

Brunei Darussalam

1. Overview

Brunei Darussalam, with a gross domestic product (GDP) per capita of US\$38,563 in 2013, is the second richest country in the ASEAN region on a per capita basis.¹⁰ The economy depends heavily on revenues from the oil and gas sector whose contribution to the national total gross value added reached about 60 percent in the fourth quarter 2014.¹¹ Given the budget surplus created by the sector, as well as its well-developed infrastructure, funding of Brunei Darussalam's infrastructure is not an urgent issue.

Having said that, the government's concerns about the economy's unhealthy dependence on oil and gas led to the launch of a long-term development vision, *Wawasan Brunei 2035*, in January 2008.¹² The vision seeks to find a sustainable path for the non-oil economy aiming to achieve three key goals: educated, highly skilled, and accomplished people; a high quality of life; and a dynamic and sustainable economy. The infrastructure development strategy is identified as one of the eight policy focuses in this vision.

Under *Wawasan 2035*, a five-year National Development Plan (RKN) and 10-year Outline of Strategies and Policies for Development (OSPD) elaborate and support its implementation. In particular, the current OSPD 2007–2017 provides rationales for PPP in some of its policy directions. Policy Direction No. 6 mentions 'promoting research, development and innovation both in government-funded institutions and through public-private and international partnerships.' Policy Direction No. 40 touches on the 'adoption of legal and regulatory frameworks to promote investment in social and industrial infrastructure, including privatization and PPP in line with international best practice'.

As such, it is understood that the government is becoming supportive of the PPP or privatization to tackle long-term fundamental economic challenges. These alternative

¹⁰ World Bank, *World Development Indicators, GDP Per Capita (current US\$)*.
<http://data.worldbank.org/indicator/NY.GDP.PCAP.CD> (accessed 26 June 2015).

¹¹ Brunei Darussalam. Prime Minister's Office. Department of Statistics Department of Economic Planning and Development, *Gross Domestic Product Fourth Quarter 2014*.

¹² *Economist* (2009), 'Brunei Gets Ready for When the Oil and Gas Run Out', 19 March.
<http://www.economist.com/node/10881541> (accessed 26 June 2015)

approaches would have potential to strengthen the sustainability of the economy by enabling the country to attract more foreign investment or to diversify its economic base.

2. Institutional and Regulatory Frameworks

The Department of Economic Planning and Development (known as JPKE), Prime Minister's Office, is the key government agency assigned to oversee PPP projects in Brunei Darussalam. For all the national development (RKN) projects, which can either be by traditional procurement or PPP, JPKE is in charge of evaluation and endorsement based on submitted proposals. Currently, JPKE is taking a leading role in developing national PPP guidelines to further clarify its institutional and project development framework specific to PPP.

A set of criteria for PPP projects shall be proposed in the national PPP guidelines. These will cover standards such as consistency with Wawasan Brunei 2035 (only solicited projects are considered), minimum thresholds of project value set separately for economic and social infrastructure projects, indication of bankability of the project, and better value for money to the government if it is developed through PPP. The PPP guidelines will also define the value for money coming from PPP as a set of elements such as innovative design, risk transfer, efficient utilization of assets, output specification, whole life integrated service, and possible third party income, based on international best practices.

The PPP guidelines will also streamline project development process for PPP. Basic steps will be (i) the Department of Planning of JPKE conducts paper work for initial evaluation based on submitted proposals, (ii) a working committee for the National Development Plan (JKK) reviews a project, (iii) after comprehensive analysis and market testing, the JKK submits the proposal to the National Committee for the national development plan for its approval, and (iv) a core project team conducts drafting of tender documents or request for proposal (RFP), evaluation, or contract signing with concerned agencies. It should be noted that the duration for each process has not been defined due to complexities inherent in PPP.

3. Recent Developments in PPP

Since Brunei Darussalam's legal system is based on English common law, all relevant laws robustly support the process for PPP projects by nature. The national PPP guidelines, which JPKE has currently been developing, are expected to be published as a guidance material rather than a legal document.

In general, although foreign companies may have the capacity and wherewithal, and would be welcomed to participate in PPP, they may be put off by the limitations of scale, which reduces returns.¹³ There is a project being implemented out of the guidelines, Ong Sum Ping (government buildings), a rehabilitate–operate–transfer project, but its investment size for refurbishment was just BND9.2 million. The challenge would be how to develop a pipeline of projects with sufficient investment scale in the situation where there is little room for greenfield projects, rather than brownfields.

¹³ Jones, D.S. (2014), 'Brunei Country Report', in F. Zen and M. Regan (eds), *Financing ASEAN Connectivity, ERIA Research Project Report FY2103*. No 15. Jakarta: Economic Research Institute for ASEAN and East Asia, pp. 39–62. http://www.eria.org/RPR_FY2013_No.15_Chapter_1.pdf