDP or RKN), starting with the 9<sup>th</sup> NDP or RKN 2007-2012.

### **The Wawasan Brunei 2035**

The Wawasan Brunei 2035 has its aim to make Brunei Darussalam a nation which will be widely recognised for the following 3 elements; the accomplishment of its educated and highly skilled people as measured by the highest international standards; the quality of life that is among the top 10 nations of the world; and the dynamic and sustainable economy with per capita income within the top 10 countries in the world by 2035<sup>31</sup>. One of the Wawasan's major objectives is to incorporate SMEs into regional and international markets.

### **The Outline of Strategy and Policy for Development (OSPD)**

To achieve the long-term goals, eight broad strategies have been identified, i.e., education, economic, security, institutional development, local business development, infrastructure development, social security and environment strategies.

The education strategy aims to prepare Brunei's youth for employment and achievement in the world. The economic strategy aims to create new employment for the people and expand business opportunities within Brunei through the promotion of investment, foreign and domestic, both in downstream industries as well as in economic clusters beyond the oil and gas industry. The security strategy will safeguard the country's political stability and sovereignty as a nation.

The institutional development strategy will enhance good governance in the public and private sectors, high quality public services, modern and pragmatic legal and regulatory frameworks and efficient government procedures that entail a minimum of bureaucratic red tape. The local business development strategy will enhance opportunities

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<sup>31</sup> <http://www.aspirasi-ndp.com/en/archive/LongTermDevelopmentPlan.html>

for local SMEs as well as enable Brunei Malays to achieve leadership in business and industry by developing greater competitive strength.

The infrastructure development strategy will ensure continued investment by government and through public-private sector partnerships in developing and maintaining world-class infrastructure with special emphasis placed on education, health, and industry. The social security strategy will ensure that all citizens are properly cared for. The environmental strategy will ensure the proper conservation of the country's natural environment and natural habitat to provide good health and safety in line the highest international practices.

All these strategies are further elaborated into specific policy directions. Such policy directions are framed as an outline of strategy and policy for development (OSPD), which will cover a period of 10 years. Therefore, within the time frame of 30 years, there will be three OSPDs. The first OSPD (2007-2017), covering a period of up to 2017, comprises 50 policy directions, all of which will be used as guide in preparing and implementing all programs and projects.

To be specific on SMEs, the government's policy directions on the local business development are as follows.<sup>32</sup>

1) Introducing well-designed and well-funded programs and more effective ways of financing local enterprises to help local SMEs and entrepreneurs gain business skills and become more competitive.

2) Developing incubation centres to assist and promote local SMEs and entrepreneurs in areas such as information and communications technology (ICT).

3) Maximising the indirect benefits of foreign direct investments for local SMEs and entrepreneurs.

4) Encouraging the use of local product, local suppliers and contractors by major businesses and industries.

5) Privatising, commercializing and outsourcing of government services as a way of expanding opportunities for local SMEs and entrepreneurs.

6) Reducing the cost of doing business for local SMEs and entrepreneurs by simplifying government procedures.

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<sup>32</sup> Policy and Planning Division, interview and supplementary document.

7) Ensuring prompt government decisions and payment to local contractors and suppliers.

### **The National Five-Year Development Plan**

The National Development Plan places a special emphasis on the development of the SMEs. The focus of the Plan includes new projects that aim at supporting the training of entrepreneurs and improving the general business infrastructure.<sup>33</sup> The plan includes seven main aims, i.e. food safety improvement, marketing promotion, agri-food and biotechnology development, agricultural technology development, monitoring and enforcement of programmes for pest and disease control, infrastructure development, and the development of premium halal products.<sup>34</sup>

In its effort to stimulate economic growth, the Brunei Government is actively promoting the development of various target sectors through its five-year National Development Plans. Under the current 9th National Development Plan (2007-2012) or RKN 2007-2012 (Rancangan Kemajuan Negara 2007-2012), the government outlines four development thrusts to be achieved as follows.<sup>35</sup>

1. To widen the economic base and to strengthen the foundation for a knowledge-based economy. Capital investments will be focused on enhancing R&D capacity, enrolment in tertiary education, innovativeness, creativity, capacity and skills in technology.

2. To accelerate social progress and maintain political stability that focuses on enhancing the life quality, the maintenance of a sustainable and clean environment, strengthening national security, as well as developing a disciplined and caring society.

3. To increase the pool of highly skilled labor force.

4. To strengthen the institutional capacity in carrying out the national development programs.

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<sup>33</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

<sup>34</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

<sup>35</sup> <http://www.brusearch.com/news/28902>

The government has allocated budget for development 826 projects in five years in various sectors of the country as planned in the 9<sup>th</sup> National Development Plan (2007-2012). The distribution of government funding and the budget allocated is as follows (Table 8 and Figure 3).

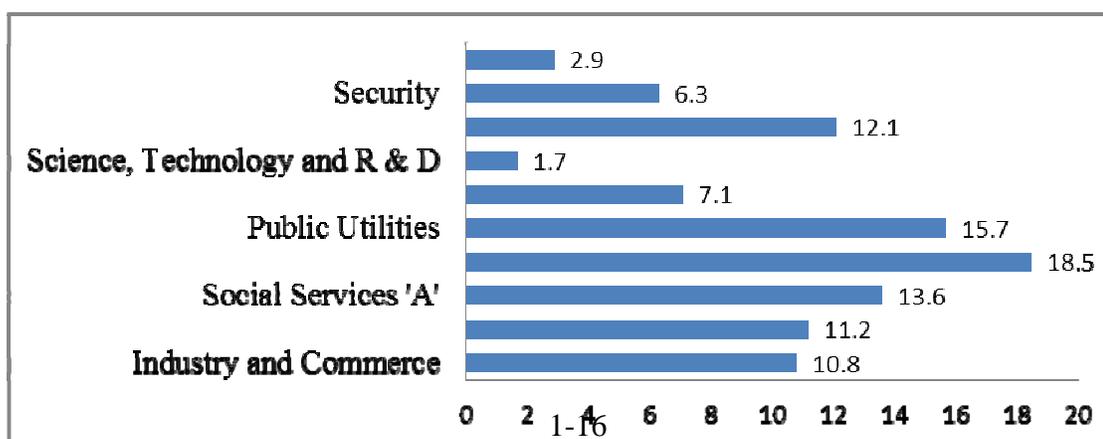
Table 8: The Budget Allocation of 9<sup>th</sup> NDP (2007 - 2012)<sup>36</sup>

<b>Sector</b>	<b>Allocation (B\$)</b>	<b>%</b>
<b>Industry and Commerce</b>	<b>1,024,965,460</b>	<b>10.8</b>
Agriculture	101,771,500	1.1
Forestry	65,368,000	0.7
Fishery	115,839,960	1.2
Industrial Development	404,334,000	4.3
Commerce & Entrepreneurial Development	38,514,000	0.4
Pulau Muara Besar	299,138,000	3.1
<b>Transport and Communication</b>	<b>1,067,038,300</b>	<b>11.2</b>
Roads	568,535,000	6
Civil Aviation	114,527,000	1.2
Marine and Ports	26,753,000	0.3
Telecommunications	116,517,000	1.2
Radio and Television	118,241,300	2.4
Postal Services	12,465,000	0.1
<b>Social Services 'A'</b>	<b>1,294,267,900</b>	<b>13.6</b>
Education	822,468,500	8.7
Medical and Health	149,152,000	1.6
Religious Affairs	27,180,600	0.3
Human Resource Development	295,466,800	3.1
<b>Social Services 'B'</b>	<b>1,761,451,800</b>	<b>18.5</b>
Government Housing	23,281,000	0.2

<sup>36</sup> Department of Economic Planning and Development

Sector	Allocation (B\$)	%
Public Facilities and Environment	182,500,800	1.9
National Housing	1,555,670,000	16.4
<b>Public Utilities</b>	<b>1,492,717,900</b>	<b>15.7</b>
Electricity	587,904,000	6.2
Sanitation	178,013,000	1.9
Water Supply	524,573,900	5.5
Drainage	202,227,000	2.1
<b>Public Buildings</b>	<b>672,958,800</b>	<b>7.1</b>
<b>Science, Technology and R &amp; D</b>	<b>165,178,400</b>	<b>1.7</b>
<b>ICT</b>	<b>1,145,687,800</b>	<b>12.1</b>
<b>Security</b>	<b>596,789,000</b>	<b>6.3</b>
Royal Brunei Armed Forces	421,286,000	4.4
Police	175,503,000	1.8
<b>Miscellaneous</b>	<b>278,944,640</b>	<b>2.9</b>
Contingency Reserves	244,944,640	2.6
Site Development	15,000,000	0.2
Consultant Fee	15,000,000	0.2
Liabilities for Completed Project	4,000,000	0
Total	9,500,000,000	100

**Figure 3: The Budget Allocation of 9<sup>th</sup> NDP (2007 - 2012)**



The government is assisting SMEs by adopting three broad approaches namely (1) expanding business opportunities, (2) providing a favourable business environment for trade and investment and (3) ensuring that SMEs are able to take full advantage of those opportunities.<sup>37</sup> The two major government's organizations that are focal points for SMEs development are the MIPR and the BEDB. The MIPR supports SMEs through its own projects as well as through its agencies', i.e. Entrepreneurial Development Centre (EDC) and other departments and divisions. In the meantime, BEDB also initiates many programs to develop SMEs business. Their efforts can be described as follows.

#### Ministry of Industry and Primary Resources (MIPR)

The Ministry of Industry and Primary Resources (MIPR) is formed in 1989. Its mission is to actively promote, facilitate and accelerate economic diversification with particular emphasis on the development of productive industries for the well-being of Brunei Darussalam. The MIPR is responsible for enhancing the development of small and medium enterprises through provision of financial and infrastructure assistance, entrepreneurship training, industrial incentive, technology improvement and other facilities to develop the capability of entrepreneurs to be competitive in domestic and international market in the preferred industries.

The MIPR has its strategies to develop SMEs as follows.

1) To strengthen infrastructure for SME development through the development, enhancement physical infrastructure and information management as well as ensuring conducive regulations and operating requirement pertaining to SMEs.

2) To build the capacity and capability of SMEs, particularly in areas of marketing and promotion, human capital management, advisory services, awareness and outreach, entrepreneur development, technology enhancement and product development.

