Brunei SMEs in Perspective – Issues and Challenges, Opportunities

Purpose: Information
Submitted by: Brunei Darussalam
BRUNEI SMEs IN PERSPECTIVE – ISSUES AND CHALLENGES, OPPORTUNITIES

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Introduction

**SMEs Definition**
SMEs are commonly defined as those business establishments having 100 employees or less.
- Micro enterprises (1 – 5 employees)
- Small enterprises (6 – 50 employees)
- Medium enterprises (51 – 100 employees)

![SMEs Distribution](image)

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National Vision 2035 *(Wawasan Brunei 2035)*

**Eight (8) Development Strategies**
1. Education strategy;
2. Economic strategy;
3. Security strategy;
4. Institutional development strategy;
5. Local business development strategy;
6. Infrastructure development strategy;
7. Social security strategy; and
8. Environmental strategy.
Economic Diversification Framework

- **Economic Development Strategy**
  - (11 Policy Directions)
    - Ensuring continued macroeconomic stability.
    - Ensuring high rates of economic growth so that work is always available for our young people entering the labour market each year.
    - Developing further a strong capital market including the Islamic bond market (sukuk) to help finance domestic growth.
    - Promoting national economic competitiveness through policies that encourage productivity, economic openness and competition.
    - Investing in downstream industries and other economic clusters selected on the basis of Brunei Darussalam’s competitive strengths, export potential and employment opportunities for local people.
    - Investing in the world class infrastructure that is required to attract foreign and domestic investment in new export industries.

- **Economic Development Strategy**
  - Developing an energy policy that accords proper priority to our oil and gas industry while giving due consideration to the need to create new industries through downstream diversification.
  - Privatising those services currently provided by the public sector that are best undertaken by the private sector.
  - Developing the expertise and skills required by commerce and industry through investment in our educational institutions; in research and development; and through collaboration with business.
  - Promoting international economic cooperation, bilaterally and multilaterally.
  - Encouraging equal opportunities for women in the work force and in nation building.
Economic Diversification Framework

- **Local Business Development Strategy**
  
  **(7 Policy directions)**
  
  - 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.
  - Developing incubation centres to assist and promote local SMEs and entrepreneurs in areas such as ICT.
  - Maximizing the indirect benefits of foreign direct investments for local SMEs and entrepreneurs.
  - Encouraging the use of local products, local suppliers and contractors by major businesses and industries.
  - Privatizing, commercializing and outsourcing of government services as a way of expanding opportunities for local SMEs and entrepreneurs.
  - Reducing the cost of doing business for local SMEs and entrepreneurs by simplifying government procedures.
  - Ensuring prompt government decisions and payment to local contractors and suppliers.

### Brunei’s Status on Global Ranking

- **Ease of Doing Business**
  
  - 2012: Overall Ranking 83 out of 183 economies
  - 2011: ranked 86 out of 183 economies, change in rank ↑ 3

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* Adjusted DB 2011 Ranking was based on recalculation of data correction and with the inclusion of Getting Electricity Indicator.
Issues and Challenges

Current Initiatives:

- **Human resource**
  - Human capacity building:
    - HRD programs for SMEs are offered by government agencies and NGOs
    - Entrepreneurial Development Centre of the Ministry of Industry and Primary Resources do offers short courses and organise seminars, workshops, and conferences every year.
  - Subject areas:
    - Entrepreneurship, finance, marketing, business management, HRM, Quality & Standards (Q & S), etc.
  - Other agencies like iCentre of Brunei Economic Development Board (BEBD) and LiveWIRE Brunei.

- **Access to finance**
  - Government supports on SME financing facilities
    - Loans:
      - Enterprise Facilitation Scheme
      - Micro-credit Financing Scheme
      - Export Refinancing Scheme
    - Grants:
      - Micro Grant Scheme (MGS)
      - Local Enterprise Application & Products (LEAP) Programme
      - AITI Grant Scheme
    - Other financial support initiatives:
      - Accel –X Venture Capital Fund
      - Promising Local Enterprise Development Scheme (PLEDS)
Issues and Challenges

- **Market access**
  - Domestic market
    - Local wholesale and retail outlets (e.g. supermarket chains like Giant and Hua Ho), local distributors and marketing agents
  - Overseas market
    - Direct exporters, traders

- **Business information**
  - Readily available market information
    - E-commerce, e-trade such as Buy Brunei Portal [www.padian.com](http://www.padian.com), Online business and marketing portal that serve as a platform to promote trade and partnership between local and international businesses.
    - Brunei directory & information portal such as 1-BN Online.

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Issues and Challenges

- **Technology application & Innovation**
  - Outsource and adaptability
    - Acquire readily adaptable new technology application to enhance productivity (fully automated versus manually conventional system)
  - Innovation
    - iCentre (ICT-based incubation centre), nurturing ICT entrepreneurs to develop Made-in-Brunei products and applications (mobile phone contents, barcode and RFID applications, software and public portal development).
  - Knowledge Hub
    - (K-Hub), serves as technology-based research and development (R & D) centre
Issues and Challenges

Research Findings: 5i’s Framework SME Development Model

- **Internalisation**
  - Core fundamentals of the business i.e. internal strengths: business model, structure, core competencies and functional strategies

- **Integration**
  - Firms visibility and interaction with the business community: social media, business networks and marketing information

- **Innovation**
  - Innovate to improve productivity levels, packaging and branding

Issues and Challenges

- **Investment**
  - Effectiveness and extent of SMEs sources of funding
  - Bankability and eligibility

- **Internationalisation**
  - Readiness, preparation and methods adopted by SMEs to venture into overseas market
Opportunities

Government’s Perspectives:
- Review, realign existing policy and rules and regulations that are best fit to economic and local business development strategic directions i.e. in pursuit of attaining Brunei’s agenda on economic diversification
- Coordinate SMEs development initiatives amongst government agencies and NGOs
- Optimise resources through ‘pool of expertise and talents’
- Provide distinctive platform for generic growth in terms of economic and socio-economic development
- Equality in demographic participation: youth, women and less fortunate people
- Synergise stakeholders’ efforts toward realising ‘Vision 2035’
- Promote and facilitate ‘Foreign Direct Investments (FDIs)’ opportunities

Opportunities

SMEs’ Perspective:
- Emergence of new industries
  - Halal industry
  - Creative industry
  - ICT-based products innovation
  - Pharmaceuticals
  - Petrochemicals
  - Biomedical engineering
  - Biotechnology and nanotechnology
  - Engineering and technology-based products/services
- Active participation in economic diversification programs/activities
  - Own business entity/sole investor
  - Private partnership
  - Joint-venture (JV)
  - Public-Private Partnership (PPP)
Opportunities

- **SMEs’ Perspective:**
  - Business facilitations
  - Sites and basic infrastructures
  - Incentives
  - Financing facilities
  - Human resource development
  - Incubator program
  - Marketing and market outlets (domestic and overseas markets)
  - Business and trade information
  - Entrepreneurship
  - Innovation
  - Commercialisation of local products (One Village One Product)

Conclusion

- **Approaches**
  - Holistic and dynamic

- **Impacts**
  - SMEs participation in economic activities
    - Contribution to GDP
    - Employment / job creation
    - Multiplier effects
  - Incremental growth
  - Sustainability
  - Corporate Socially Responsibilities (CSRs)

- **Judgment calls**
  - Leadership
  - Stakeholders’ stewardship and accountability
Thank you

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