

BRUNEI BUSINESS FORUM 2011

“Promising Opportunities, Sustainable Approaches”

Thursday, 15th September 2011 @ The Radisson Hotel

SUMMARY

The half-day Brunei Business Forum was attended by over 80 CEOs, Managing Directors, High Commissioners, government officials and executives from the business community as well as entrepreneurs. Present at the event as the Guest of Honor was **Yang Berhormat Pehin Orang Kaya Seri Utama Dato Seri Setia Awang Haji Yahya bin Begawan Mudim Dato Paduka Haji Bakar**, Minister of Industry and Primary Resources.

Keynote Address

By the Guest of Honour



At the Brunei Business Forum, Yang Berhormat Pehin Yahya declared that the present decade (2010-2020) as the Decade to Spur SME Development in Brunei Darussalam. Highlights of the Speech include:

- SMEs constitute around 98% of local business establishments across all industry sectors with a potential to contribute significantly towards the national objective of sustainable economic diversification. One of the main focus of the National Development Plan is to spur the development of SME sector in order to realise the National Vision 2035.

- The various SME support programmes or interventions established by the government revolve around several strategic objectives such as
 - producing credible and socially responsible entrepreneurs especially in sound business practices that have minimal impact to the environment and that which emphasizes on the environment.
 - assisting SMEs in developing marketable and competitive products of international quality in niche industries that include halal industry (in food, pharmaceutical and cosmetic); Islamic banking and finance, sustainable tourism and ICT
 - assisting market penetration capability of SMEs via Free Trade Agreements such as the ASEAN (AFTA) and its dialogue partners to expand market size.
 - creating quality business activities that builds up sustainable production, manufacturing and services sector in the Brunei economy to attract FDI that will contribute to the creation of knowledge-intensive industries.
- The framework for entrepreneurship development include in human resource development; access to finance or capital; access to technology and innovation; increasing market access; access to information and ICT; good governance; and developing production or manufacturing sites including basic infrastructure.
- Agencies and stakeholders need to intensify efforts at formulating better SME policies, new innovative support programmes for SMEs, more efficient procedures and strategically ambitious performance indicators that will contribute to nation building.

Followed by a Q&A moderated by **Hj Shazali Dato Hj Sulaiman**, Chairman, International Chamber of Commerce & Industry.

The Highlights of the Q&A include:

- On Ease of Doing Business specifically in improving procedures by 2014: this is currently work in progress- MIPR has done simulation and exercise by bringing together government stakeholders to review how the processes could be made simpler and a national committee composed by relevant ministries is tasked to work on specific targets and identify barriers to eradicate. It is hoped that the next assessment will show some progress from Brunei in terms of ranking and improvements of procedures.

A comment from the floor include a highlight to the Ease of Doing Business 2011 survey that indicate that 3 small countries rank top 10 including Singapore, Hong Kong and New Zealand which shows that small countries can rank very highly and that in fact it is an advantage to be small. Also, while Brunei may not have been ranked well, it is nonetheless listed in 10 countries that have improved the most. Perhaps in a few years, Brunei can make it to top 10 countries in world in ease of doing business.

- On measuring the success of diversification via KPI: one is in the number of entrepreneurs and change in sectoral composition of industry. Oil and gas occupies a huge chunk of activities which has been very difficult to get out

largely due to the 'Dutch Disease' mentality therefore, Brunei needs to set targets to reduce this dependency for example from the current 60% of oil & gas activities to less than 50% or towards 40%. However that being said, many countries may be able to achieve this in five years but the case for Brunei is more difficult as this requires Brunei to move away from total dependence and this means getting SMEs and businesses to look and think beyond oil and gas.

- On SME financing specifically on whether the Brunei government would consider lengthening the grace period for repaying loan: currently the setup is bound under one umbrella scheme; SME fund, micro financing scheme and the export refinancing scheme. In many places other than Brunei the financing scheme would cater to different kinds of business that have different needs for example in agriculture which requires a long haul therefore non revenue generating activities requires financing in different ways which may be different from short term industrial projects. We understand that businesses take up a financing facility for projects that may take longer duration to come up with any revenues. In the case of Brunei we recognise the need for this therefore we may have to look at specific industry rather than targeting one financing facility for all.
- On the types of regulations to help small firms to adopt more sustainable business practices. An example include the Forest Stewardship Council application into stringent requirement of wood and marine products. Hopefully this will help to market a product at a premium because many of these markets are driven and willing to pay premium for products environmentally sound and friendly like timber cut from well managed forest and fish quelled from well managed areas. We hope to bring into play this application matter. But more to that. For production on manufactured products like drinks, meals, we look at Brunei halal as our flagship. Brunei halal would provide us as a bridge head into some of the markets because our point about Brunei halal that it is strictly muslim and compliant to shariah. Halal and wholesome, means environmentally sound and pure.

