

STRUCTURAL POLICY COUNTRY NOTES Brunei Darussalam



This Country Note is an extract from the *Economic Outlook for Southeast Asia, China and India 2014: Beyond the Middle-Income Trap*, <http://dx.doi.org/10.1787/saeo-2014-en>.

Brunei Darussalam

A. Medium-term economic outlook (Forecast, 2014-18 average)

GDP growth (percentage change): 2.3
Current account balance (% of GDP): 46.1

B. Medium-term plan

Period: 2012-17
Theme: Knowledge and innovation to enhance productivity and economic growth

C. Basic data (in 2012)

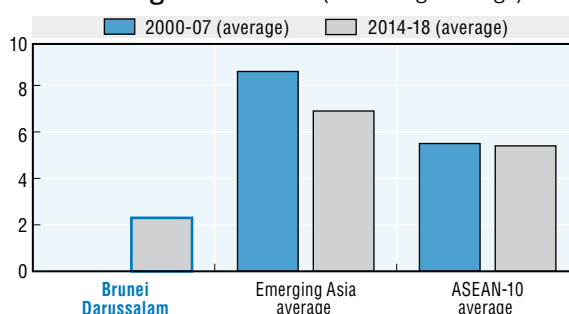
Total population: 0.4 million*
Population of Bandar Seri Begawan: 0.2 million (in 2010)
GDP per capita at PPP: 54 388 (current USD)**

Note: * Total population data for 2012 are estimates.

** IMF estimate

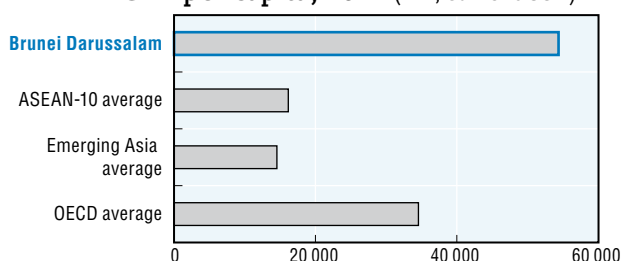
Sources: OECD Development Centre, national sources and IMF.

GDP growth rates (Percentage change)



Source: OECD Development Centre, MPF-2014.

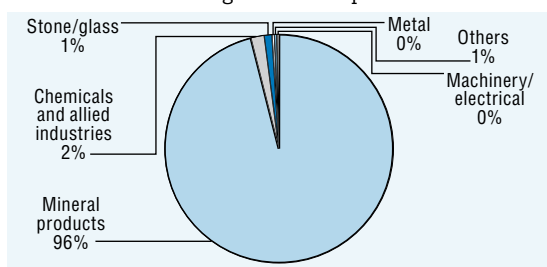
GDP per capita, 2012 (PPP, current USD)



Source: IMF and national sources.

Composition of exports, 2012

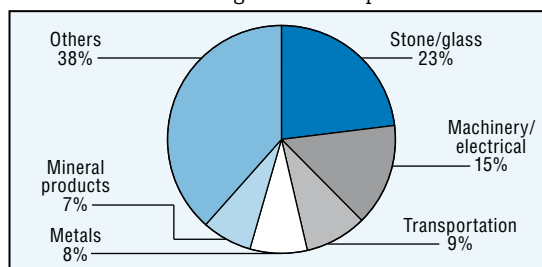
Percentage of total exports



Source: Trademap.

Composition of imports, 2012

Percentage of total imports



Source: Trademap.

With abundant natural resources and a small population, Brunei Darussalam has one of the highest levels of GDP per capita in Southeast Asia. However, over the last decade its gross domestic product (GDP) per capita growth rate has been the lowest in the region. Structural reforms to depart from the hydrocarbon-dependent development are critical to enhance productivity and to sustain economic growth.

The Tenth National Development Plan 2012-17 (NDP10) is the second medium-term development plan under the national long-term development vision, known as Wawasan Brunei 2035, or Vision Brunei 2035. It puts the emphasis firmly on “accelerating economic growth” through high productivity to achieve the target of 6% average annual economic growth.

To realise that goal, Brunei’s economy needs to be less reliant on the oil and gas sectors, which accounted for more than 60% of GDP and over 90% of total exports. It is

urgent to foster the development of other high-value-added manufacturing and services sectors. In line with NDP10, the government has set out six strategic development thrusts. Three are particularly significant: an environment conducive to business; an educated and highly skilled population and a progressive, productive economy based on knowledge and innovation.

Brunei Darussalam's medium-term policy challenges

- Improve private sector development to diversify beyond the hydrocarbon economy
- Legislate and implement competition policy
- Improve tertiary education attainment

