



COUNTRY REPORT OF THE ASEAN ASSESSMENT ON THE SOCIAL IMPACT OF THE GLOBAL FINANCIAL CRISIS: BRUNEI DARUSSALAM

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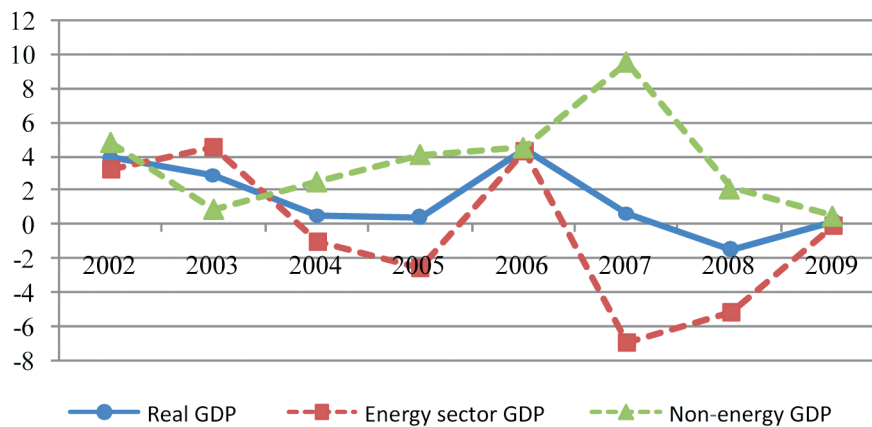
Australian Government
Aid Program

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I. IMPACT OF RECENT CRISES AND THE GOVERNMENT'S RESPONSE

Economic output in Brunei Darussalam declined in 2008, with the non-energy sector only partially offsetting falls in revenues from the oil and gas sectors, and projections for 2009 are of low growth (0.2 percent of GDP). Real GDP growth in 2008 is estimated to have been -1.5 percent, the first economic contraction in Brunei Darussalam since 2000. While growth in both the energy sector and non-energy sector slowed down, the overall economic contraction is largely due to the plummeting revenues from the oil and energy sector, which accounts for two-thirds of the country's total GDP and which declined by -5.1 percent in 2008 (IMF, 2009). The non-energy sector has been growing faster than the energy sector during most of the past seven years. From 2002 to 2007, the average real growth rate of the non-energy sector was 4.3 percent, which was 4.7 percentage points higher than the energy sector. In 2008, the real growth rate of the non-energy sector was 2.1 percent. Projections for 2009 are of 0.2 percent GDP growth (IMF, 2009).

Figure 1: Real GDP Growth Rate from 2002 to 2009



Source: IMF

Note: Growth Rates for 2008 and 2009 were estimated by the IMF.

The impact of the global financial crisis has mostly been experienced as a fall in external demand for Brunei Darussalam's exports, particularly in the energy sector. In the third quarter of 2008, exports of crude oil and gas accounted for 98 percent of total export value. However, Brunei Darussalam's economy has always been vulnerable to fluctuations in oil prices, and despite the noticeable slowdown, Brunei Darussalam has not fallen into a full-fledged crisis.

Fiscal revenue is expected to drop dramatically, but past surpluses have at least partly compensated for the loss of revenue. For 2009, total revenue is estimated to be B\$8.7 billion, 26 percent lower than in 2008 (IMF, 2009) due to lower global oil prices. As a result, the government is expecting to have a rare budget deficit in fiscal year 2009/10 (April-March). However, revenue surpluses from when the price of oil was high have enabled the government to maintain the previously allocated development budget. The budget allocated to the social services sector represents the largest share (30.2 percent) of the 2009/2010 development budget.