3) To enhance access to financing to SMEs which involve developing and strengthening of institutional arrangements to support SMEs financing needs.

4) To strengthen and establish strategic alliance and networking. One of the MIPR's projects is on tourism. The MIPR has set the target of raising B\$4.5 billion of tourism income by 2023. Tourism is envisaged as a key priority to be developed to

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<sup>37</sup> <http://news.brunei.fm/2010/02/04/govt-to-launch-new-credit-facilities-for-smes/>

diversify its sources of income. There are two organizations that are responsible for the tourism development, i.e. the Brunei Tourism Board and the MIPR's Tourism Development Department.

The Brunei Tourism Board was established in 2005. The board is chaired by the Deputy Minister of Industry and Primary Resources with the Permanent Secretary at the Ministry as the Deputy Chairman. Its other members comprise the Director of Tourism Development Department as the Secretary; Permanent Secretary at the Ministry of Finance; Permanent Secretary at the Ministry of Communications; the Controller of Immigration and National Registration; the Director of Youth and Sports; Chief Executive Officer of Royal Brunei Airlines; and Presidents of the Brunei Hotels Association, Brunei Tourism Agency and the Brunei International Trade Association.<sup>38</sup>

The Government's tourism projects include the establishment of the Kampung Ayer Cultural and Tourist Information Centre in Bandar Seri Begawan as the first stop for overseas tourists, the continuation to the stage II of Ulu Temborong National Park, the establishment of a marine park, and the furnishing of a set of forest recreational parks and eco tourism destinations. The Government has also launched the so-called Kenali Negara Kitani (KNK), aimed at boosting domestic tourism. Some of these projects are tied to improvements in infrastructure. For instance, Brunei Darussalam is evaluating the possibility of building a bridge that would link both parts of the country. This kind of project could have positive impacts in terms of reducing travel time, and would allow the development of isolated areas on Borneo Island. These projects will encourage the entrepreneurs in the tourism sectors.<sup>39</sup>

Another MIPR's project is on the halal sector, which would spur the growth of private entrepreneurs. To help the halal suppliers and producers, the MIPR has set up a number of financial guarantee schemes for SMEs which could help Islamic institutions manage the risks linked to SME lending. The authorities have called upon suppliers and producers in the halal market to embrace Islamic finance as an ideal way to complete the entire Islamic value chain.<sup>40</sup>

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<sup>38</sup> [http://www.sultanate.com/news\\_server/29\\_jul\\_2.html](http://www.sultanate.com/news_server/29_jul_2.html)

<sup>39</sup> WTO, 2008.

<sup>40</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

The responsibility for regulating and supervising the halal food sector is under the jurisdiction of the Brunei Islamic Religious Council and the Ministry of Religious Affairs (MoRA). The guidelines for monitoring, compliance and certification audits are all set by the Religious Council. In July 2009 Brunei launched its own international halal brand developed by the MIPR to help building on the country's reputation of compliance with Islamic norms in food processing.<sup>41</sup> As the initiator of the Brunei Halal Brand, the MIPR issues the guidelines for the use of the brand in consultation with the Ministry of Religious Affairs and the Ministry of Health.<sup>42</sup>

The development of the Brunei Halal Brand has three main objectives, i.e. to diversify the economy, to make safe and quality Halal food to be made readily available, and to provide opportunities for local products and SMEs.<sup>43</sup> The standard of the Brunei Halal Brand will provide opportunity for local SMEs products to enter the global markets. Later, local companies will be used in manufacturing and marketing the products. The country has established Ghanim International Food Corporation, a joint venture with Hong Kong's Kerry Group, as the commercial arm of the Brunei Halal Brand. This helps the SMEs to open up their market space through the advice and assistance of the Ghanim.<sup>44</sup> The Agro-Technology Park will also play a key role in the development of these new halal technologies and will help create high-skilled employment opportunities for locals.<sup>45</sup>

In addition to the policies of the MIPR, in the fisheries sector, the seawater pumping station in Tutong came on-line in July 2009. This station will help spur additional aquaculture activities for local SMEs and will attract foreign direct investment to the country.<sup>46</sup>

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<sup>41</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

<sup>42</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

<sup>43</sup> Ministry of Industry & Primary Resources, Brunei Darussalam Business & Investment Guide, 2009 edition.

<sup>44</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

<sup>45</sup> [http://www.bruneimipr.gov.bn/index.php?option=com\\_content&view=article&id=156&Itemid=76](http://www.bruneimipr.gov.bn/index.php?option=com_content&view=article&id=156&Itemid=76)

<sup>46</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

## Entrepreneurial Development Centre (EDC)

The Entrepreneurial Development Centre (EDC) is one of the Agencies under the MIPR involved in facilitating the growth and development of SMEs. The EDC shall act as a Nerve Centre for the growth and development of Small and Medium Enterprises (SMEs) in Brunei Darussalam. Its main roles in facilitating the growth and development of SME in the country are as described in Table 9.

**Table 9: EDC Roles**

EDC roles		EDC Activities
1.	HRD Programs	Training/ short courses on Entrepreneurship, Seminars, workshops & attachments programs
2.	Business Incubation Program	Provide facilities and in supporting new and existing entrepreneurs in the Primary Resources (Agriculture & Agrifood, Fishery), manufacturing & service sectors.
3.	Financial Facilitation Scheme	- Microcredit Financing Scheme (MFS) - Enterprise Facilitation Scheme (EFS) - Export Refinancing Scheme (ERS)
4.	SMEs Support Services	- Mentoring/ consultation - Roadshow - Library/ Publications - Local exhibitions & trade fair - Monitoring
5.	SME Related Projects	- credit risk assessment & SME lending oversight - iTAP: Incubator Technical Assistance Program - Way forward in strengthening Marketing Services for Brunei SMEs - Cluster development program - SME Halal workshop - International Halal Market Conference (HMC)

EDC roles		EDC Activities
6.	Linkages with Local & International Institutions/Agencies	<ul style="list-style-type: none"> <li>- ASEAN SME WG</li> <li>- APEC SME WG</li> <li>- BIMP-EAGA (SMED CLUSTER)</li> <li>- AMEICC HRD WG</li> <li>- VECTOR SCORECARD (ASIA-PACIFIC) PTE LTD</li> <li>- SME CORPORATION, MALAYSIA</li> <li>- OSMEP, THAILAND</li> </ul>

Assistance given by EDC to support SMEs based on growth/ development stage as described in Table 10.

**Table 10: EDC Assistance to SMEs**

Development stage		EDC assistance
1.	Startup/ Business stage	Business Incubation Program, Capacity building, Access to finance, Innovation and mentoring/coaching/consultancy.
2.	Development stage	Capacity building, consultancy, standards, access to finance, coordination/ collaboration activities, innovation, business networking and market information.
3.	Growth stage	Capacity building, consultation, standards, access to finance, coordination/collaboration activities, innovation, business networking and market information.
4.	Maturity stage	Capacity building, access to finance, standards & certification, consultation, access to finance (ERS), coordination/ collaboration activities, innovation, business networking, market access and exhibitions/ trade fairs.

The assistance of EDC can be elaborated as follows.

## 1. Entrepreneurial Training Program

### 1.1 Training/ Short course on entrepreneurship

The target group consists of new and existing entrepreneurs, pensioners, institutions, colleges and school leavers, cooperation and association committee members. Courses offered include entrepreneurial orientation & awareness program (EOAP), new enterprise creation program (NECP), business management, financial management, marketing management, human resource management, standard and quality control, and information system.

### 1.2 Seminars

### 1.3 Workshops

### 1.4 Attachment Programs

## 2. Access to Finance

### 2.1 Enterprise Facilitation Scheme (EFS)

### 2.2 Microcredit Financing Scheme (MFS)

### 2.3 Export Refinancing Scheme (ERS)

## 3. Business Incubation Program

Provide facilities and expertise in supporting the establishment of new industries in the primary resource sectors (agriculture and agri-food, fisheries and ecotourism), manufacturing and service sectors. The Sinaut Business Incubation Program is established for SMEs in these sectors.<sup>47</sup>

## 4. SMEs Support Services

### 4.1 Mentoring

### 4.2 Roadshows

### 4.3 Publications

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<sup>47</sup> Brunei Darussalam Self-Assessment Report, “Daegu initiative assessment on SME Innovation Policies and Best Practices”,  
<http://www.pdfdownload.org/pdf2html/pdf2html.php?url=http%3A%2F%2F2010apecsmeic%2Eorg%2Fppt%2F4%2Epdf&images=no>

## 5. Related SME Projects

### 5.1 Smart Credit Risk Evaluation Assessment Management (SCREAM)<sup>48</sup>

SCREAM system is a technical assistance program to improve bankability of SMEs and directly help to reduce non-performing loans (NPLs). The system focused on an in-depth and rapid analysis of selected borrowers from the existing Financial Schemes and strengthening the credit risk assessment and oversight functions for SME lending.

### 5.2 iTAP: Incubation Technical Assistance Programme

The iTap is a technical assistance program intended to assist Micro and Small enterprises in preparing their Business Roadmaps under Business Incubation Programme. The program consists of two phases as follows.

Phase 1: Utilizing a roadmapping technique to evaluate all core needs of a business and generate directional roadmaps in accordance with their business conditions and value chain position; company structure; business model assessment; strategic priorities; and preliminary recommendations.

Phase 2: Diagnose and evaluate the business conditions; evaluate the gaps in the business models; assess and organize the priorities of the business; understand the principles of developing a basic roadmap for each incubate/start-up.

### 5.3 Way Forward in strengthening marketing services for Brunei SMEs

This project will help develop a much clearer and detailed strategic action plan in accordance with the previous technical assistance for Brunei SMEs.

### 5.4 Cluster Development Program

The program is facilitated by the Commonwealth Secretariat to enhance SME sector competitiveness, through the public-private cluster approach, in primary resources (agriculture and agri-food, fisheries and ecotourism), services and manufacturing.