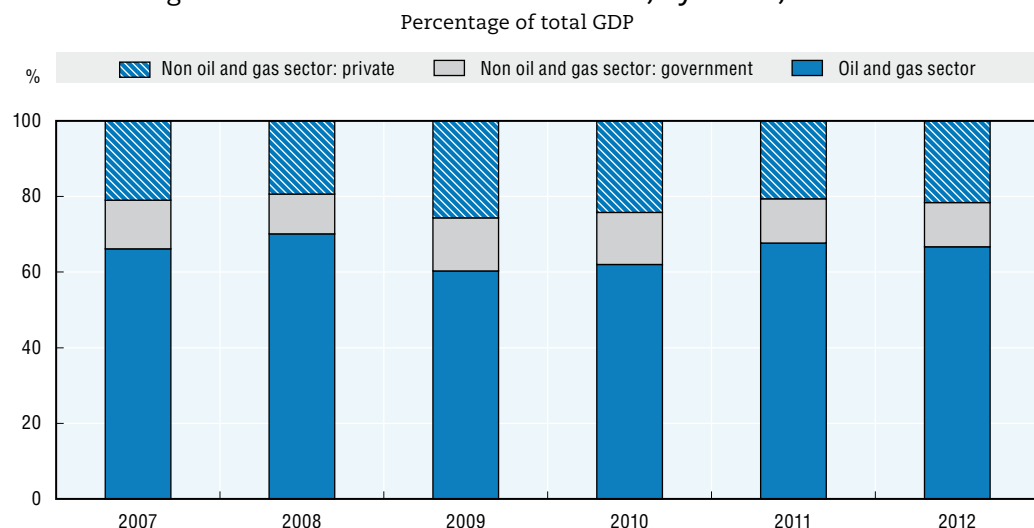
POLICY FOCUS

Improve private sector development to diversify beyond the hydrocarbon economy

There is great scope to improve the private sector and diversify the economy

Owing to the country's reliance on the hydrocarbon sector, there has been relatively moderate development in the private sector in Brunei Darussalam. The oil and gas industry has dominated the economy for the past 80 years. Hydrocarbon resources account for over 90% of Brunei Darussalam's exports and more than 50% of its gross domestic product (Brunei Economic Development Board). The private sector outside the oil and gas industry has contributed steadily around 20% to GDP in recent years (Figure 2.1.1). In terms of employment, while the number of employees in the private sector fell from some 125 000 in 2007 to around 117 000 in 2010, they account for a significant share of total employment. On the other hand, the public sector employment level grew slightly but steadily (Figure 2.1.2).

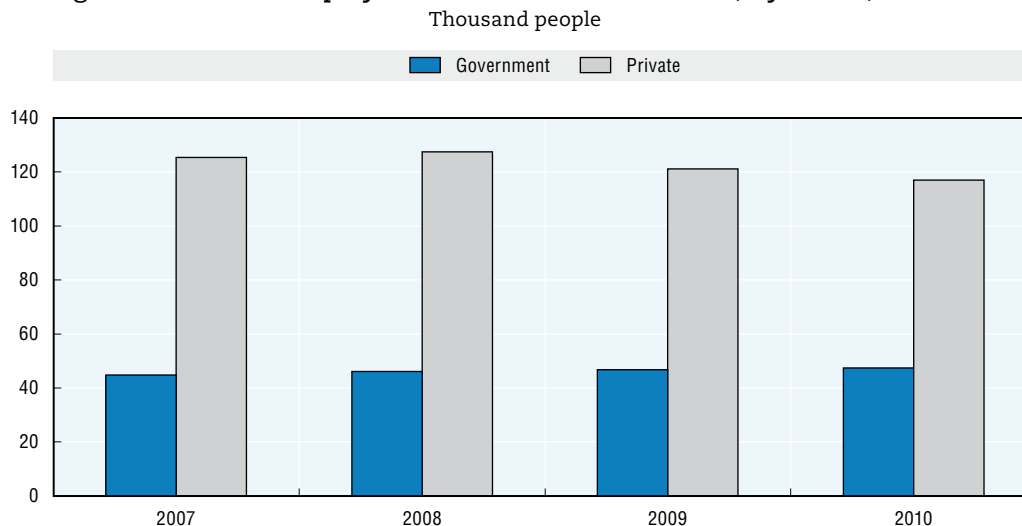
Figure 2.1.1. GDP in Brunei Darussalam, by sector, 2007-12



Source: CEIC.

StatLink  <http://dx.doi.org/10.1787/888932937624>

Figure 2.1.2. Total employment in Brunei Darussalam, by sector, 2007-10



Source: CEIC.

StatLink <http://dx.doi.org/10.1787/888932937643>

The dependence of the Brunei economy on oil and gas resources has led to a larger government sector, which limited the role of the private sector. The dominance of the public sector and the hydrocarbon industry is further strengthened by the combination of high wages and low productivity that makes much of the private sector internationally uncompetitive (Lawrey, 2010). To bring about a more diversified economy with less reliance on the hydrocarbon sector, the public and private sectors need to be rebalanced so that the former no longer crowds out the potential of the latter.

While the government's role in the economy needs to be more balanced in the long run, the lack of critical mass in private sector activity means that the public sector will need to be involved in diversifying and rebalancing the Brunei economy. The government could promote diversification and private sector development through measures such as public-private partnerships (PPPs) and more effective co-ordination and implementation of policies across its own departments and agencies.

Avenues to explore in rebalancing the economy

PPPs could be an appropriate rebalancing tool. The private partner in such an arrangement supplies expertise and productivity, whereas the public side provides financing and is able to skirt the pitfalls raised by bureaucracy. Similarly, a co-ordinating body that represents different government departments or agencies and has the mandate and authority to streamline regulatory procedures, assist implementation and utilise potential synergies across government departments would substantially benefit the development of the private sector.

Brunei Darussalam also needs to improve research and development in a wide range of industries if it is to diversify the economy through internal and external resources other than oil and gas. These would be priority sectors identified by the Brunei Economic Development Board (BEDB) as attractive to foreign direct investment (FDI).

Brunei Darussalam is endowed with raw materials other than oil and gas and is located close to some very large markets within the region which will continue to expand as populations increase. Another potential advantage is that Brunei Darussalam's Islamic culture has established high standards for the production of halal products, which would enable it to take market shares in Muslim markets all over the world.

