

Guest of Honour's Speech
YB Pehin Dato (Dr.) Haji Mohammad Yasmin
Minister of Energy and Industry at the Prime Minister's Office
Brunei Shell Joint Venture (BSJV) SME Event
Pusat Insani, Seria
Thursday, 21st January 2016

Bismillah Hirrahman Nirrahim,

Assalamualaikum warahmatullahi ta'ala wabarakatuh. And a very Good Morning.

All praise be to Allah Subhanahu Wataala, selawat and salam upon our beloved Prophet Muhammad Sallahu Alaihi Wassalam, his family, friends and loyal followers from the beginning till the end of times.

Mr. Andrew Faulkner, Managing Director of Brunei Shell Petroleum (BSP) Sendirian Berhad,

Permanent Secretaries & Deputy Permanent Secretaries;

Senior officers from the Government of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam;

Managing Directors & CEOs from the Services Companies & Banks

Ladies and Gentlemen,

1. It is a pleasure for me to be here this morning and be among you at this Brunei Shell Joint Venture (BSJV) SME Event.
2. Thank you Andrew for your earlier opening remarks on the strategy of Line in the Sand. I fully agree and support this principle and his message of improvement for all parties during these difficult times.
3. We have to face this **reality of USD 30 oil and the effects it** has on Brunei Darussalam, which are especially felt in the oil and gas sector – which has knock-on effects for SMEs in other sectors. I talked about the impact of the oil price and the “line in the sand” principle during the recent staff engagement session with BSP. And the message I gave to them will be the same message that I am going to give now to our SMEs. In this economic climate, **SMEs need to be innovative and use technology to find more efficient ways of doing things and delivering your projects. SMEs should also find ways how to contribute to the nation with your business.** Thus, this efficiency will be the critical factor that will strengthen your companies and your capacity to succeed in this challenging environment. When I left the BSP after the staff engagement, I felt my message had perhaps reached only about 70% of the audience. If there is anything that you would take away from this speech, it is **for 100%** of you to understand **the reality of the economic climate today** and have a **mindset of how to be more efficient and contribute to Brunei.**
4. I am grateful to BSP that they have continued to commit local spending even during these tough times. This shows

that BSP knows the upside and downside of this market and they are prepared for this downturn.

5. Today's theme "**Strengthen SME Development Through Continuous Collaboration**" is in line with His Majesty the Sultan and Yang Di-Pertuan of Negara Brunei Darussalam's Titah on 1 January 2016 regarding the formation of an SME Body, which I will touch on later. His Majesty's Titah on various occasions on having "**a whole nation approach**" or working in collaboration, rather than in silo, is also key in strengthening SMEs as their development and growth is crucial in contributing towards the national economic and socio development, which befits today's theme.
6. The Government and industry has collaborated in driving local business development (LBD) in the oil and gas industry. Where has this collaboration taken us since the LBD agenda was given a renewed focus in 2010?
7. I would just like to touch back on what has been done on LBD in the oil and gas sector over the past 5 years. We have set up a robust framework, based on the **4 quadrants of basic, development, core and highly specialized activities**, which has ensured two things:
 - i. **A level playing field** which actively prevents monopolism; and
 - ii. **Better opportunities and growth** for our SMEs
8. To a certain extent, there has been some success in this area as the playing field is certainly more balanced than it was in 2010. I am pleased to note the cooperation that has been

given by all parties concerned, including major operators. But does this mean that we have managed to change the mindset of all vendors on this? I **don't think this has been achieved 100%**. We will continue to work harder and make efforts to ensure a realistic level playing field with valuable opportunities for local SMEs.