Monitoring

With a per capita income of over \$50,000, Brunei Darussalam is not struggling to fight absolute poverty. However, more extensive monitoring of the socioeconomic conditions of the population would help the government in its social policymaking and in the implementation of its welfare programmes, both during regular times and at times of crisis. As of now, Brunei Darussalam does not have a regular source of these data. The last Household Expenditure Survey was undertaken in 2005, and labor data is not readily available. At present, Brunei Darussalam is making an effort to research the poverty situation in the country. A Taskforce for the Research on Poverty in Brunei Darussalam was created, whose main role is to become a steering committee for the Research on Poverty in Brunei Darussalam. One of the main goals is to construct a relative poverty line based on a Minimum Basic Needs Rate and to produce a poverty map. Until these are developed, the most commonly used poverty indicator in Brunei Darussalam will remain the number of recipients of monthly welfare benefits.

II. SOCIAL PROTECTION STRUCTURES IN PLACE AT THE ONSET OF THE CRISES

Brunei Darussalam has generous social programmes for its citizens and permanent residents. These welfare programmes are administered primarily through the Community Development Department within the Ministry of Culture, Youth, and Sports. This ministry is responsible for providing monthly subsistence benefits, education allowances, rehabilitation and counseling services, and employment assistance, as well as food and other benefits in times of natural disaster. The government puts its social programmes into two categories: (i) welfare programmes and (ii) socioeconomic development, which includes such areas as education and health policies and housing support.

(i) Welfare Programmes

Social assistance programmes targeted to the needy are accompanied by programmes designed to help recipients become more self-reliant and to generate more income. Monthly welfare benefits in the form of subsistence allowances (US\$139 per adult and US\$45 per child) and an education allowance (US\$42 per child if he or she goes to school) are targeted to groups such as widows, divorcees, orphans, and the disabled. Benefits are provided by the Ministry of Culture, Youth, and Sports and by the Brunei Darussalam Islamic Religious Council. Regardless of means, all Brunei Darussalam citizens and permanent residents who have reached the age of 60 are also eligible for a universal old-age and disability pension every month (US\$174). However, elderly people are encouraged to set up an association or a committee through which they can actively engage in the production of local handicrafts, and the government helps to promote their products through expos and exhibitions. The Community of Development Department also provides re-employment for those elderly people who wish to continue working. Additional allowances are provided to the disabled and their dependants. In 2006, the government introduced the Self-Reliance Scheme to its welfare recipients who can apply for seed capital (not exceeding US\$2083) to start up or expand small-scale businesses. This capital is provided with no interest or administrative charges and requires no collateral.

A mandatory social insurance scheme is in place for all employees up to the age of 55 who are required to join the provident fund.¹ Participation for people aged 55 or older and for the self-employed is voluntary. Both employees and employers contribute 5 percent of their monthly earnings to the fund if these earnings exceed B\$80. Additional voluntary contributions are permitted. There are no minimum or maximum earnings for the purposes of calculating contributions. Fund members can withdraw their accumulated contributions from the fund after reaching the age of 50. Also, those with at least B\$40,000 in their individual account or who have been provident fund members for at least 10 years may draw down funds from their account to build or purchase a house for their personal residence. In July of 2009, two reforms were announced that will come into effect in 2010 and that will increase the benefits paid to pensioners upon retirement. The first reform will create a mandatory, defined-contribution Supplemental Contributory Pension, which will complement the provident fund. Employees earning less than B\$500 (US\$347.69) a month will receive a government “top up” to bring their monthly contribution up to the mandatory amount. The second reform will raise the retirement age from 55 to 60.²

(ii) Socioeconomic Development

Education and health services are provided free of charge to all citizens and permanent residents. The National Education Policy provides 12 years of free education for all children in public schools. Brunei Darussalam also has a university, established in 1985, and several institutes of education and technology. Many students continue their education in foreign universities at the government’s expense, but the government’s policy of granting of scholarships for studying abroad is now limited to programmes that are not available within Brunei Darussalam. Health care is also provided free of charge to all citizens and permanent residents and includes overseas specialized medical care that is not available within Brunei Darussalam. The total health budget was B\$260 billion in the 2007/08 fiscal year, comprising 7 percent of the national budget and 1.4 percent of GDP. The petroleum and natural gas industry, as well as the Armed Forces, have their own medical services. Workers in these sectors are not covered by the Ministry of Health’s Occupational Health Division. Community services for the elderly are also provided by hospitals through other units, such as Home Based Nursing, Occupational Therapy Home assessment, and Medical Social Work services etc.