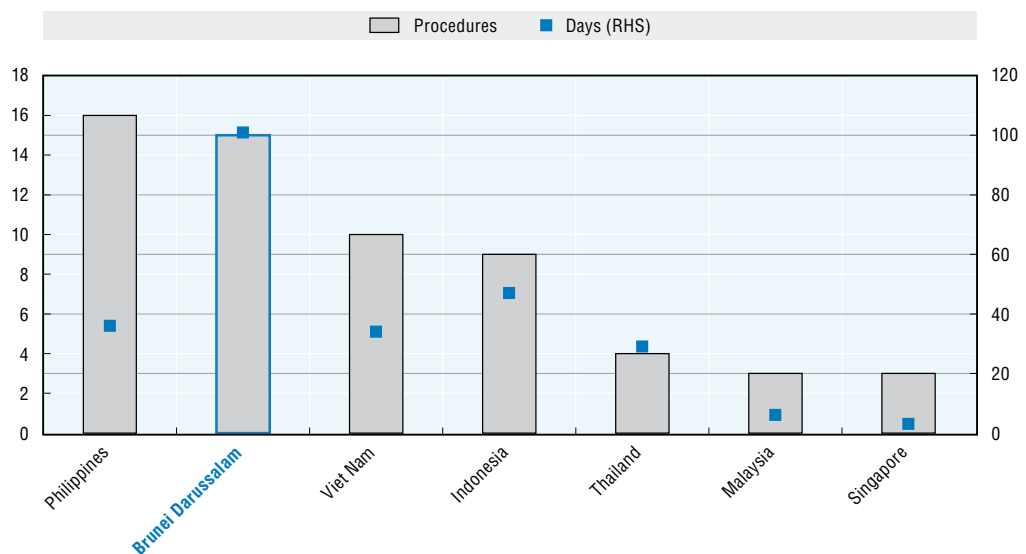
While the business environment has improved, there is room to make it more conducive

A prerequisite condition for private sector development is to promote SMEs through an improved business environment. The World Bank (2013a) ranks Brunei Darussalam 79th out of 185 economies for ease of doing business, while regional peers such as Singapore, Malaysia, and Thailand are ranked far better – 1st, 12th and 18th, respectively.

Nevertheless, Brunei Darussalam has made improvements to its business environment in recent years. These include more efficient company registration procedures, an electronic system for name searches, an electronic customs system, shorter waiting times for excavation permits, a one-stop shop for preconstruction approvals, and reduced corporate income and profit tax rates (World Bank; 2010a, 2012a, and 2013a).

However, Brunei Darussalam still needs to improve performance, particularly when it comes to starting a business and registering property. Both procedures are cumbersome. Starting a business involves 15 different procedures and takes 101 days, while property registration takes 7 procedures and 298 days (Figures 2.1.3 and 2.1.4). Furthermore, even established enterprises find it difficult to expand their operations.

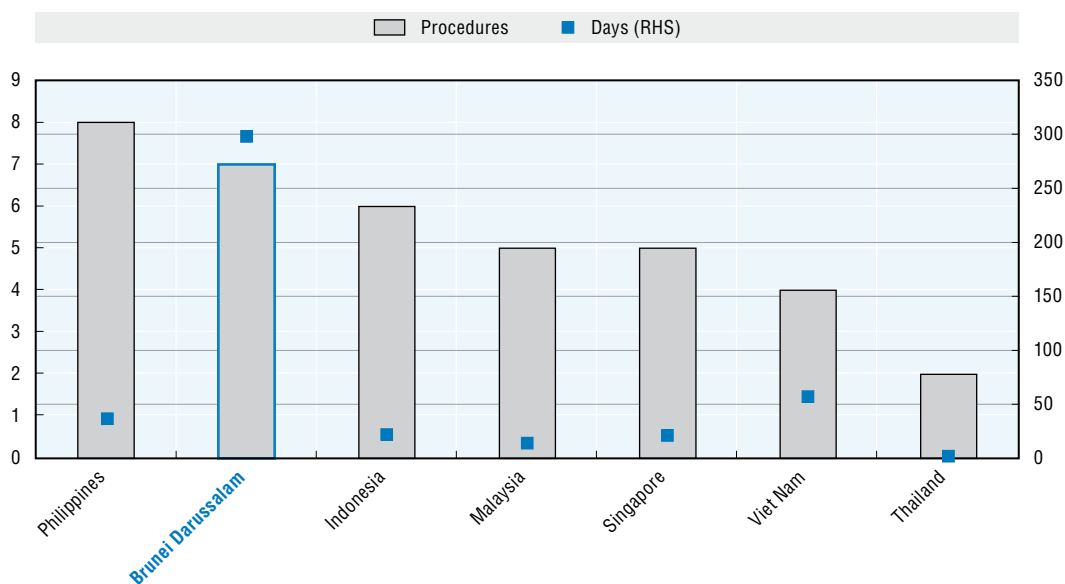
Figure 2.1.3. Number of procedures and days needed to start a business in Brunei Darussalam and other Southeast Asian countries



Source: World Bank (2013a) *Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises*, World Bank, Washington, DC.

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Figure 2.1.4. Number of procedures and days needed to register a property in Brunei Darussalam and other Southeast Asian countries



Source: World Bank (2013a) *Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises*, World Bank, Washington, DC.