### 5.5 SME Halal Workshop

The workshop is an annual program. The main aims are to create and increase awareness among SMEs on the Brunei's Halal sector; to provide the SMEs with

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<sup>48</sup> <http://www.bruneitimes.com.bn/business-national/2010/07/07/edc-help-smes-become-more-bankable>

a comprehensive overview of both global and regional Halal markets, to provide the SMEs with a clear perspective on Brunei's comprehensive Halal agenda and the possible roles that they might play within the overall Halal program; to provide the SMEs with a clear understanding of the assistance and support available through various government agencies, and to design effective programs in strengthening the SMEs in the Halal sector.

#### 5.6 International Halal Market Conference (IHMC)

The conference is an annual event in conjunction with the international halal products expo. The main objectives are to become a continuous platform for local and international industry players/experts/specialists and government agencies to share their views, knowledge, expertise and experiences on managing and profiting from the multi-billion dollars halal industry; to strengthen and promote the existing concept of Halal so as to realize its full potential as a globally recognized symbol of quality and safety as it relates to standard and certification; to assist related industry groups to support excellence, innovation, and involvement in the halal market; to establish networking and collaboration so as to stimulate and facilitate the growth and development of the halal market.

#### 5.7 National Study: "5i" Readiness and Needs Analysis for Brunei SMEs

This study is under the contract and the memorandum of understanding (MOU) between the MIPR and Vector scorecard Asia Pacific Pte Ltd to conduct a three-phase national study on the "5i Readiness and Need Analysis for Brunei SMEs." These three phases are 5i-internationalizational readiness survey, outcome presentation, and training needs analysis. These 5i includes integration, internationalization, internalization, investment, and innovation.<sup>49</sup>

Vector Scorecard is an economic and financial development centre in Asia-Pacific for business. The study aims to improve productivity and effectiveness in policy management, strengthen and widen business network; increase ability for businesses to access funding from various sources, improve competencies in financial management and deepen the entrepreneurial activities within the community and across the region.

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<sup>49</sup> EDC, from the interview.

## Brunei Economic Development Board (BEDB)

The Brunei Economic Development Board (BEDB) is a corporate body incorporated by way of statute. The BEDB was established on the 26<sup>th</sup> November 2001 under the Brunei Economic Development Board Act. The BEDB's main objectives are to stimulate the growth and development of the economy by promoting Brunei Darussalam as an investment destination; develop plans to attract foreign and local investment in industries and skill-intensive services that enjoy good export-market prospects; promote and assist in the development of industrial activities; encourage foreign and local industries to invest in new technology, automation, training, research, and product development activities; and support the development of local entrepreneurs and SMEs.

The BEDB supports local SME development by expanding the local market for local SMEs through the development of new industries and business clusters, facilitating new business opportunities for local SMEs in partnership with foreign investors, and developing new facilities to enhance local SME competitiveness and development. The initiatives undertaken by the BEDB to support local SMEs include the development of a small business/technology park at Anggerek Desa; the establishment of iCentre; the development of the Youth Development Resources (YDR); the Buy Brunei portal; the Accel-X Venture Capital Fund; the Local Enterprise Applications and Products (LEAP) program,<sup>50</sup> the Pulau Muara Besar Port Project (PMB); and the Sungai Liang Industrial Park (SPARK).

The Business Park at Anggerek Desa will be developed in phases and will comprise iCentre, Knowledge Hub, and Opportunity Centre. The iCentre is the country's only incubator for local ICT SMES. The Knowledge Hub is a Research and Development centre. The Opportunity Centre is a one-stop centre which will provide advisory services to guide local businesses by providing key business information such as SME databases, market research & studies, industry information and trade statistic reports, as well as legal advice and guidance in the business start up processes.

The iCentre is aimed at supporting Brunei ICT SME and nurturing ICT entrepreneurship in Brunei. The iCentre provides incubation programs, physical facilities and infrastructure for new companies to flourish to complement the Brunei E-

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<sup>50</sup> [http://www.bedb.com.bn/index\\_localbusiness.php](http://www.bedb.com.bn/index_localbusiness.php)

Government initiative. It is the first phase of the Business and Technology Park that the BEDB is developing to support local business and technology development. At the iCentre a number of bright young entrepreneurs are developing innovative ideas helping to bring Made-in-Brunei technology overseas.

Current projects in development at the iCentre include mobile communications content and software, barcode and Radio-Frequency Identification (RFID) applications, software development and public portal development. The iCentre is operated by KR Consulting's Star Incubator, a business unit of National University of Singapore. Through its incubation program the iCentre provides small businesses with the entrepreneurship training, mentoring and marketing support they need in order to grow successfully. The iCentre is equipped with fully wired plug-and-play work spaces which can accommodate up to 16 full-time and 5 virtual small companies at one time. It also provides common office facilities including meeting rooms, a boardroom, an auditorium, as well as a cafeteria.

The YDR is a non-profit organisation. It is the public-private partnership between the BEDB, Alcoa Inc. Bank Islam Brunei Darussalam (BIBD), and Petroleum-Geo-Services (PGS).<sup>51</sup> Programs run by YDR include 1) the Youth Skills Development Program, a public private partnership between YDR, Ministry of Culture, Youth & Sports and Alcoa Inc; 2) the Product Development Program, a partnership between YDR, Village Consultative Council of Kampong Lumut 1 and Petroleum Geo Services; and 3) the Business Development Program, a partnership between YDR and the Bank Islam Brunei Darussalam (BIBD). The cash sponsors of YDR include Alcoa Inc., BIBD, and Petroleum Geo Services.<sup>52</sup>

The Youth Skills Development Program comprises three key elements, i.e. motivational talks, a business mentorship program, and a business micro grant scheme. The Micro Grant scheme aims to assist young people from less privileged backgrounds to start their own businesses.<sup>53</sup>

The Buy Brunei Portal is the nation's first online business facilitation and marketing platform that will enable Brunei businesses to promote their products and

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<sup>51</sup> [http://www.bedb.com.bn/news\\_readmore.php?id=116](http://www.bedb.com.bn/news_readmore.php?id=116)

<sup>52</sup> [www.bedb.com.bn](http://www.bedb.com.bn)

<sup>53</sup> [http://www.bedb.com.bn/news\\_readmore.php?id=116](http://www.bedb.com.bn/news_readmore.php?id=116)

services both locally and internationally, as well as facilitate business to business (B2B) and business to consumer (B2C) transactions. This portal will enable Brunei businesses who subscribe to this portal to expand buying and selling opportunities, and to promote business matching and partnership opportunities internationally. It is intended to be an important step towards introducing Brunei businesses and products to the international marketplace. BEDB and AIR Consortium signed agreement to develop [www.Padian.com](http://www.padian.com). The web portal is aimed to complement efforts and initiatives of the government to connect Brunei SMEs toward a common goal of promoting made-in-Brunei products for Brunei and overseas markets.<sup>54</sup>

The Accel-X is a venture capital fund for promising technology start-ups to stimulate and promote the development of SMEs. The fund is for promising high-tech start-ups and early stage companies. These companies will be supported in terms of the access to equity capital, extensive overseas networks, and mentorship.<sup>55</sup>

The LEAP Program is a \$2 million grant scheme with the objective of supporting the development of new products applications by SMEs as well as students and researchers in Higher Learning Institutions who have innovative ideas and good business plans for the purpose of developing export-promising product concepts into prototypes or proof-of-concept. The program will be active over a period of two years.<sup>56</sup> The grant will cover certain costs to produce innovative products and applications intended for private or public sectors as well as across a broad base of industries. The applicants can obtain grants of up to a maximum of B\$150,000 per application. The BEDB will be looking at innovative technological content, commercial practicality of the product, scalability and export- potential of the product to be developed as well as the demonstrated commitment of the people behind each application.<sup>57</sup>

The government has encouraged the public-private-partnership (PPP) in the nation's development programs by undertaking a privatization master plan. The BEDB, thus, developed two-pronged strategy to support the government on this policy, i.e. the Sungai Liang Park (SPARK) and the Pulau Muara Besar deep-water port.<sup>58</sup> Local SMEs

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<sup>54</sup> <http://www.padian.com/index.php>

<sup>55</sup> [http://www.bedb.com.bn/news\\_readmore.php?id=77](http://www.bedb.com.bn/news_readmore.php?id=77)

<sup>56</sup> Borneo Bulletin,07.07.2010

<sup>57</sup> [http://www.bedb.com.bn/news\\_readmore.php?id=118](http://www.bedb.com.bn/news_readmore.php?id=118)

<sup>58</sup> Ministry of Industry & Primary Resources, Brunei Darussalam Business & Investment Guide, 2009

may be able to benefit from smaller sub-contractual work. It is expected to promote growth in Small Medium Enterprises (SMEs).

The Sungai Liang Industrial Park (SPARK) is aimed to be a world class petrochemical hub. The SPARK is meant to act as host to a number of petrochemical projects that include downstream small and medium enterprises (SMEs). SPARK is administered by the Sungai Liang Authority (SLA) to support the development of a globally competitive industrial and petrochemical hub. The SLA provides a single-point of access for timely approvals and other administrative processes required by investors at SPARK. Through its innovative industrial management solutions, the SLA aims to foster a business-friendly environment to support the business activities of local and international investors.

The SLA's SPARK Zone Village is a Single Point Access Administration Hub that houses amenities and facilities such as conference and meeting rooms, open office spaces for rent, a multipurpose hall, an exhibition hall, banks, pharmacy, eateries and retail shops. The site has security fencing around the perimeter with a high security guard post, closed-circuit television (CCTV) and radio frequency identification (RFID), dual and single carriageways for ease of traffic flow within SPARK, service corridors for connection to utilities, storm water drainage system for wastewater discharge; and street lightings for a well lit industrial park. The first major investment at SPARK is the Methanol Plant developed by the Brunei Methanol Company (BMC), a joint venture between Petroleum Brunei and two leading Japanese companies, Mitsubishi Gas Chemical and Itochu Corporation.<sup>59</sup>

The Pulau Muara Besar (PMB) deep-water port includes construction of a container port (to be developed and operated by the Philippines' International Container Terminal Services Inc), an export processing zone, and an industrial park which is to be developed as a manufacturing hub. The concept of PMB is to develop the Muara Island into three major zones, i.e. economic zone; lifestyle and tourism zone; and community zone.<sup>60</sup>

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edition.