"Sustainability Strategy in the Right Direction"



A presentation by **Steve McCoy**, Founder & Principal, Counterpoint, Malaysia who advises businesses, governments and NGOs on sustainable practices to optimise potential

- Global personal consumption amounted to US 24 trillion in 2005, global consumption of cosmetics is equivalent to amount needed to global eliminate malnutrition at USD 19 billion, more is spent on ocean cruises (USD 14 billion) than is needed to provide clean drinking water for everyone (USD 10 billion).
- Sustainability is a mindset that perceives and understands the world as an interconnected system, which is very different from understanding the world in separate components. We often thought sustainability as environmentalism because we tend to use the words interchangeably.
- Often we think of the word green, or greening industry, to mean sustainability, and it's mixed up with CSR (corporate social responsibility). Sustainability is actually a different approach to environmentalism. Environmentalism generally is an activist approach, whereas sustainability is that of a constructivist approach, it's more of a pro-active and innovative approach as opposed to a defensive and reactive one.
- Where environmentalism creates boundaries, protects the legacy of the past, is in conflict with the economy, and often says 'no', sustainability creates possibilities, develops a future vision, transforms the economy, and attempts to say 'yes'.
- Sustainability is just the mindset of understanding or perceiving the world as a system, which is different from perceiving the world in a component form. Unintended consequences actually happen when we disintegrate things that are actually integrated, or we treat as independent towards things that are interdependent, and that's what we've done with the economy. For many years, the economy has basically run by exploiting, or in a neutral sense, making use of natural resources and human resources in order to build financial capital so that society can benefit. At a time since the industrial revolution, we were in a position where natural capital was abundant and human capital was scarce, and the system worked very efficiently at that time.
- But the tides have turned today. We are in a position now where we have scarce natural capital and abundant human capital. We need to now redesign the economy to move from an exploitative economy to the one that restores. We must now transform our economic system from a linear one based on 'take make waste to one based on 'borrow use restore'.

Future Flash I: Brunei of Tomorrow



Short hypothetical scenarios on the future of banking by

Oz Ahmed, Associate Director, Wholesale Banking, HSBC Amanah Malaysia

- Currently over 800 financial institutions offer Islamic products of which 350 are Islamic financial institutions. Over 750 funds comply to Shariah banking regulations where in Brunei the market penetration is an astounding 50%.
- Islamic finance industry has grown exponentially since 2007 and throughout financial crisis to 2010 which demonstrates the resilience and sustainability of the industry.
- The industry, within the next decade or two, is moving towards \$4.4 trillion, growing an enormous \$3 trillion from where it is at today.
- In Islamic Finance, Brunei is a speed boat while other economies are like oil tankers, which means the Sultanate has the ability to move faster than any other country if it desires to, putting the country in a prime position to be the industry leader as it has in place the right foundation and infrastructure that can enable the country to position itself as the chief in Islamic Finance.
- Other economies, compared to Brunei, can move and make waves, but their movement will be slower because of the size of their economy and the fundamental foundation to make Islamic finance work.
- In converging standards on Islamic Finance, Brunei should focus on a niche area and develop a holistic set up in terms of concepts, its pronouncements and a clear integration within regulatory and frameworks of those jurisdictions.

- Standards around the world are starting to converge, but not happening fast enough. Whereby the industry is growing at a huge pace, and there is a role for someone to play in doing that. Therefore, Brunei should be able to develop a Shariah standards world-class regulatory framework that instills confidence.
- Nonetheless Brunei has to move fast if it wants to take advantage of the situation especially when other OIC countries strapped with petro-dollars have the ability to also play a significant role.

Future Flash II: Brunei of Tomorrow



Short hypothetical scenarios on what the future of oil & gas will be like by

Yves Grosjean, General Manager, TOTAL E&P Borneo B.V.

- Oil demand is driven by demographic growth. Transport, either for mobility or for moving around of products in our globalised economy, account for about 60% of consumption.
- In terms of supply, the world is struggling to increase oil production and to substitute it. The production of other energy substitutes has increased but statistics show that the increase in demand 5 to 8 years in actual fact has been satisfied by large growth of coal production.
- Producing cheap energy has also been a struggle. This is happening because oil and gas reserves in the world today cannot be renewed. For the past 30 years, pace of discovery on average has represented only half the

phase of world consumption. The average size of discoveries has been constant since 1980, despite big announcement from time to time and big discoveries. Moreover discovery cost is increasing and so is also development cost as we are tackling new and difficult resources that require increased technological proficiency and higher capital expenditure.

- The projection for the future and Brunei will be no exception. Fossil energy will still represent 76% of global energy supply by 2030. This means reducing 5% of the share of fossil fuels in global energy supply in the years from 2005-2030 and in terms of growth rate of the substitute represents a very big challenge.
- The interesting potential for Brunei is in conventional on shore provided it can attract the global competition and top ranking technology to be put to work in order to exploit these future resources. Oil and gas prices will not drop globally therefore this could be a great way to trigger development of proper substitutes in marginal quantities.

Town Hall Discussion on promising opportunities and sustainable approaches



What are the prospects in strategic industries over the next few years? How can we be more innovative in utilising existing resources in pursuit of these emerging opportunities? What will it take for Brunei to be more sustainable?