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In line with the policy directions outlined in Brunei's long-term development plan, *Wawasan Brunei 2035*, the country's local business development strategy aims to strengthen the private sector and promote a business-friendly environment. It seeks to improve financing, provide assistance in the form of training to local enterprises and SMEs, and reduce the cost of doing business. The initiatives undertaken by the BEDB and other government ministries and agencies to promote local business development include various grant, subsidy and loan schemes; investment funds; training programmes, and advice and information services (Table 2.1.1).

Despite the various initiatives already in place that are designed to improve financing and provide assistance in the form of training and capacity building, the government needs to step up regulatory reform, particularly to make it easier to set up new businesses. The procedure could be made faster and smoother through online services – e.g. an online one-stop shop for starting up new companies or standard online registration procedures.

Property registration procedures could be improved and made substantially shorter by implementing a more efficient caseload management system for land registries, employing an electronic information management system that would allow different branches of departments to share information, and increasing the number of operating hours or hiring more personnel.

The establishment of a supportive institutional infrastructure in the form of an agency dedicated specifically to the SME sector – such as the SME Corporation in Malaysia and the Office of SME Promotion in Thailand – would boost SME development.

Table 2.1.1. Local business development initiatives in Brunei Darussalam

Youth Skills Development Programme (YSDP)	Aims to help young people to start their own micro businesses as well as to increase the pool of young entrepreneurs. Besides a micro grant, the programme also includes motivational seminars, business/job mentoring programmes, and business/job skills enhancement workshops. So far YSDP has helped to start 38 new businesses.
Village Enterprise Financial Grant – “One Village, One Product”	A grant scheme to assist in the development and commercialisation of village products to support the ‘One Village, One Product’ initiative under the Ministry of Home Affairs. The maximum amount of grant that can be allocated is BND 50 000 per recipient village.
Promising Local Enterprise Development Scheme (PLEDS)	Provides support to promising local companies to enhance their competitiveness and expand overseas. This scheme is targeted for established enterprises in a broad range of industries, including oil and gas, transportation and logistics, construction, ICT as well as food manufacturing and processing, through various activities such as financial assistance, competency programmes and market access.
Enterprise Technical Assistance Scheme (ETAS)	A grant scheme to help established local companies that intend to internationalise, strengthen their competencies as well as overcome common market entry cost barriers. It is offered on a cost-sharing principle, where up to 50% of the approved project cost will be funded by the government. The grant is capped at BND 300 000 per recipient company.
Enterprise Expansion Programme (EEP)	Aims to assist SMEs to expand their businesses through increasing their productivity and to groom future promising local enterprises to export and expand overseas. The maximum amount of loan per business that can be allocated under the EEP is BND 15 000.
Loan schemes by the Ministry of Industry and Primary Resources (MIPR)	The Microcredit Financing Scheme (MFS) assists local entrepreneurs to start and expand small scale business activities. The maximum loan amount per company or enterprise is BND 50 000. The Enterprise Facilitation Scheme (EFS) aims to help SMEs to expand and develop their business activities and build their capacity to export. The maximum amount allocated per recipient company is BND 5 million. The Export Refinancing Scheme (ERS) provides registered and certified exporters with short-term financing. The maximum amount allocated per recipient company is within the range of BND 50 000 and 500 000.
Standards and Quality Certification Programme	The programme is administered by the National Standard Centre under the Ministry of Industry and Primary Resources (MIPR) and aims to ensure that products manufactured comply with required standards needed for export and are safe for use or consumption.
Promotion and marketing services	Under the guidance of the MIPR, local products are promoted both domestically and in overseas markets through the participation of SMEs in various exhibitions, seminars or trade missions, with a view to support the development of exportable local products.
ICT Competency Programme	Administered by the Authority for Info-Communications Technology Industry of Brunei Darussalam (AITI), the programme offers subsidised training courses to train local citizens in relevant ICT skills and knowledge, with the objective of empowering the non-ICT job seekers with basic IT literacy and upgrading SMEs’ employees’ qualifications with professional ICT certifications.
Training and Employment Scheme (SLP)	Administered by the Jabatan Perancangan dan Kemajuan Ekonomi (JPKE) (Department of Economic Planning and Development of the Prime Minister’s Office), the SLP is a grant scheme that helps companies defray the training costs of employees that have limited skills and experience as well as to help them to retain workers.
Opportunity Centre	Planned to be a one-stop business concierge service located in the third phase of the Anggerek Desa Technology Park with the objective of assisting SMEs in the business start up processes, providing legal advice and business information. The aim is to help improve the ease of doing business in Brunei through the provision of business-related services and the improvement of the regulatory environment for businesses in collaboration with relevant government agencies and stakeholders.

Source: Brunei Economic Development Board (BEDB), www.bedb.com.bn/bisop_devlocalbusiness.html and [www.bedb.com.bn/documents/sme/BEDB.SME.Guide.Book\(2012\).pdf](http://www.bedb.com.bn/documents/sme/BEDB.SME.Guide.Book(2012).pdf).

POLICY FOCUS

Legislate and implement competition policy

Brunei should also foster greater business competition

A condition that is essential to developing the private sector and improving productivity is increased competition. That requires sound and comprehensive competition policy and law. Stronger competition in Brunei Darussalam would lead to productivity gains and help in diversifying the hydrocarbon-dependent economy.