<sup>59</sup> [http://www.bedb.com.bn/bisop\\_spark.htm](http://www.bedb.com.bn/bisop_spark.htm)

<sup>60</sup> [http://www.bedb.com.bn/bisop\\_pmb.htm](http://www.bedb.com.bn/bisop_pmb.htm)

Besides, the works of the MIPR and BEDB, in order to encourage the public-private-partnership (PPP) of the privatization master plan, the Ministry of Defence (MINDEF) has promoted the local entrepreneurs by getting local SMEs and government-linked companies (GLCs) to play a larger role in Ministry of Defence's contracts. In this regard, the MINDEF has introduced a comprehensive defense industry policy which includes commercialization, corporatization, privatization, import substitution and an economic enhancement program. In addition, the Ministry of Home Affairs is working on the One Village, One Product (OVOP) program to develop local products.<sup>61</sup>

### **1-(5) Financial Supports for Small & Medium Enterprise Policy**

The government has provided many financial supports in terms of funds and grants. These funds and grants include LEAP program and Micro grant scheme, and Accel-X scheme (see 1-4). Another source of fund for SMEs, especially in the ICT sector is the Authority for Info-communications Technology Industry of Brunei Darussalam (AITI). The AITI offers the AITI Grant Scheme application for the local ICT industry players. The AITI Grant Scheme has four types of schemes that imitate the stages of ICT product or solution development. These are:

- 1) Product Development Grant – for developing prototypes or concept testing;
- 2) Product Enhancement Grant – for improving and upgrading design or processes
- 3) Product Ownership Grant – for obtaining certification and recognition; and
- 4) Product Packaging Grant – for improving existing packaging, design or labeling.

The grant amount varies with a maximum of BND 250,000 depending on the type of grants applied. Each applicant can apply for more than one type of grant for the same IT product or solution. Grant applicants will be evaluated on four (4) main criteria namely the proposals' technology merits, commercial potential, financial and resources as well as project plan & capacity to deliver.<sup>62</sup>

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<sup>61</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

<sup>62</sup> <http://www.aiti.gov.bn/PressRelease.html>

To support SMEs in terms of financing, the MIPR developed the Enterprise Facilitation Scheme (EFS) and the Microcredit Facilitation Scheme (MFS) to entrepreneurs who are seeking financial support for their business operations. These financial schemes are designed to assist and expedite the development of SMEs in Brunei and are wholly financed by the Government and managed jointly with appointed local banks responsible for the disbursement and administration of the fund (see 2-1). The local banks appointed to administer both schemes by the MIPR are Bank Islam Brunei Darussalam (BIBD) and Baiduri Bank Berhad. Although priority is given to companies who have completed a relevant business management training recognized by the MIPR or the participating local Bank, entrepreneurs without relevant training are also encouraged to apply.<sup>63</sup> Other financing scheme is Export Refinancing Scheme (ERS). Details are elaborated in 2-1.

#### **1-(6) Breakdown of Responsibilities for Central and Regional Governments**

Brunei Darussalam is constitutional Malay Islamic Monarchy with His Majesty the Sultan and Yang Dipertuan as the Head of State and Head of Government. His Majesty is also the Prime Minister. Brunei Darussalam's administrative system is a cabinet consisting of, at present, twelve ministries each headed by a minister appointed by His Majesty. Within each ministry are the various government departments whose heads report to their respective minister through their permanent secretaries. The country's administrative system is centred on the Prime Minister's Office.<sup>64</sup>

The twelve Ministries are Prime Minister's Office, Ministry of Defence, Ministry of Finance, Ministry of Foreign Affairs and Trade, Ministry of Home Affairs, Ministry of Education, Ministry of Industry and Primary Resources, Ministry of Religious Affairs, Ministry of Development, Ministry of Culture, Youth and Sports, Ministry of Health, and Ministry of Communications.<sup>65</sup>

Brunei is a centrally controlled state in many ways. The country is divided into four districts, known as daerah. These are Belait, Brunei-Muara, Temburong, and Tutong. Each of the districts is administered by a district officer (DO) who reports to the Ministry

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<sup>63</sup> <http://www.bt.com.bn/business-national/2010/11/03/mipr-funds-open-farmers-fishermen>

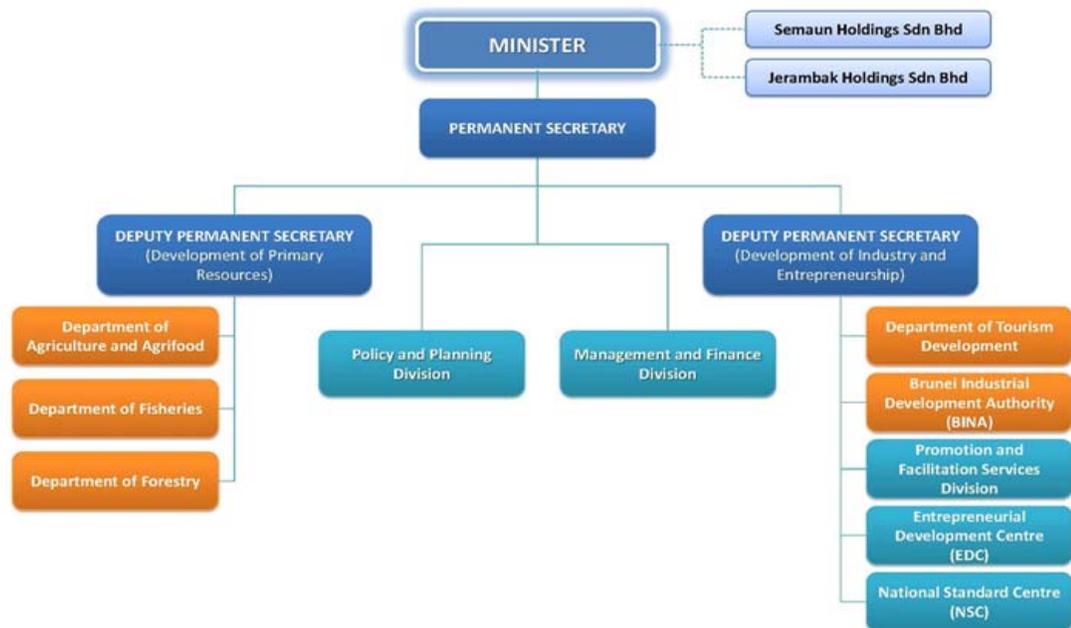
<sup>64</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

<sup>65</sup> <http://www.jpm.gov.bn/>

of Home Affairs. The districts are further subdivided into 38 provinces, known as mukim. The mukim are then further divided at the village or kampung level. At the village level, consultative councils act as channels between the Sultan and the people.<sup>66</sup>

The Ministry of Industry and Primary Resources (MIPR) is responsible for the development of SMEs. There are 5 divisions and 5 departments in MIPR. Five divisions are Management and Finance; Policy and Planning; Promotion and Facilitation Services; National Standard Centre; and Entrepreneurial Development Centre. The 5 departments are Department of Agriculture and Agrifood, Department of Fisheries, Department of Forestry, Brunei Industrial Development Authority (BINA), and Department of Tourism Development. The organization chart of the MIPR is as shown in Figure 4.<sup>67</sup>

**Figure 4: MIPR Organization Chart**



The Policy and Planning Division has its mission to plan, formulate and manage industrial and business policies and strategic industry directions in coordination and

<sup>66</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

<sup>67</sup> [http://www.bruneimipr.gov.bn/index.php?option=com\\_content&view=article&id=49&Itemid=67](http://www.bruneimipr.gov.bn/index.php?option=com_content&view=article&id=49&Itemid=67)

collaboration with departments and divisions under the MIPR to achieve economic diversification (see Figure 5).<sup>68</sup>

The Management and Finance Division has its mission to provide effective, trustworthy and high quality services through integrated HR and IT.

The Promotion and Facilitation Services Division has its mission to facilitate the development of SMEs and to promote local products (see Figure 6).

The National Standard Centre has its role in helping local product meet the required market standards. Type of Services provide to SMEs include Certification Service, Standard & Quality Product Training Service, Quality & Promotion Development Service, Standard & Information Service, Consultation Service, Factory Visit Service, and Testing & Metrology Collaboration Lab Service.

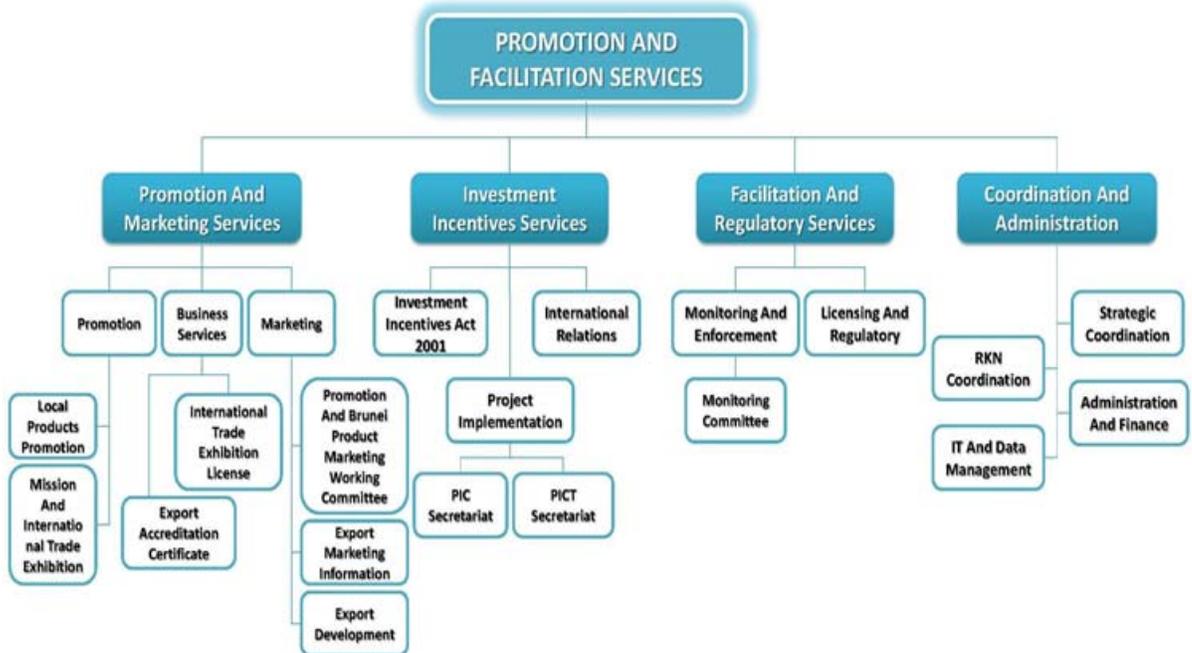
The Entrepreneurial Development Centre (EDC) is in charge of many SMEs' projects. The EDC has its organization chart as follows (see 1-4 and Figure 7).

