

**BUDGET SPEECH FOR FINANCIAL YEAR 2014/2015 AT THE 1ST MEETING OF THE
10TH SESSION OF THE LEGISLATIVE COUNCIL**

1. The purpose of the Bill is "To allow the withdrawal of a total of Six Thousand, Six Hundred and Fifty Million Brunei Dollars (B\$6,650,000,000.00) from the Consolidated Fund for the services in Financial Year (FY) 2014/2015, and to allocate for the purposes set out in the Schedule ". In doing so, I will elaborate briefly on current developments; the global and national economic projections; future challenges; and their impact on government revenues and the socio-economy of the country, which are the basis for the preparation of the National Budget for the FY 2014/2015.
2. I will also share the Government's spending priorities, projects and initiatives that will be implemented and the provisions in the budget that will supports the theme of the National Budget theme for FY 2014/2015.
3. Indeed, we are thankful to Allah the Almighty, The Most Gracious, for blessing the country with strong and stable socio-economic conditions, despite global economic uncertainty. Citizens and residents of this country continue to enjoy a high standard of living, with basic goods and services that are affordable and some that are completely funded by the Government, as well as public facilities similarly available in developed countries. With the leadership of His Majesty Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah, Sultan and Yang Di-Pertuan of Brunei Darussalam, the Government could still fund such expenditures, including the subsidies required for the provision of these basic goods and services, so as to safeguard the continued well-being of the country's citizens and residents.
4. From the country's economic aspect, the Non-Oil and Gas Sector in 2013 is expected to continue growing at favourable growth rate of 3.6%, although it is lower than the 4.0% growth recorded in 2012. The 2013 growth is driven by the private sector at 3.8% and the government sector by 3.2%. These developments are somewhat able to offset the decline in the Oil and Gas Sector which is expected to contract by 7.7%, due to the decline in oil and gas mining activities. However, this decline is also offset by increase in liquefied natural gas production which is expected to grow by 2.7%. Overall, the economy is expected to contract by 1.4 % after a 0.9% growth in the previous year. Meanwhile, the consumer price inflation is expected to remain stable at 0.4% in 2013.
5. The growth of Non-Oil and Gas Sector in 2013 will be mainly attributed to growth in the Wholesale and Retail sector at 5%; Business Services Sector at 3.9%; Construction Sector at 3.2%; Communications Sector at 6.0%; Hotel and Restaurant Sector at 13.8%; and Government Services Sector at 3.2%. Business Services Sector will remain as the major contributor to the Non-Oil and Gas Sector Gross Domestic Product in 2013 with a contribution of approximately \$736.3 million; followed by Wholesale and Retail Sector with \$715.7 million. Other main contributors are the Construction Sector; and the Financial Sector, which contributed \$542.0 million and \$517.8 million, respectively. In terms of Gross Domestic Product by expenditure,

economic growth in 2013 is driven by investment (Capital Formation) at 4.5% and Private Consumption at 2.8%.

6. For 2014, the global economy is expected to improve. IMF projected that the global growth is expected to be stronger at 3.7% after a 3.0% growth in 2013. Likewise, world trade is expected to register stronger growth of 4.5%, after a 2.7% growth in the previous year. However, the IMF continues to warn about the downside risks to the global economic growth, caused by factors such as the output gap in the advanced economies generally remain large; Eurozone and the United States debt crisis; fragilities of growth in some emerging economies, including the consequences of U.S. Federal Reserve tapering; as well as geopolitical unrest in the Middle East. Likewise, the International Energy Agency (IEA) expects global oil demand to increase to 92.23 million barrels per day in 2014 from 91.57 million barrels per day in 2013. Meanwhile, global oil supply is expected to increase to 92.5 million barrels per day from 91.2 million barrels a day in the same period.
7. Brunei Darussalam's economic prospects in 2014 will remain to be dependent on several key factors. This include, among others, global economic conditions; global oil demand; the country's oil and gas production level; as well as the expenses and investments of the Government and Private Sector. Taking into account these factors, the Department of Economic Planning and Development (DEPD) forecast that the Brunei's economy will grow at 5.1% in 2014. Activities in the Oil and Gas Sector will be stronger growing at 7.1%. Similarly, the Non-Oil and Gas Sector is expected to expand by 3.7%.
8. Due to the decline in the average oil prices at the back of global economic crisis and the country's lower oil production level in the FY2012/2013, the Government's fiscal balance has been affected in which it has declined to 20.4% of GDP, compared to 26.9% of GDP in the previous financial year. Similar situation is expected in the FY2013/2014 due to factors related to the government revenue from the Oil and Gas Sector and continued increase in Government spending.
9. Taking into account the global and domestic economic outlook; and the oil and gas revenue scenarios, the Government's Revenue Estimates for the FY 2014/2015 is projected to amount to B\$6,591,184,000.00 (Six Thousand Five Hundred and Ninety One Million, One Hundred Eighty Four Thousand Brunei Dollars). This projection takes into account revenues expected from the Oil and Gas Sector which is estimated at \$5,689.65 million (about 86.3%); and the Non-Oil and Gas Sector which is estimated at \$ 901.53 million (only 13.7%).
10. Once again, we are thankful to Allah the Almighty for blessing this country with continued peace, harmony, security, prosperity and well-being. We aspire that all the facilities we are enjoying at the moment can also be enjoyed by the future generations. This can only be achieved with the Government's continued efforts in managing the country's financial resources in a prudent and planned manner. In this regard, the Government needs to maintain a high standard of financial discipline policy, in addition to avoiding wastages. The financial capacity of the Government should always be considered in planning expenditures, and that the expenses