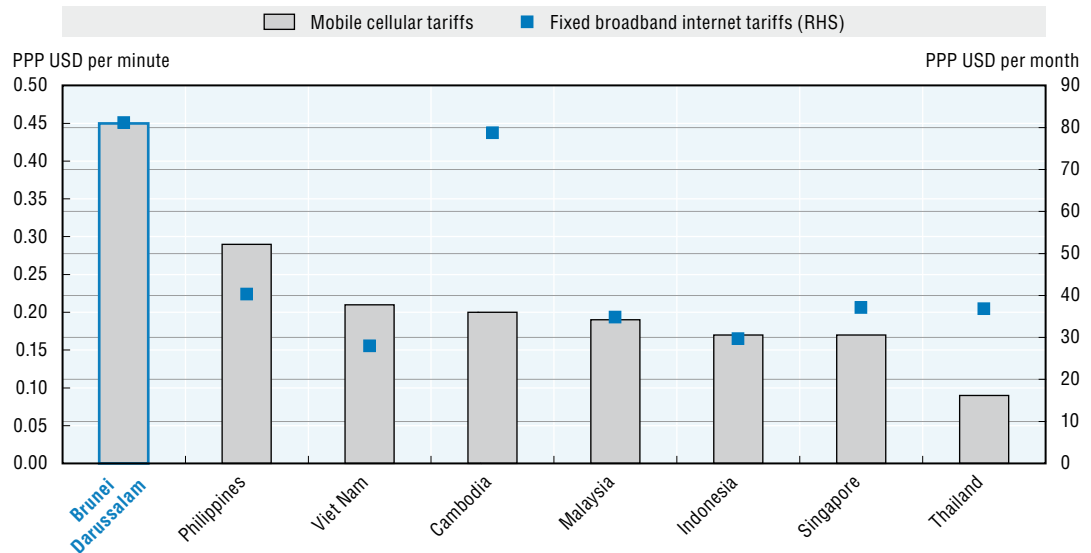
Furthermore, as a member of ASEAN, Brunei needs to further foster competition, as the ASEAN Economic Community (AEC) Blueprint stipulates the creation of a national competition policy and law by 2015.

The current level of business competition in Brunei Darussalam needs to be improved – compared to other Southeast Asian countries. According to the World Economic Forum's *Global Competitiveness Report 2012-2013* (WEF 2012a), it is weaker than in Malaysia, Singapore, the Philippines, Thailand and Viet Nam.

Notably, Brunei should foster greater competition in key sectors, including banking and telecommunications. According to the World Bank's Global Financial Development database, competition in the banking sector has been less vigorous in Brunei than in the more developed Southeast Asian countries.

Brunei also lags behind in the telecommunications sector. Its tariff rates for telecommunications services are the highest in Southeast Asia. According to the *Global Information Technology Report 2013*, mobile cellular and fixed broadband internet tariffs are particularly expensive in Brunei at around USD 0.45 a minute for mobile cellular calls and USD 81.2 per month for wired broadband Internet services. By contrast, the rates in Thailand are respectively just USD 0.09 and USD 36.8 (Figure 2.1.5) (INSEAD/WEF 2013).

Figure 2.1.5. Competition in the ICT sector in Brunei Darussalam and other Southeast Asian countries



Notes: Mobile cellular tariffs are measured as the average per-minute cost of different types of mobile cellular calls in PPP USD. Fixed broadband internet tariffs are measured as the monthly subscription charge for fixed (wired) broadband internet service in PPP USD.

Source: INSEAD and WEF (2013), *The Global Information Technology Report 2013 – Growth and Jobs in a Hyperconnected World*, Edited by Beñat Bilbao-Osorio, Soumitra Dutta and Bruno Lanvin, World Economic Forum, Geneva.

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Brunei needs an economy-wide competition policy

A comprehensive and economy-wide competition policy and law has not yet been implemented in Brunei Darussalam. While most Southeast Asian countries – including Indonesia, Malaysia, Singapore, Thailand and Viet Nam – already have extensive competition laws and authorities in place, Brunei is still at an early stage. The only competition-related law it has is the Monopolies Act (Chapter 73 of the Laws of Brunei) which has not been amended since it was passed in 1932 and is too outdated for effective use.

With no effective competition-related law, Brunei Darussalam implements its competition policy objectives by regularly reviewing the regulatory framework of each sector with the aim of boosting competition. At present, Brunei's most advanced competition-related regulatory framework is in the telecommunications sector and comes under the mandate of the Authority for Info-communications Technology Industry (AITI).

The AITI, which was established in 2003 and given regulatory authority in 2006, is responsible for regulating the ICT industry, managing the national radio-frequency spectrum, and developing the ICT industry. Prior to 2006, the Telecommunications Department of the Ministry of Communications performed the dual functions of regulator and service provider. The AITI's authority applies to all commercial entities with a licence to operate as a service or infrastructure provider in the telecommunications

industry. It is also mandated to promote competitiveness in the telecommunications and broadcasting industries. It plans, for example, to address the issue of high tariffs by introducing a tariff regulation framework by the third quarter of 2013.

Competition and consumer protection policies can be better co-ordinated

Consumer protection, which complements competition policy, received a boost from the Consumer Protection (Fair Trading) Order 2011 that came into effect in 2012. The Order is implemented by the Department of Economic Planning and Development of the Prime Minister's Office and is intended to protect consumer interests against any unfair practices by suppliers. Although it applies to all consumers or suppliers residing or conducting transactions in the country, its reach and efficiency are limited by the lack of public awareness that it actually exists.