**Figure 5: Policy and Planning Division**

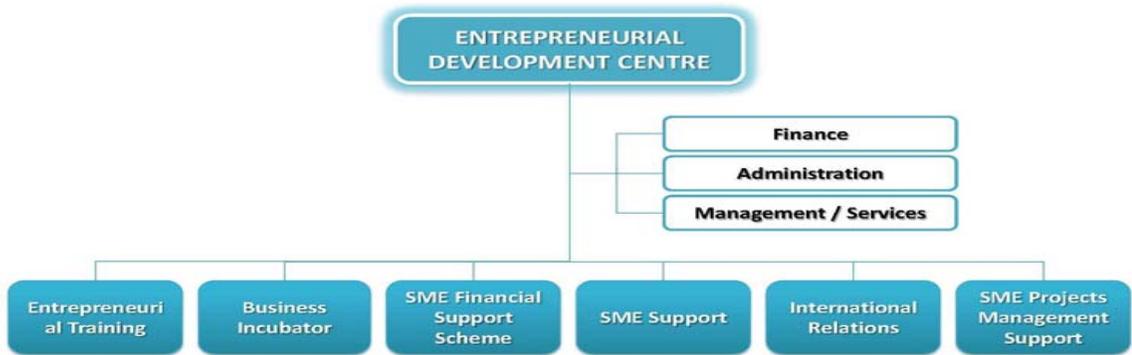


<sup>68</sup> <http://www.bruneimipr.gov.bn/>

**Figure 6: Promotion and Facilitation Services Division**



**Figure 7: EDC Organization Chart**



The BEDB is established to be the leading economic development agency. It comprises 6 divisions. Its organization chart is as shown in Figure 8.<sup>69</sup>

1. Local Business Development Division is responsible for creating opportunities for local businesses through the effective implementation of SME initiatives and programs while promoting a business-friendly environment.

2. Marketing and Investment Promotion Division is responsible for creating global awareness of Brunei's economic diversification strategy and investment opportunities through active marketing and promotion of key priority industries.

3. Infrastructure Development Division is responsible for developing and implementing all infrastructure projects under the BEDB, in line with the needs of Brunei Darussalam's economic and social development.

4. Public-Private Partnership Division is responsible for creating commercial opportunities for the private sector to participate together with the BEDB by adopting alternative mode of financing for projects.

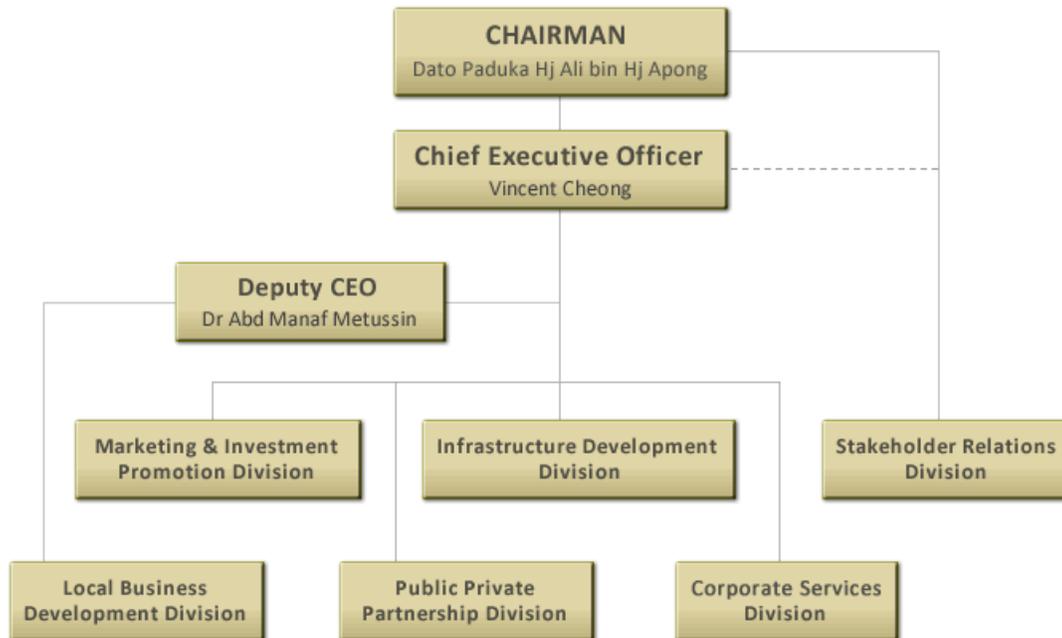
5. Stakeholder Relations Division is responsible for managing strong and effective working relationship with key BEDB stakeholders through consistent and clear communications and effective branding programs.

6. Corporate Services Division is responsible for providing the essential support functions within the BEDB in the areas of Administration, Facilities Management, Finance, Human Resources, and Information Systems.

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<sup>69</sup> [http://www.bedb.com.bn/about\\_organisational.htm](http://www.bedb.com.bn/about_organisational.htm)

**Figure 8: BEDB Organization Chart**



## **Chapter 2 SME Development policies –Specific Schemes**

### **2-(1) Financing**

Brunei does not have capital markets and central bank. The government regulates the local banking industry via the Banking Acts and Finance Companies Act. The Ministry of Finance, through its Financial Institutions Division regulates all banking activities to ensure a stable and fiscally sound business environment while its Brunei Currency Board is responsible for issuing and managing the local currency. The Brunei dollar is on par with the Singapore dollar, and both currencies are freely traded in the respective countries. There is no foreign exchange control in Brunei as local banks allow non-resident accounts to be maintained and there is no restriction on borrowing by non-residents.<sup>70</sup>

The country is served by two local banks, eight foreign banks, and four finance companies. Local banks are Bank Islam Bruenei Darussalam Berhad (BIBD) and Baiduri Bank Berhad. Foreign banks are AmCapital (B) Sdn Bhd, BICB Capital SDN Bhd, Citibank NA, HSBC, Malayan Banking Berhad (Maybank), RHB Bank Bhd,

<sup>70</sup> The Report Brunei Darussalam 2009.

Standard Chartered Bank, and United Overseas Bank (UOB). Finance companies are Baiduri Finance Berhad, HSBC Finance (Brunei) Bh, IBB Kredit Bhd, and Perbadanan Tabung Amanah Islam Brunei(TAIB).<sup>71</sup> BIBD is an Islamic bank whereas the TAIB is an Islamic financial institution.

The government is encouraging the banks to play active roles in the government's effort to diversify the economy. Financial guidelines adopted by the Ministry of Finance stated that by 2010 both local and foreign banks should reduce their consumer lending to 30% of the total local loan portfolios. This target aims to exert pressure on the banks to seek out new opportunities in the private sector. Banks might face regulatory pressure to channel more funds to SMEs.<sup>72</sup>

The SMEs financing is provided by the MIPR managed by EDC, the BEDB, and banks. The MIPR developed Enterprise Facilitation Scheme (EFS) and Microcredit Financing Scheme (MFS) to assist and expedite the development of SMEs in terms of company's working capital, purchase of equipments, building construction, contract financing, and project financing. These two schemes are wholly financed by the government and managed jointly with two appointed local banks, BIBD and Baiduri Bank Berhad. These banks are responsible for the disbursement and administration of the fund.<sup>73</sup> It takes 1 to 2 months for application consideration. Another MIPR financing scheme is Export Refinancing Scheme (ERS).<sup>74</sup>

The EFS provides financing for SMEs to encourage and assist them to upgrade, modernize, and expand their business capacities. Maximum financing limit is B\$ 5 million. Maximum repayment period is 10 years. Target sectors for EFS are companies undertaking a business or producing promoted products in the agriculture and fisheries (production, processing and marketing), manufacturing, and tourism sectors and the marketing of such products. Priorities will be given to companies undertaking business on industrial sites, agriculture development sites, fisheries development sites; operators of capture fisheries; tourism licensed companies, and entrepreneurs who have undergone relevant business management training recognized by the MIPR and/or the Banks. In

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<sup>71</sup> [http://en.wikipedia.org/wiki/List\\_of\\_banks\\_in\\_Brunei](http://en.wikipedia.org/wiki/List_of_banks_in_Brunei)

<sup>72</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

<sup>73</sup> [http://www.bibd.com.bn/index.php?option=com\\_content&view=article&id=76&Itemid=81](http://www.bibd.com.bn/index.php?option=com_content&view=article&id=76&Itemid=81) and <http://www.bt.com.bn/business-national/2010/11/03/mipr-funds-open-farmers-fishermen>

<sup>74</sup> <http://www.bina.gov.bn/Services%20-%20Micro%20Credit%20scheme.html>

order to be eligible for EFS, the company should have at least 30% of its equity owned by Rakyat Melayu of Brunei Darussalam (“Rakyat Melayu” defined as both seven indigenous groups and registered Malay citizens) and registered with the Registrar of Companies and Business Names either as Sole-Proprietorship, Partnership, Private Limited Company (Sendirian Berhad), Public Limited Company (Berhad) or Cooperative.

The MFS provides support for small/micro socio-economy. Maximum loan ceiling is B\$ 50,000. Maximum repayment period is 5 years. Target sectors for MFS are all types of businesses that are not against the laws and regulations of Sharia. Priorities are given to new entrepreneurs who are university graduate, technical institutions graduate, participant from Pusat Pembangunan Belia, participant from Handicraft Centre, or future pensioners and retirees. In order to be eligible for MFS the company must be owned 100% by Rakyat Melayu of Brunei Darussalam and are registered with the Register of Companies and Business Names either as Sole-Proprietorship, Partnership, Private Limited Company (Sendirian Berhad) or Cooperative and operated in Brunei.