incurred will be worthy of the results or outcomes of the goals. Furthermore, the spending priorities should be directed towards stimulating economic activities to support a sustainable rate of economic growth and to generate more employment opportunities for the locals. Through this focus, the Government intends to accelerate efforts to diversify the country's economic resources, whilst ensuring the well-being and welfare of the citizens and residents are always secured.

11. To support these efforts, the Government will continue to implement policies that are pro-business and pro-investment, which so far have begun to yield positive results. Based on the World Bank report, the ranking for Brunei Darussalam in the Ease of Doing Business for 2013 has improved from the 79th position to the 59th. In line with these efforts, policies will be formulated in a holistic approach. Apart from ensuring creation of employment opportunities, the workforce will need to be equipped with specific skills, in line with the anticipated needs of the labour market in this country. Taking into account the aforementioned expenditure priorities, the proposed budget for the FY 2014/2015 is planned with the theme of "Generating Economic Growth, Creating Employment Opportunities". The goal for this theme is clear. It gives emphasis on expenditures to increase efforts towards achieving a more robust and sustainable economic growth. It also aims to generate permanent employment opportunities, especially for the citizens of this country, with the private sector as a catalyst to drive the growth and diversification of the country's economy.
12. Based on the factors presented earlier, Expenditure estimates for the FY 2014/2015 including provisions for the Development Fund, is proposed at a total amount of Six Thousand Six Hundred and Fifty Million Brunei Dollars (\$6,650,000,000.00). This amount is an increase of \$550 million compared to provisions for the FY 2013/2014, or an increase of about \$1.20 billion compared to the approved budget five years ago.
13. To support the budget theme mentioned earlier, the focus and priorities of government spending for the FY 2014/2015 is directed towards the following focuses:
 - i. One, **Strengthening Education and Training**. This focus is intended to give priority to strengthening the education system and learning and training, to produce citizens that are educated and highly skilled, yet virtuous and have strong faith that can contribute towards a sustainable socio-economic growth and development;
 - ii. Secondly, **Stimulating Investment Activity**, to strengthen the private sector as an important contributor to the country's economic and development activities;
 - iii. Thirdly, **Increasing Productivity** in economic and government sectors as the basis for rapid and sustainable growth of the economy; and
 - iv. Fourthly, **Welfare of Citizens and Residents**. This focus demonstrates the continued commitment of the Government of His Majesty in ensuring the

welfare of the citizens will always be given significant attention, given their role as a primary asset and a major contributor to the growth and development of the nation's economy.

14. Please allow me to briefly describe these priorities. First, Strengthening Education and Training.

15. An educated and skilled workforce is considered to be an important asset for a country to grow and sustain itself, taking into account current challenges and global competition. In this regard, priorities will continue to be given in providing more educational and training opportunities to the locals. Through these opportunities, it will enable the youth particularly, to increase their knowledge and develop their skills and abilities to meet the needs of the local labour market. Efforts will also be made to improve facilities, including infrastructure and equipment in educational and training institutions in this country. The FY2014/2015 Budget also places emphasis on increasing the access and absorption of school leavers into technical and vocational education where appropriate. The main objective of this effort is to ensure that the youth entering the labour market will have the necessary technical skills to enable them to contribute towards the country's economic activities.

16. The Government has and will take more initiatives to create more job opportunities, especially for school leavers. Amongst others, these include efforts through the Special Working Committee for Addressing Unemployment Issues and related agencies, such as the Energy Department at the Prime Minister's Office; and the Local Employment Agency and Workforce Development (APTK), the Ministry of Home Affairs. Such initiatives include the following programs:

- i. The launch of the Energy Industry Competency Framework (EICF) in July 2013, which provides skills training programs in specific areas to meet the needs of the industry. So far, 482 students have attended the courses provided, where after completing the course, they will have the opportunity to be employed by certain companies in the Oil and Gas Sector;
- ii. The organisation of the Career Fair for Oil and Gas Sector in 2013, the third job fair since it was first held in 2011. This initiative has been supported by various agencies from the Government and the industry, and since its launch, it has received an overwhelming response. A total of 1,302 and 2,595 people have so far been employed in the oil and gas companies in 2012 and 2013 respectively. For 2014, a total of 3,000 jobs is targeted to be available in this sector.