It is important that consumer protection policy should be properly incorporated into Brunei's future competition policy and co-ordinated with it. In terms of institutional design, competition and consumer policies could be entrusted to a single agency or kept separate. Either arrangement could work, but proper co-ordination between the two policies would be needed. One way to ensure efficient co-ordination could be a central commission within government which would have advisory powers and be made up of representatives of each responsible agency. Alternatively, a co-operation agreement between competition authorities and consumer agencies ensuring that they consult each other and share information could fit the bill (Box 2.1.1.).

As Brunei is currently only at the stage of designing its competition policy and law, it may be correctly inferred that competition culture is not fully developed in the country. A strong culture of competition is an important factor, for it affects the degree of compliance with competition laws. Companies and individuals that operate in environments where the value of competition is widely understood and appreciated are more likely to comply. One way to foster a culture of competition would be to promote and introduce effective compliance programmes in companies with the aim of ensuring ethical conduct and a commitment to compliance. Such programmes should incorporate monitoring, audits and mechanisms for anonymous and/or confidential reporting of violations (OECD, 2011a).

Brunei's future competition policy needs to be shaped in such a way that the competition authority has adequate resources, political support and independence to act effectively. It is also important that the authority deals with incumbent firms, including state-owned enterprises, with the same rigour as it would with any other company that hindered competition. Close co-operation between the competition authority and other domestic agencies and international bodies is crucial to evaluating the impact of competition policies and to addressing the fairness of international trading issues such as cross-border mergers and acquisitions (OECD, 2006a).

As it designs the competition law, Brunei should take care not to place an excessive regulatory burden on businesses. And while the authorities' main objective should be to create and implement a comprehensive policy and law, they should also continue to review, and if necessary amend, current sector-based regulations until the new law has been enacted.

Box 2.1.1. Integrating competition and consumer policy: Examples from OECD countries

Both competition and consumer policies aim to enhance consumer welfare. As such they are highly complementary and, if well designed, integrated and co-ordinated, they reinforce one another. However, the differences between them – such as the more diverse nature and dispersed enforcement of consumer policy or the blunter tools used in competition policy – can make co-ordination and integration difficult to achieve.

In terms of institutional design, there are examples from OECD countries of a single agency directing both policies (e.g. **Australia** and **Poland**) and of a separate authority for each one (e.g. **Chile** and the **Slovak Republic**).

Housing competition and consumer policies under the same roof offers several advantages, including more centralised control, operational efficiencies and cross-fertilisation. However, there can also be drawbacks, such as potential competition for resources and the issue of effective communication with the public. Irrespective of institutional design, there is always room for proper co-ordination, as in the example (suggested above) of a single central commission made up of competition policy and consumer protection officers.

In **Australia**, while a single government body deals with competition and consumer policy arrangements, development and enforcement are separated. National policy development is steered by the Minister for Competition Policy and Consumer Affairs and the Department of the Treasury (Treasury), while enforcement is the responsibility of the Australian Competition and Consumer Commission (ACCC). The policy-making capability of the Minister for Competition Policy and Consumer Affairs, which operates within the Treasury, is split into three streams: competition policy, economic regulation of infrastructure and consumer policy. The ACCC is an independent statutory commission responsible to Parliament and, has the mandate to enforce competition and consumer law, while also advising ministers on enforcement issues. There are also agencies that regulate sectors, like the Australian Securities and Investments Commission, the Australian Communications and Media Authority, and the Australian Energy Regulator. All work closely with the ACCC.

Box 2.1.1. (contd.)

In **Poland**, antitrust and consumer protection policies come together in the Office of Competition and Consumer Protection (OCCP). The largely positive experience of the OCCP shows that single-agency management of competition and consumer policies brings numerous benefits. These include highly co-ordinated enforcement activities, synergy in policies' wider impacts, substantial reduction of costs generated through joint administration, and the mutual transfer of proven solutions.

Chile has two separate agencies for competition and consumer policies. The Fiscalía Nacional Económica (FNE) enforces competition law, while the Servicio Nacional del Consumidor (SERNAC) is in charge of consumer protection. As the FNE and the SERNAC are aware of the synergies that they can generate, they aim to harmonise their strategies in cases where both are involved. They also work to develop good communication practices – by carrying out joint initiatives, for instance. Overall, the experience of Chile is a good example of a strong relationship between competition and consumer policies.

The experience of **Slovakia**, where competition and consumer protection are the jobs of two separate authorities, illustrates what happens when they fail to co-operate closely. Competition and consumer protection policies are separated institutionally and legislatively in the Slovak Republic. The Antimonopoly Office enforces competition law, whereas the direction and enforcement of consumer policy is fragmented through many independent legislations and institutions. Although the main competencies in the area of consumer protection lie with the Ministry of Economy (which co-ordinates the activities of all institutions in this area), policy implementation is scattered across many agencies, of which the Slovak Trade Inspection is just one.

Source: OECD (2010a), “The Interface between Competition and Consumer Policies”, *OECD Journal: Competition Law and Policy*, Vol. 11/1., OECD Publishing, Paris.

POLICY FOCUS

Improve tertiary education attainment

The education system has been reformed steadily in recent years

The long-term development vision for Brunei, set out in Wawasan Brunei 2035, makes education and human capital development key priorities. To date, thanks to revenue from its abundant mineral wealth, the government has provided generous education services to all. The literacy rate, for instance, is over 95%, and the gross enrolment rates both at primary and secondary levels are over 100% (Figure 2.1.6).