The ERS provides loan with a maximum limit of half a million dollars for each borrower. It is to help SMEs who are capable of exporting their products to step into the international export market; to compete in the free trade arena in the ASEAN region and internationally, and to cultivate the export activities amongst Brunei SMEs as a strategy to widen the market share. The ERS provides direct and indirect exporters short-term financing before and after they make a delivery. The pre-shipment ERS facility helps exporters to finance the purchase of items such as raw materials and general costs. The post-shipment ERS facility on the other hand aims to help defray the expenses of delivery. These facilities are granted to companies registered and certified as an exporter. The ERS will be extended to a number of commercial banks.<sup>75</sup> The ERS will enable local SMEs to have a better footing in main business activities such as fisheries, agriculture, forestry, manufacturing and Info-Communication Technology (ICT).<sup>76</sup>

The EDC has embarked an initiative, known as SCREAM (smart credit risk evaluation and assessment of management) to help small-to-medium enterprises (SMEs)

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<sup>75</sup> <http://news.brunei.fm/2010/04/16/more-facts-on-export-refinancing-scheme/>

<sup>76</sup> <http://news.brunei.fm/2010/04/14/export-refinancing-scheme-to-be-launched-tomorrow/>

become more bankable and investment-friendly. The program is part of a long-term plan to make sure that local SMEs take pro-active steps in ensuring their balance sheets are more robust to meet the challenges of growth and the international market. This initiative is technical assistance cooperation between Vector Scorecard Asia-Pacific (VSAPAC) and EDC's key personnel. It is jointly managed by MIPR, Bank Islam Brunei Darussalam (BIBD) and Baiduri Bank Berhad. The process was conducted using the SCREAM scorecard to evaluate the strength of SMEs with little reliance on financial statements but more for qualitative assessment, adjusted to suit local context.<sup>77</sup>

## **2-(2) Tax system and Tax Rate for SMEs<sup>78</sup>**

Information on taxation can be obtained from the Revenue Section, Ministry of Finance (<http://www.finance.gov.bn/bahagian/3.htm>).

There is no personal income tax. A company resident in Brunei Darussalam is liable to income tax on its income derived from, accrued in or received in Brunei Darussalam or received from overseas, whereas a non-resident company is only taxed on its income arising in Brunei Darussalam. A company, whether incorporated locally or overseas, is considered as resident in Brunei Darussalam for tax purposes if the control and management of its business is exercised in Brunei Darussalam. The company is normally regarded as resident in Brunei Darussalam if, among other things, its Directors' meetings are held in Brunei Darussalam.

A company that is incorporated or registered under the Brunei Darussalam's Companies Act (Cap. 39) or any law in force elsewhere will be liable to pay corporate income tax on its chargeable income. The corporate tax rate is 23.5% for the year of assessment 2010. The corporate tax rate will be 22% from 1 January onwards.<sup>79</sup>

Partnerships and sole proprietorships are not liable to taxes. However, the Income Tax Act (Amendment) Order 2009 adds a subsection on the returns of partnership. It is to furnish the tax collector of an estimate of the income from all sources of the partnership,

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<sup>77</sup> The Brunei Times, July 2010.

<sup>78</sup> The Revenue Section, Ministry of Finance.

<sup>79</sup> [www.bedb.com.bn](http://www.bedb.com.bn)

the names of all the partners and their share of income for that year. This is only made if the tax collector requires it. This decision is hoped to all SMEs to develop the economy.<sup>80</sup>

Tax exemption for imported raw materials and machinery are given to SMEs involved in industries related to food for local and export market and in industries utilizing local resources.

A new tax threshold has been introduced to reduce tax liabilities of SMEs. The chargeable income of resident and non-resident companies is subject to tax at the following rates<sup>81</sup> in Table 11:

**Table 11: Tax Threshold**

<b>Threshold</b>				
	<b>Financial period from 01.01.2009 to 31.12.2009</b>		<b>Financial period from 01.01.2010 to 31.12.2010</b>	
	<b>Threshold</b>	<b>Tax Rate</b>	<b>Threshold</b>	<b>Tax Rate</b>
25% of Chargeable Income	For the first B\$50,000	23.5%	For the first B\$100,000	22%
50% of Chargeable Income	For the next B\$50,000	23.5%	For the next B\$150,000	22%
100% of Chargeable Income	For amount above B\$100,000	23.5%	For amount above B\$250,000	22%

For newly incorporated companies in Brunei Darussalam, exemption will be granted for the first B\$100,000 of the Chargeable Income of the company during the first 3 consecutive Years of Assessment falling within or after Year of Assessment 2008. The Chargeable Income above B\$100,000 shall be charged with tax at the above applicable rate.

<sup>80</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

<sup>81</sup> [http://www.bedb.com.bn/doing\\_guides\\_taxation.htm](http://www.bedb.com.bn/doing_guides_taxation.htm)

## **2-(3) Provision of Information, Human Resources Training, Environment, Consulting, Advice, etc.**

Brunei will pursue the development of knowledge- based economy (KBE) to build a sustainable economy.<sup>82</sup> Capital investments will be focused on enhancing R&D capacity, enrolment in tertiary education, innovativeness, creativity, capacity and skills in technology. The government will stimulate investments that promote high ICT penetration and internet usage as well as generate high value-added economic activities. The capacity and scopes of operation of SMEs will be elevated for efficient domestic operation and expansion into regional and subsequently international markets. Entrepreneurship training and guidance will be strengthened for SMEs to cover the areas of management, operation, marketing and technology for increasing their competitiveness. The EDC and the iCentre have incubation programs to help in training and other activities, see 1-4.

By 2010, seventy percent of the workforce is expected to equip with essential ICT skills required for their job. Several ICT training programs will be undertaken which includes the adoption of the globally accepted computer competency requirement by the civil service as well as the organising of IT professional courses and ICT competency programs. Further targets include 60 per 100 population in the number of mobile phone subscribers and 600 per 1000 population in the number of computers and internet users. Apart from providing ICT basic infrastructure, the NDP 2007-2012 is also focusing on ICT integration/on-line services, human and institutional capacity building and e-business to enhance local SMEs. Regarding human capacity building, the government has allocated approximately \$120 million towards the goal.<sup>83</sup>

The MIPR signed a Memorandum of Understanding (MoU) with SME Corporation Malaysia, in the year 2010, to jointly identify and develop programs for cooperation in the fields of training, expertise, information, research and development, and other knowledge-based activities related to the development of SMEs in both countries. The objective of the MoU is to set out general principles of collaboration in fields of mutual interest between the two agencies. The signing of the MoU concluded

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<sup>82</sup> [http://www.industry.gov.bn/index.php?option=com\\_content&view=article&id=47&Itemid=65](http://www.industry.gov.bn/index.php?option=com_content&view=article&id=47&Itemid=65)

<sup>83</sup> Ministry of Industry & Primary Resources, Brunei Darussalam Business & Investment Guide, 2009 edition.

with the identification of various areas of cooperation and activities to be implemented for a period of five years. Both agencies agreed to form a Steering Committee with specific terms of references as well as a "Working Committee" to implement, monitor and report progress.<sup>84</sup>

The government also provides consultative services to SMEs. The Entrepreneurial Clinic provides consultation and assistance regarding any aspect on development of SME business. The Attorney General Chamber office and the Enterprise and Innovation Office (EIO) provide consultations on legal and tax issues.<sup>85</sup>

#### **2-(4) Support for Obtaining Management Resources for Existing SMEs**

The MIPR and the BEDB are responsible for supporting SMEs development (see 1-4 and 1-6). The supports include the development of incubation programs, the web portal and so on.

#### **2-(5) New Business/Venture Support**

The MIPR is the local point in co-ordinating all industrial development activities. For investments in Brunei Darussalam, the Ministry is a One-Stop Agency. A totally private development that does not require Government facilities needs only the approval to start. Those requiring Government facilities and assistance need only deal with the Ministry, which will liaise with other agencies and expedite applications. The entire procedure has only four stages, i.e. approval of the concept, approval of firm proposal, approval of physical plans, and approval to operate. In all the four stages, the MIPR is the main contact.

The investment Incentives Order 2001, monitored by the MIPR, offers investment incentives in the form of tax exemption. In addition, the government provides many financial and knowledge support programs to help new entrepreneurs to start up their business. (see 1-4)

According to the Miscellaneous Licenses Act [Amendment] (Chapter 127), the miscellaneous license, or Rampaian, is required by certain companies before they can

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<sup>84</sup> <http://www.asianewsnet.net/home/news.php?id=12398&sec=2>

<sup>85</sup> [http://www.apec-smeic.org/\\_file/daegu/4-1.brunei%20Daegu%20Initiative%20-%20Brunei%20Darussalam%20Self%20Assessment%20Report%20Presentation%20\(7%20June%202010\).pdf](http://www.apec-smeic.org/_file/daegu/4-1.brunei%20Daegu%20Initiative%20-%20Brunei%20Darussalam%20Self%20Assessment%20Report%20Presentation%20(7%20June%202010).pdf)

commence business operations. Application forms are available for purchase at the Municipal Department. The following table outlines the categories of companies requiring the license and the corresponding fees (see Table 11).

**Table 11: Categories and Fees**

Purpose of Business	Fees(B\$)				
	1 Year	2 Years	3 Years	4 Years	5 Years
Coffee Shop	25	25	75	100	125
Eating House	50	50	150	200	250
<b>Boarding house - providing:</b>					
10 or more bedrooms, cubicles or both	100	100	300	400	500
Less than 10 bedrooms, cubicles or both	50	50	150	200	250
Lodging house	25	25	75	100	125
Place of public resort and entertainment	100	200	300	400	500
Hawker	10	20	30	40	50
<b>Motor vehicle dealer:</b>					
Main dealer	5,000	10,000	15,000	20,000	25,000
Branch	3,000	6,000	9,000	12,000	15,000
Agent	1,000	2,000	3,000	4,000	5,000
Petrol station, including a place for storing petrol and inflammable materials	100	200	300	400	500
Retail shop	50	100	150	200	250
Timber store, furniture factory or both	100	200	300	400	500
Workshop	50	100	150	200	250

## **2-(6) Promotion of Fair Dealing and Maintenance of Markets for SMEs**

Brunei does not have a competition law. The government exercises economic regulations such as price control of limited basic essential items and against hoarding of controlled items.