This initiative is in line with the Local Business Development Framework which aims to increase the employment of locals in the oil and gas sector. It is also consistent with the new directive that commenced in 2012; which as a prerequisite to tender, it is mandatory for all firms in the oil and gas sector to have a 50% composition of local workers. In implementing this framework, these firms are also required to be more transparent in providing a more conducive working environment, such as offering a reasonable salary to local

workers. The 50% quota will be increased to 70% within a period of 5 years in accordance with the target of 80% locals hired by 2035;

- iii. The introduction of two new programs, which are the Incubator Centre and the Energy Business Academy (a Brunei Shell Joint Venture – BSJV), in efforts to build the capacities of the country's small and medium enterprises (SMEs); to increase local content; and thus providing more jobs for locals. These programs are intended to strengthen the capacity of local entrepreneurs to build successful enterprises, leveraging from the existing expertise at BSJV companies;
 - iv. The establishment of the Brunei Maritime Academy (BMA) under the initiatives of both the Energy Department and the Ministry of Education, with the assistance from the Ministry of Communication and collaboration with the Singapore Maritime Academy. Under the BMA, an estimated total of 280 students for the first intake will commence their course in July 2014; and
 - v. Through the Special Working Committee for Addressing Unemployment Issues, appropriate steps have been identified for implementation. These include:
 - Creating an Unemployment Registration System and User Policy for Compulsory Registration by the Village Heads;
 - Putting emphasis for locals to be employed at certain industries, such as wholesale & retail; transportation; hospitality; support services; and mining & quarry;
 - Issuance of a policy that requires local and foreign workers, particularly in technical and tradesman posts, to have accreditation by the authorities concerned;
 - Establishing targets for employment of locals in certain industries; and
 - To provide secondary school leavers more opportunities for entry into Technical and Vocational Schools.
17. The Government also endeavours to add more employment opportunities for locals through the development of Government-Owned Companies (GLCs). However, this intention can only be realised for those GLCs that have stable operations and can generate sufficient income continually in the long term.
18. In line with this objective, several provisions have been made in the Budget FY2014/2015. These included the following items:
- i. To implement the "Strategic Development of Higher Learning Institutions" project, an overall project cost of \$15 million has been provided for;

- ii. The "Intervention & Remediation To Overcome Students' Literacy Level" and "Literacy & Numeracy" projects have been allocated a budget of \$150,000.00 and \$230,000.00 respectively;
 - iii. \$65.9 million has been provided for Educational Services under the Ministry of Education. This, amongst others, is to finance the recruitment of experts and teachers from abroad to raise the performance of primary and secondary schools students throughout the country. In addition, a provision of \$220 million has already been approved by His Majesty The Sultan and Yang Di-Pertuan of Brunei Darussalam in FY2013/2014, for the recruitment of teaching experts for a period of three years under the Ministry of Education to improve performance in subjects of English and Mathematics, particularly for primary schools in this country;
 - iv. In improving facilities and infrastructure for schools and higher learning institutions across the country, a provision of \$22.1 million will be provided for the maintenance of assets; and a total of \$25 million will be further allocated for purchase of equipment under the Ministry of Education, which is an increase of \$2.5 million;
 - v. Whereas, under the Ministry of Religious Affairs, a total of \$4 million will continue to be allocated for undertaking maintenance and upgrading works of religious schools and higher learning religious institutions; and a total of \$4.82 million will be provided for purchase of equipment. Furthermore, 51 additional posts have also been provided to support the needs of the religious schools in line with the enforcement of the compulsory religious schooling policy; and
 - vi. Under the National Development Plan (NDP), an overall allocation of \$73.7 million with an overall project cost of \$394.5 million will be provided for the Education Sector. This includes providing infrastructure for Religious Schools & Arabic Preparatory Schools; Primary Schools; Secondary Schools & Sixth Form Centres; Vocational Schools & Technical Colleges; and Higher Education Institutions.
19. The implementation of the Human Resources Fund Program under the NDP will also be enhanced by an increased provision of \$50 million in comparison to the \$28 million provided for in the FY2013/2014. Since the program was launched in 2006, the government has spent a total of \$426.4 million to implement various schemes. Among the programs available and its achievements so far include:
- i. Under the Professional and Experts Development Scheme, a total of 119 people were sent to study at the PhD level, and as many as 483 people at the Masters level;
 - ii. Through the Human Resource Development in the Private Sector Scheme, a total of 391 employees from the private sector have attended various training courses at a cost of approximately \$4.6 million;