The education system has been reformed steadily in recent years in line with the National Education System for the 21st Century (SPN21). SPN21 aims to foster the ability of students to meet the social and economic needs and challenges of the 21st century and to think for themselves as part of a student-oriented syllabus. Since the introduction of SPN21 in 2009, mathematics, science and English have been targeted as the key subjects in the primary and secondary school curricula. The scheme also promotes the use of ICT in schools through one-to-one computing in model schools, for example. initiatives implemented as part of SPN21 include new monitoring systems and teaching methods, literacy and numeracy programmes, teacher training and education infrastructure development programmes (Table 2.1.2.)

Table 2.1.2. Initiatives under the National Education System for the 21st Century (SPN21) in Brunei Darussalam

Lesson Study	A Teacher Professional Development Model adopted based on the example of Japan, where groups of teachers work collaboratively and continuously in preparing, implementing, monitoring and reporting the outcome of learning based on selected themes.
Literacy Programme for Primary Schools (Malay and English)	A systematic literacy programme for primary schools focusing on the four literacy skills – listening, speaking, reading and writing – as major components to be taught in a systematic way starting from the preschool level.
Inquiry-Based Science Education (IBSE)	A teaching tool adopted from France whereby students are exposed to an inquisitive teaching and learning environment with the purpose of cultivating curiosity, stimulating creativity and critical thinking. Among other features, the approach involves trial scientific studies that give students the opportunity to have a discussion and at the same time allows them to improve their language skills.
Numeracy programmes	Includes two programmes, Active Mathematics in Classroom (AMIC) and Primary Numeracy Initiatives In-Service Training (PNI-INSET). These focus on providing professional development courses to teachers to help them to develop mathematical skills necessary for teaching and learning mathematics in school.
School Based Assessment for Learning (SBAfL)	An assessment tool for obtaining feedback on individual student's development and performance in the four important domains highlighted in SPN21 – Knowledge through Understanding, Skills, Values and Attitude. The feedbacks are gathered through teacher, peer and self-assessment.
Edexcel BTEC Programme	Aims to provide opportunities for students who show more interest in hands-on and concrete learning.
Teacher training programmes	The Teacher Service Scheme (Skim Perkhidmatan Guru) and the School Leadership Programme (SLP) are aimed at expanding the capacity of teachers and school leaders, respectively.
Building Improvement of Schools and Infrastructures (BISAI)	This initiative focuses on strengthening the quality of education services through improving and maintaining school infrastructure.

Source: Ministry of Education, *Strategic Plan 2012-2017*.

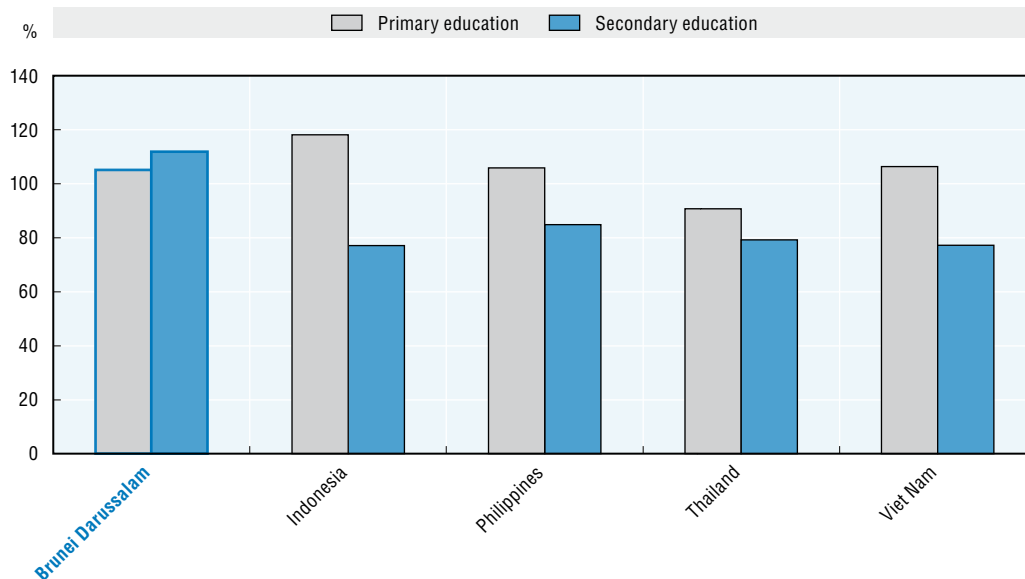
Addressing economic imbalances could also help to enhance the tertiary education level

However, despite the achievements of basic education in Brunei, the tertiary education attainment level is very low. As Figure 2.1.7 shows, the gross enrolment rate is only 19.6%, considerably below those in other Southeast Asian countries, such as Malaysia (42%) and Thailand (48%). Male enrolment, in particular, is among the lowest in the region – even lower than Cambodia and Lao PDR. There is thus a widening gender gap, to compound the poor overall enrolment rate.

The low tertiary enrolment rates stem from the imbalances of the economy and their effects on the labour market. On the demand side, there are not enough jobs on offer owing to the dominance of the two major employers, namely the public sector and the oil and gas sector. While the private sector cannot attract skilled labour because it cannot compete with the high wages offered by the big players, the public sector and the oil and gas industry do not create enough jobs. Hence, diversifying the economy and further development of the private sector could help to improve the tertiary education attainment level.