## **2-(7) Regional SME Policies**

It is evidenced that the government encourages the regional local businesses in accordance with their geographical distinctiveness. Brunei is divided into four districts which the most populous district is Brunei-Muara, followed by the Belait district, Tutong district, and Temburong, respectively. Among the four districts of Brunei Darussalam Belait is the largest district of Brunei. It is the production base of the nation's main export commodities - oil and gas. Temburong is the country's second largest district but the least populated. It is heavily forested and largely undeveloped. Tutong, the third largest district, is the home of many of Brunei's ethnic tribes such as the Dusun, Murut, Kedayan and so on. Brunei-Muara is the smallest but the most populous district of Brunei.

The Belait District has a large expatriate community, including many Dutch people. This is because Royal Dutch Shell has a major presence in the region. Natural Gas from the fields is sent to the Brunei Liquefied Natural Gas Plant (BLNG) in Lumut where it is cooled and liquefied. This is exported via tankers to mainly Japan and Korea. In Liang, SPARK is developed to be a world class petrochemical hub. The intention behind the Sungai Liang Industrial Park is that it will play host to a number of petrochemicals projects that also include downstream SMEs.<sup>86</sup>

The Temburong District is separated from the rest of Brunei by Malaysia and Brunei Bay. Brunei's first national park, the Ulu Temburong National Park, is located south of the Temburong district. The national park has a scientific research centre facility, the Kuala Belalong Rainforest Field Studies Centre, which is only accessible by boat. Recently, the Kuala Belalong area had been allocated for joint venture research projects conducted by the Universiti Brunei Darussalam, Kuala Belalong Field Studies and the Smithsonian Tropical Research Institute. It is called the "Belalong Rainforest Experience," and is funded by The Hongkong and Shanghai Banking Corporation: Brunei.

The Temburong district develops eco-tourism industry because the district is still covered by pristine forest. Eco-Tourism promotion events such as "Cuti-Cuti

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<sup>86</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

Temburong" ('Temburong holidays') was launched at the end of 2008 by the local tourism group known as "Kenali Negara Kitani" (KNK) ('Know Your Country') to encourage locals and tourists from foreign countries to travel to the Temburong district.

The Tutong district has the largest lake in Brunei, Tasek Merimbun, which is declared as an ASEAN Heritage Park. In 2010, the Department of Agriculture and Agri-Food (DAA), MIPR, is planning to create an Agriculture Industry Park in Tutong to develop the district's agricultural industry. The mid-term plan is to formulate a master plan for each of the areas in order to accommodate development in the agriculture and agri-food in unison with infrastructure that will include a main road to the field, water supply, electricity, domestic raw water and other needs. The park would also be offered for Foreign Direct Investment (FDI) participants in an effort to bringing agriculture and agri-food activity to a larger scale.

In the fisheries sector, 40 hectares in the Telesai Sg Paku phase two is currently being used to breed fish utilising the re-circulatory system. Meanwhile, another 200 hectares of land are currently undergoing clearing to make way for a Tiger Prawn breeding facility, which is expected to be completed in March 2011. These activities have been implemented to pave way for employment opportunities, to create a prawn and fish breeding industry for the export market, and to create downstream industry, such as food processing, food supplies and so on.

Other initiatives of the MIPR for the development of Tutong include developing the forestry industry by attracting private sector in downstream processing and adding value to wood, manufacturing besides activities in the service industry, fishery, showroom and workshop, recreational gym and a cineplex. In addition, a cultural hall was being built for Tasek Merimbun visitors to strengthen eco-tourism in Kuala Tutong.<sup>87</sup>

The Brunei-Muara District is the location of Bandar Seri Begawan, the state capital. All of the government ministry headquarters are located in this district as well as the country's three universities. This District is the central hub for transport because it is the locations of the Brunei International Airport, the Muara Port and the Pan Borneo Highway passing through it. Tourism is one of the largest contributors to the district's

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<sup>87</sup> <http://news.brunei.fm/2010/03/14/agriculture-industry-park-plan-for-tutong/>

GDP due to its abundant tourist attractions. The well known place in the district is Kampong Ayer (Water Villages). In order to preserve Kampong Ayer as Brunei Darussalam's most valuable heritage, the Government through the District Office has equipped it with numerous facilities including food-bridges, concrete jetties, piped water, electricity supplies telephones, schools, mosques, clinics, police station and a marine fire station.<sup>88</sup>

## **2-(8) Supporting the Internationalisation of SMEs**

A Wawasan Brunei 2035's major objective is to incorporate SMEs into regional and international markets. Many projects are implemented to provide opportunities for SMEs to reach international markets. Some implemented projects are as follows.

1) In April 2009, Brunei and the Philippines signed a Memorandum of Understanding (MOU) that seeks to strengthen the bilateral cooperation of the two countries in the fields of agriculture and farm-related trade and investments.

2) Brunei moves ahead in major initiative to become a vital hub in the Brunei Darussalam- Indonesia- Malaysia- the Philippines- East ASEAN Growth Area which aims to boost trade, investment and tourism.

3) The MIPR implements Export Repayment Scheme, a form of financial assistance for local entrepreneurs to export their products, through several commercial banks and offers a maximum loan of B\$500,000 for each loan (see 2-1).

4) In July 2009, Brunei launched its national halal branding scheme. The Halal Brand allows manufacturers in Brunei and in other countries to use the premium Brunei Halal trademark to help them penetrate markets in countries with significant numbers of Muslim consumers. The Brunei Halal brand is said to be the first proper attempt to put together a global halal brand that will reap the potential commercial returns of catering to the consumption needs of Muslims worldwide. A government-owned, Brunei Wafirah Holdings Sdn Bhd, has been established as the owner of the Brunei Halal brand. Wafirah has entered into a joint venture with Brunei Global Islamic Investment and Hong Kong-based logistics firm, Kerry FSDA Limited, to form Ghanim International Food Corporation Sdn Bhd to manage the use of the Brunei Halal Trademark. The world

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<sup>88</sup> [http://www.bruneidirecthys.net/about\\_brunei/small\\_medium.html](http://www.bruneidirecthys.net/about_brunei/small_medium.html)

halal market always comes up with various business opportunities for entrepreneurs who are sensitive towards consumers' needs, either in the form of products or related support services.

5) The organization of the SMEs Halal Workshop by the EDC to discuss and provide understanding of the implementation strategy and the Action Plan of the Halal Industry Development Program for local SMEs, particularly in the food sector, through sharing of information with Ghanim International Food Corporation. The workshop is also to share up-to-date information on the development of the halal market in various sectors at the regional and global levels.

6) Brunei Darussalam has consolidated its presence in bilateral trade both regionally and globally by becoming a member of The World Trade Organization (WTO), Association of South East Asian Nations (ASEAN), The Asia Pacific Economic Cooperation (APEC), The Brunei Darussalam, Indonesia, Malaysia and the Philippines-East Asean Growth Area (BIMP-EAGA), Asia Cooperation Dialogue (ACD), Asia-Middle East Dialogue (AMED), and Trans-Pacific Strategic Economic Partnership (Trans-Pacific SEP) Agreement (USA, Singapore, New Zealand, Chile and Brunei in a free trade agreement). These bilateral trade and cooperation affiliations are designed to facilitate regional and international trade as well as to align Brunei Darussalam with current international trade issues such as bilateral free trade, environment cooperation agreements, labour cooperation and memorandum of understandings, national interest analysis, agreement between cooperating nations on the use of agri-tech, forestry and education sectors, identification of opportunities for sales of goods and services, technology transfer, consultancies and joint ventures.

## **2-(9) Employment/Work Policies for SMEs**

The Employment Order 2009 came into effect on the 3<sup>rd</sup> of September 2009. It is the main legislation governing the terms and conditions of employment in Brunei Darussalam. It covers all persons who are employed under a contract of service, which may be written or implied. This Order excludes seamen; domestic servants; any person employed in a managerial, executive or confidential position; Civil servants; and all employees of statutory bodies.

Brunei has small number of population. Therefore, the country continues to welcome both skilled as well as unskilled foreign workers, particularly in the construction and service related sector. Expatriate employment is controlled by a Labour Quota system from the Labour Department. The Immigration Department is responsible for the issuance of employment passes. Each work permit issued to an expatriate is valid for a period of 2 years.

The government practices a flexible policy to allow companies to recruit foreign workers to man their operations. Foreign workers account for over a third of the total workers, mainly from Malaysia, Thailand, Philippines, Indonesia and South Asia. Regulations and procedures on recruitment of foreign workers ranging from labourers to executive managers except for clerical and related workers, drivers, securities and related workers where locals are available are based on the following conditions:

1. The employer (company) must be legally registered with Legal Department Brunei Darussalam
2. Before recruiting foreign employees, employers must have a Labour License issued by Commissioner of Labour Brunei Darussalam.
3. Approval of Employment Visa and Employment Pass must first be obtained from the Director of Immigration Brunei Darussalam by the employer for every foreign employee to be employed.

There is no minimum salary in Brunei Darussalam. It is subject to negotiation and mutual agreement between an employer and employee. Average wage rates per month for private sector employees vary from B\$450-500 for unskilled labor to B\$1,000 for qualified secretaries.<sup>89</sup>

All private sector employers and Bruneian employees are required to contribute to a provident fund known as the Employees Trust Fund (Tabung Amanah Pekerja: TAP) for their local employees (foreign employees are currently exempted). Employees contribute 5% of their wages and employers contribute another 5%. The employer also needs to pay the insurance and medical check-up for the employees.<sup>90</sup>

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<sup>89</sup> Ministry of Industry & Primary Resources, Brunei Darussalam Business & Investment Guide, 2009 edition.

<sup>90</sup> Ministry of Industry & Primary Resources, Brunei Darussalam Business & Investment Guide, 2009 edition.

As most of the citizens are employed in the public sector, the government continues to actively encourage more local employment in the private sector. The push towards diversification and the promotion of Foreign Direct Investment (FDI) is seen as the answer to the problem of over dependence on public service employment. To localise the workforce and reduce unemployment, the Government is putting great emphasis on human resource development, particularly in the technical, technology and professional fields.