A number of programmes to support youth employment and training exist, most of which are run by the Human Resource Development Fund. The Youth Development Programme targets school dropouts and unemployed young people and provides them with a two-year programme that includes training, personal development, and work experience. This is supplemented by an apprentice scheme that provides graduates with allowances to support six months of training in public and private sector companies, after which trainees can be employed as full-time workers. Brunei Darussalam Shell Petroleum (BSP) introduced the LiveWIRE programme in 2001, targeting those in the 18 to 30 age group, particularly those without jobs, and helping them to become successful entrepreneurs. The programme involves two schemes – “Bright Ideas” and “Become a Successful Owner Manager.” Finally, the Ministry of Education finances an Adult Learning and Education (ALE) programme that provides technical and vocational training and continuing education programmes to adults. Overall, there are 41 learning centers nationwide, with 38 part-time appointed supervisors and 172 teachers. In 2007, 6,017 people were enrolled in the Continuing Education Section.³

1 Suharto (2007)

2 US Social Security Administration (2009)

3 National report of Brunei (2008)

As a measure to create more job opportunities for people who live in Brunei Darussalam, the Department of Labor has imposed a quota on the employment of foreign workers for certain jobs such as accounting clerks, storekeepers, and drivers.

III. ADJUSTMENTS MADE TO SOCIAL PROTECTION PROGRAMMES IN RESPONSE TO THE CRISES

Because the impact of the crisis has been small and past budget surpluses have acted as a buffer against the possibility of large falls in government expenditure, no new programmes have been introduced in response to the crisis. However, the Government of Brunei Darussalam is undertaking studies to review the effectiveness of its social security policies and programmes and to embark on a renewed effort to eradicate poverty. The development of a National Poverty Line and ongoing research to identify the root causes of poverty are examples of these efforts.

IV. SP POLICY ISSUES TO BE ADDRESSED

There is no ongoing vulnerability and shock monitoring system in Brunei Darussalam at present. However, the Government plans to build a poverty line and develop a database of potential beneficiaries for its social assistance programmes. The efforts to develop a National Poverty Line are a step in the right direction. These should be accompanied by a closer tracking of at-risk households. In fact, the development of a comprehensive database on the poor in Brunei Darussalam is also part of the Taskforce for the Research on Poverty's current agenda. Currently there is no integrated or timely monitoring of social indicators and vulnerabilities, and the government's policy responses have been limited to making adjustments to those instruments that are already in place. Brunei Darussalam has the resources to create a permanent shock and vulnerability monitoring system to track key indicators such as labor, education, and health outcomes, to provide an up-to-date picture of household vulnerability, to identify their needs, and pinpoint those households that have been hardest hit by any crisis.

The review of the effectiveness of social protection programmes is a positive and useful development. However, this should be supplemented by a strengthened effort to systematically evaluate the effectiveness of SP programmes. These programmes are well coordinated and seem to be well targeted. However, the absence of any information on relative poverty and on household vulnerabilities and of detailed labor data means that more needs to be known about the beneficiaries of these programmes and about how effective the programmes are at reaching their objectives. There may be scope for further coordinating or rationalizing both the country's welfare programmes and its socioeconomic development strategies.

Annex 1

Annex Table 1: Government Budget Allocations for Health

	2005/06	2006/07	2007/08
Total Health Budget (B\$ Millions)	240,86	244.33	259.72
Health Budget as% of National Budget	6.82	6.73	6.96
Per Capita Health Budget (B\$)	651	638	666
Health Budget as % of GDP	1.52	1.33	(forecast)1.43
Total Health Expenditure (B\$ Millions)	275.4	240.39	...
Health Expenditure as % of Government Expenditure	7.95
Health Expenditure as % of GDP	744	628	...
Per Capita Health Expenditure (B\$)	1.74	1.31	...

Source: Health Information Booklet 2007, Special Edition, Ministry of Health, Brunei Darussalam

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