Figure 2.1.6. Gross school enrolment rates at primary and secondary levels in Brunei Darussalam and other Southeast Asian countries

2011 or latest year available

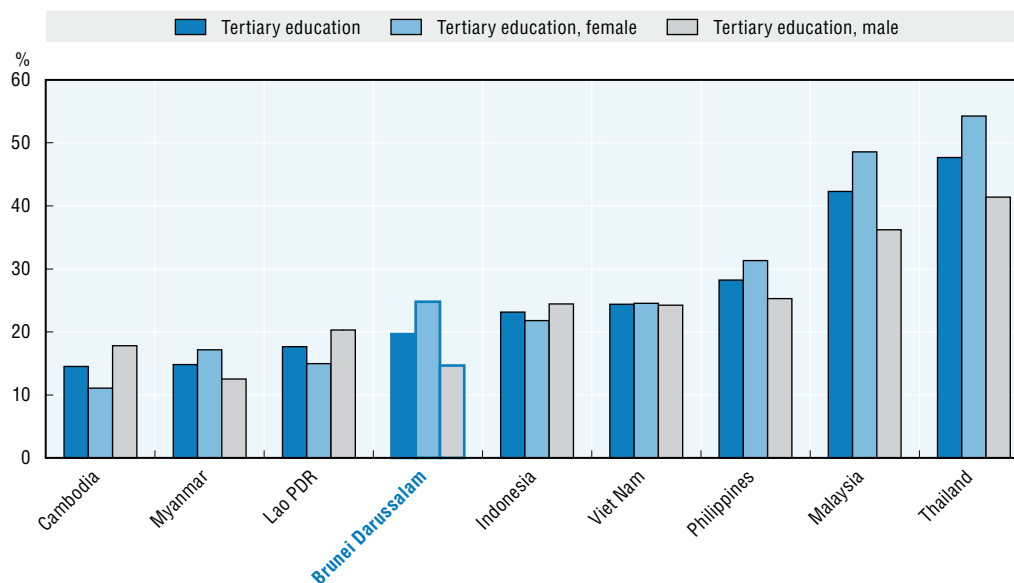


Source: UNESCO (2013), UNESCO Institute for Statistics Data Centre (database), United Nations Educational, Scientific and Cultural Organization, <http://stats.uis.unesco.org>.

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Figure 2.1.7. Gross school enrolment rates at tertiary level in Brunei Darussalam and other Southeast Asian countries, by gender

2011 or latest year available

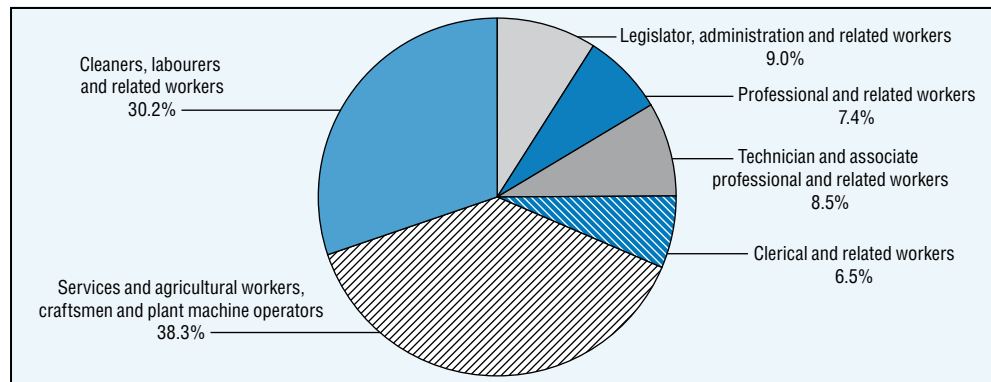


Source: UNESCO (2013), UNESCO Institute for Statistics Data Centre (database), United Nations Educational, Scientific and Cultural Organization, <http://stats.uis.unesco.org>.

StatLink <http://dx.doi.org/10.1787/888932937738>

As mentioned in *Wawasan Brunei 2035*, the country's main employer – the public sector – can no longer absorb the growing labour force and the hydrocarbon sector employs less than 3% of the workforce, anyway. And, since the private sector is limited, it is difficult to create sufficient employment opportunities that require university education. Workers at those levels – namely legislators, professionals and administrative workers – account for only around 16% of total private sector employment (Figure 2.1.8), which is well below the levels observed in Malaysia, Singapore or the Philippines.

Figure 2.1.8. Employment in the private sector in Brunei Darussalam, by type of occupation, 2009



Source: CEIC.

StatLink  <http://dx.doi.org/10.1787/888932937757>

Could private sector development spark interest in higher education?

On the supply side of the labour market, the same economic imbalances lead to the prevalence of safe government jobs with high wages and generous subsidies. The existence of such jobs blunts the incentive for students to make the effort to go on to tertiary education. Despite the growing number of scholarships available, the percentage of students who pass the final exam at secondary level remains relatively low, which points to a lack of interest in moving on to university. Similarly, evidence that the reservation wage of local job seekers is above the market salary for the jobs for which they are qualified is a further indication that the existence of government jobs robs them of incentive (Razak, 2010).

Tertiary enrolment rates could also be improved by making higher education more appealing. There could be a wider choice of courses and a part-time learning provision with people of all ages in mind. Furthermore, the expansion of vocational and technical schools would be a welcome step as it would provide an alternative to academic paths.

Public spending on university education should be also increased as part of the effort to improve enrolment rates in tertiary education. Public expenditure on education was only 3.3% of GDP in 2012, well below the ratios of 5% and over in Malaysia, Thailand and Viet Nam. Although public expenditure as a percentage of overall government expenditure has been rising, it also remains low at 16.9% when compared to Malaysia, Thailand and Viet Nam. Clearly, there is room to increase overall spending on education and to reallocate resources to tertiary education.

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