Dato Paduka Awg Haji Idris bin Haji Abas, CEO & Principal Architect, Arkitek Idris

Hj Shazali Dato Hj Sulaiman, Chairman, International Chamber of Commerce & Industry

Steve McCoy, Founder & Principal, Counterpoint, Malaysia

Moderated by: **Elizabeth S. F Sim**, Assistant Manager, Retail Coach, HSBC

Among the highlights of the session include:

Perspective from the construction industry:

- As a stakeholder to the construction industry, PUJA is taking the initiative to promote environmental sustainability in buildings where it is currently enrolling itself to be a member of world green building council so that as an association it can set up a proper body to monitor the development of green buildings in Brunei as well as to establish a proper design guideline. This will encourage the adaptation of various green building technologies and innovation to achieve better performance especially in the area of energy efficiency, water efficiency and also the indoor environment quality and environmental management.
- Recently, JKR under the Ministry of Development issued a circular to all the stakeholders and the consultants to encourage the architects, the designers, the consultants to adapt a guideline on planning and designing the green buildings for the new projects. It is therefore hoped that this encouragement also comes with the understanding that green building is more expensive than a conventional building hence, stakeholders in the construction industry should be allowed to add a certain cost factors to new projects in adapting the green concept into the buildings.
- The green building activities that are gradually taking place present a lot of business opportunities for the business sector such as in the resources and components that make up a green building.
- To promote this green concept into the construction industry, the government can give certain incentives for the developer to practice green building which could be in the form of tax return and accreditation.

Perspective from the business community:

- In Brunei, only 3% of the government revenue comes from income tax, import duties and stamp duties while there is very small contribution from the other industries. If Brunei wants to have a sustainable business, it has to ensure that it diversifies the economy sufficient enough so that when the energy sector can begin to decline and the government can have sufficient revenues in other areas to support the ongoing government expenditure that currently amounts to around \$5.8 billion.
- It comes down to financial aspect of sustainability and not actually the material aspect and currently various government ministries are doing their part to diversify the economy. The education system plays a role in cultivating environmental stewardship and the understanding of issues around sustainability and global warming.
- In terms of moving forward from the business aspect, Brunei needs to talk about carbon footprint, the environment and everything else. For example in the fishing industry, the depletion levels has gone up therefore

fishermen can only go 5 km outwards of course under controlled situations. However, the fishermen do not have the capacity to go to on the prescribed area. Therefore, there is a need to think about the whole picture.

- In terms of oil and gas, the question goes back to how fast the world can replace the dependency to allow the transition to other alternative options to become more viable. The interesting issue is that the oil and gas companies have patents for alternative energy therefore; it seems like it is in their interest to ensure there is no substitute for oil tomorrow.

International perspective:

- “Green Drinks” is a movement that started in London about 20 years ago by a bunch of friends who met over drinks and talked about green design, green architecture, sustainable and so on that propelled a monthly meetings where people got together in a pub or a restaurant to talk about green and sustainability issues and ideas. Today there are about 800 different “green drinks” group around the world and there is opportunity for Brunei to have one as well. This monthly meetings have helped individuals and businesses in their businesses.
- There is a need to educate ourselves about the lexicon of sustainability so that everyone can truly understand what sustainability means and the implication it has on their businesses, governments et cetera. Without this understanding, it becomes difficult to move forward because there will be resistance and opposition to the adoption of more sustainable practices be it in businesses or policy level.
- Renewable energies are not competitive now compared to fossil fuels. Solar photovoltaic panels that capture sun’s energy using photovoltaic cells generating electricity even on cloudy days are incredibly expensive because the process that goes into making the technology work is expensive in this case the silicon that creates an electric field which is very susceptible to oxidative stress. There are still opportunities to make the supply chain around sustainable products cheaper and have economies of scale.
- In the UK there is a company called “Carbon trust” that provides specialist support to help businesses and the public sector boost business returns by cutting carbon emissions, saving energy and commercializing low carbon technologies which supports the 2008 Climate Change Act in Britain to set legally binding ‘carbon budgets’ with the aim to cut UK emissions by at least 80% by 2050.
- An example that the Carbon trust is when you want to renovate your office or your house, you can get a grant from them and change your light-bulbs and do all these energy saving things and you pay back the loan through your electricity bill. So they measure your electricity bill, average it out for the renovation and you carry on paying the same amount to the carbon trust. Obviously your electricity bill would have gone down because you’re much more efficient and you pay off your loan

through the savings you made from your electricity bill. Once you've paid off your loan, you then pay your real electricity bill which is lower from your previous electricity bill. It is a very simple scheme and the money keeps recycling. It is also a painless way to actually renovate buildings into becoming energy efficient.

- Government all over are realizing that buildings are a really good way to start a sustainability practice because in greening a building, you have to talk about the people and eventually you include the community and hence town planning and development which brings recycling centre and the whole supply chain into the picture.

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