## **2-(10) Development Policies for Small Scale Enterprises**

In 1994, Brunei signed the Asia-Pacific Economic Cooperation of SME charter that the country chose to partake to attain an economic advantage referred to as "clusters phenomenon", in which small firms collaborate together to handle aspects of the business characterized by economies of scale.<sup>91</sup>

To support small scale enterprises, the MIPR initiates the Microcredit Financing Scheme (MFS), see 1-5 and 2-1. Other programs that help developing those enterprises include the establishment of EDC's Entrepreneurial Training Program, iTap, SCREAM, and the Sinaut Business Incubation Program. The BEDB also provides much assistance to small scale enterprises. These assistances include the establishment of iCentre, YDR, and the LEAP program (see 1-4).

Moreover, Brunei is currently implementing a plan to encourage small-scale entrepreneurship in its villages. The program called "One Village, One Product" (OVOP), starting the implementation in 2002. It is carried out by a unit of the Ministry of Home Affairs at the district office level and is designed to draw upon the rich cultural heritage of Brunei's villages and use this as a basis for the development of successful businesses at the local level. The ministry is operating the project via its OVOP research and development unit. The OVOP aims at raising the standard of living in rural areas; creating employment based on developing local products and services; and adding value to local materials, services and resources. OVOP has three foundational principles, i.e.

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<sup>91</sup> [http://www.bt.com.bn/focus/2009/03/12/brunei\\_supports\\_entrepreneurial\\_spirit](http://www.bt.com.bn/focus/2009/03/12/brunei_supports_entrepreneurial_spirit)

creating products that display the local culture's pride, regional self-reliance and creativity, and human resource development.<sup>92</sup>

## **2-(11) Safety net**

In order to protect the SMEs, the government has implemented measures to assure the safety of lending for both the demand and the supply sides. For the supply side, the MIPR has set up a number of financial guarantee schemes for SMEs which could certainly help Islamic institutions manage the risks linked to SME lending. Financial institutions will be offered additional credit guarantees and government grants for private entrepreneurs which should help local banks manage their loan portfolios profitably. In March 2009, Brunei issued a titah (proclamation) announcing the creation of the Sustainability Fund Order (SFO), a pool of funds that will act as insurance against diminishing oil revenues and other future potential financial disruptions.<sup>93</sup> For the demand side, financing schemes which are provided for SMEs are under the supports of the government. In order to ensure the repayment of the loan, banks' general terms and conditions are applied.<sup>94</sup>

## **Chapter 3 Challenges of and Suggestions on Promotion of SMEs in Brunei Darussalam**

### **3-(1) Current problems of SMEs and suggestions**

From the current information review, combined with the studies from the Brunei Institute of Technology and the Commonwealth Secretariat,<sup>95</sup> it can be concluded that major problems facing Brunei SMEs are related to marketing, capital, government policies, human resources development, location, raw materials, and attitude of SMEs. These problems and the suggestions on the SMEs promotion are as follows.

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<sup>92</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

<sup>93</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

<sup>94</sup> [http://www.bibd.com.bn/index.php?option=com\\_content&view=article&id=76&Itemid=81](http://www.bibd.com.bn/index.php?option=com_content&view=article&id=76&Itemid=81)

<sup>95</sup> Report on Small and Medium Enterprises in Brunei Darussalam, April 2002 by Department of Business and Management, Brunei Institute of Technology and report on the Development of Marketing Services for Brunei SMEs by Commonwealth Secretariat, June 2007.

## **Marketing**

The domestic market in Brunei is very small. SMEs had difficulties to market their products in the increasingly competitive and saturated markets. The size of the domestic market hampers the ability of non-oil and gas industries to achieve economies of scale. Consequently, they have to compete among themselves and with foreign competitors against the local products and the imports.

The SME sector is still in its infancy stage. The SMEs are dependent on government initiatives since more entrepreneurial skills are required for the development of the sector. In addition, the majority of Brunei SMEs are not export-oriented. Thus, they need an environment conducive for their growth as well as appropriate support such as mentoring and help in market penetration or market access which is congruent with their competitiveness.

## **Capital**

The SMEs mostly rely on government budget. Statistics showed that only 18.3% of Brunei SMEs received financing from local banks, 5.4% received loans from foreign banks, whereas, 76% had absolutely no access to financing. In this regard, the banks' rules are considered by fifty percent of SMEs as the hindrance to SMEs to access to finance. Moreover, some SMEs argued that bank's rules on SME financing are time-consuming, resulting in unnecessary costs for business owners.

In fact, Brunei has limited financial schemes targeted at building and upgrading the capability and capacity of local SMEs.<sup>96</sup> Although Brunei has a lot of banks compared to the size of the population, they offer very basic products and focused on products rather than customer needs.<sup>97</sup> It is suggested that a good business plan is a significant factor to convince banks to lend the SMEs. A business plan should describe the business environment, competition, the possible difficulties and their banking needs. Hence, the banker can evaluate the proposal and suggest the proper financing tools for the SMEs.

With the view of such challenge on access to finance, the government also encourages SMEs to attend trainings for gaining knowledge especially on financial

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<sup>96</sup> <http://www.bruneitimes.com.bn/business-national/2010/12/28/more-help-smes-needed-bedb-exec>

<sup>97</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

management in order to help SMEs in applying for the bank loans. In a report published under the Centre for Strategic and Policy Studies (CSPS), Strategy and Policy Journal, it is suggested that the government has to be a pro-active builder of competitive advantage, and one way is through maximizing human capital. More vocational schools are needed.<sup>98</sup>

### **Government policies**

There is no specific policy for SMEs in place. Rules and regulations are established for all business in general. However, many government projects are being implemented aiming to assist SMEs both directly and indirectly. Nevertheless, some certain government policies actually are considered by some SMEs as constraints to their development, in particular the labor quota restriction and the regulations on financing.

### **Human resources development**

Brunei SMEs require more management skills in finance, personnel development, marketing, sales, production, and operations. Around 76% of SMEs owners stated that capacity building is really required for their employees to upgrade their skill needed to the success of the business. In fact, there is a shortage of human resources due to the small size of the Brunei population. Local graduates have a number of options and employers from all industries are competing for them.<sup>99</sup> This problem is well recognized by the government. The country is making a high effort in developing an entrepreneurship culture in young people through many schemes such as the YDR's projects and the LEAP Program.

### **Location**

Most of SMEs in Brunei do not have their own premises such as factories and workshops, so they have to rent them. The cost of rented facilities is considered high in Brunei especially when the premises are private-individual-owned.<sup>100</sup>

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<sup>98</sup> [http://www.bt.com.bn/local\\_business/2009/05/29/business\\_plan\\_key\\_to\\_bank\\_financing](http://www.bt.com.bn/local_business/2009/05/29/business_plan_key_to_bank_financing)

<sup>99</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

<sup>100</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

### **Raw materials**

It is imperative that local SMEs become competitive across the global market because of the small size of the local markets. As Brunei has strength on crude oil and natural gas industries and the country is on the beginning stage of diversification to non-oil and gas industries, most of the raw materials for local SMEs are imported and thus resulted in their high unit cost. Furthermore, access to quality raw materials is a major problem for local SMEs.

To build competitive advantage for the country, the government is introducing the Brunei Halal Brand. By marketing their products through the Brunei Halal Brand, the local manufacturers are enabling to increase their sales volume, thus reducing their unit cost of production. In order to enter the regional and international markets, an important aspect of this is a requirement that local SMEs must invest in methods and machinery to meet the quality and technical standards that are common in other markets.<sup>101</sup>

### **Attitudes of SMEs**

The current Bruneian mindset is one of the main reasons why SME growth has been restricted. Government positions are preferred to venturing into other available fields such as enterprising. The fear of failure is another reason people procrastinate about getting into business as 523 bankruptcy notices were issued in 2008. The causes of failure include the lack of market research and too many similar businesses mushrooming around the nation (such as restaurants). Thus, competition became tougher. It is suggested that one way to reduce the risk of business losses is by promoting a reading culture, as reading could help generate better ideas. The slow development of SMEs in the country can be changed if the youths, as well as educational and government institutions, work together in harnessing the “untapped potential”.<sup>102</sup>

### **3–(2) Cooperation with Japan**

The cooperation between Brunei and Japan are as follows.

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<sup>101</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

<sup>102</sup> Oxford Business Group, The Report: Brunei Darussalam 2009.

1. A Japanese company, Mitsubishi, invests in Brunei Liquefied Natural Gas Sdn Bhd (BLNG), a joint venture partnership with the Brunei government and the Royal Dutch/Shell.<sup>103</sup> The principal importer of Brunei's LNG production is Japan,<sup>104</sup>

2. The Japan External Trade Organization (Jetro) and the Ministry of Industry and Primary Resources (MIPR) signed in the Economic Partnership Agreement (BJEPA) in 2007. Under the Brunei-Japan EPA, Brunei is committed to eliminating tariffs on a range of products, including Japanese automobiles and auto parts.<sup>105</sup> In addition, three long-term goals are laid to provide benefit and effectiveness for the future development and export promotion of Brunei handicraft products.<sup>106</sup>

First, the two agencies hope to inculcate and enhance self-reliance and creativity among local artisans and SMEs through interactive one-to-one consultation programs between participating SMEs and Japanese experts.

The second goal would be to improve connectivity and positioning of local products into Japanese and global markets by providing source and access to high-quality raw materials, as well as effective marketing platforms to enter the Japanese market.

Finally, they are targeting to improve human resource development especially among the SMEs through visitation and tailor-made training and consultative programs.

Under this Agreement, in 2010, Jetro supported the business meeting arrangements for selected Brunei companies through several exhibitions in Japan, including, the Interior Lifestyle Fair organized by the ASEAN-Japan Center, the International Gift Show in Fukuoka, and the International Gift Show in Osaka.

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<sup>103</sup> Ministry of Industry & Primary Resources, Brunei Darussalam Business & Investment Guide, 2009

<sup>104</sup> Ministry of Industry & Primary Resources, Brunei Darussalam Business & Investment Guide, 2009 edition.

<sup>105</sup> [http://www.philexport.ph/policy/wto/businessbriefingvol9\\_tpr\\_brunei.pdf](http://www.philexport.ph/policy/wto/businessbriefingvol9_tpr_brunei.pdf)

<sup>106</sup> <http://bruneitimes.com.bn/news-national/2010/12/10/japanese-experts-help-exporters>

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