9. This renewed focus has boosted the local content both in terms of local spending and use of local workforce. The local content spending is **around 54% in 2015. It was less than 15% in 2010**. As for employment, there are now more than **16,495 locals work in this sector out of around 26,205 total workforce** - which is around 63% against less than 50% in 2010. Also, **43 local companies have been awarded contracts for the first time by BSJV, worth a total of B\$ 921 Million**.
10. While there has been substantial progress, there is still a lot to do to achieve our **oil and gas 2035 targets for employment** as it is more challenging now with the current economic climate. InshaAllah, by working together and in collaboration, the impact of low oil price will be minimized.
11. The Energy and Industry Department, Prime Minister's Office (EIDPMO), **will continue to ensure compliance to the LBD Directives issued in 2011 and 2012** to ensure a pro-business environment in the oil and gas industry. These initiatives will replicated for the non-oil and gas industry as well.
12. EIDPMO will also continue to be an **active facilitator** in driving the LBD. In 2015, we have introduced weekly **"Muzakarah Sessions"**, the **"LBD Hotline"** and **regular LBD briefing sessions**. All of these are initiatives to ensure

better communication between EIDPMO and the industry.
This is on top of my regular visits to SMEs every 2 weeks.

Distinguished guests, ladies and gentlemen:

13. The government objective is simple, which is to make Brunei a **pro-business country**. An easy country to conduct business without sacrificing the nation's core values. This will enable Brunei to be more competitive in attracting investment to diversify the economy.
14. Economic diversification has been on Brunei's national development agenda for decades. The reality is our economy **remains dependent on oil and gas sector**.
15. In order to diversify Brunei's economy to non-oil and gas sector, it will **require new government and private investment in the non-oil and gas sector**. The government investment would focus on creating a conducive business environment and having the required infrastructure.
16. On the Government side, we are working hard to ensure that **opportunities will be available** for SMEs to continue and develop their businesses. We are focusing on **increasing our Foreign Direct Investment (FDI)** – two major examples are the petrochemical project in Pulau Muara Besar and Brunei Fertilizer Industries in the Sungai Liang Industrial Park, which will open **several opportunities** for local SMEs. The FDI Committee announced by His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam is central to these efforts, which would allow **the right FDIs to enter Brunei**. The right FDIs would provide returns to the Government

and ensure benefits for our local SMEs and employment for our locals.

17. It is also equally important that the investors would bring in with them **new technologies and potential for knowledge transfer** for example the setting up of OCTG, margarine manufacturing plant and pharmaceutical plant. We are now also exploring other market segments like well services to potentially have Multi National Companies (MNCs) set up in Brunei.
18. Without a doubt, **SMEs play an important role in this process**. The SMEs, being part of the domestic supply chain, will be required to provide competitive goods and services to attract such investments.

Distinguished Guests, Ladies and Gentlemen,

19. As I alluded earlier in my speech, the Government is establishing a statutory body known as **Darussalam Enterprises (or DARE)**, which will monitor and nurture **the growth and development of local enterprises** in Brunei Darussalam, including SMEs. The **private sector will hold 85% of the membership of the Board of Directors for DARE**. This will ensure that the direction and development of SMEs **through DARE will be driven by the private sector**. DARE will also be in charge of industrial sites management under the Industrial Management Sites Division (ISM), previously under Brunei Industrial Development Authority (BINA), to facilitate opportunities for SMEs. We are also setting up a **Business Support Centre**, to be launched in April 2016, which will house the important agencies required for

business support, **under one single roof**. This will encourage more SMEs to venture into business.

20. DARE will align and combine the various initiatives that are currently ongoing in the public and private sector, including programs under BSP – such as the effective Energy Business Academy and the longstanding Livewire program. These programs will be **leveraged for the benefit of the overall industry sector**, including the oil and gas sector. With DARE, we expect to help Brunei SMEs to be competitive domestically and eventually regionally as well. I hope by doing all of this insyaAllah, gone will be the days when **there were one-contract SMEs**.
21. Speaking of the **Energy Business Academy (EBA)**, I congratulate BSP's efforts in setting this up as it provides a valuable opportunity for local companies to learn and understand what is required to be business partners for BSJV. In time, this will be aligned and rolled out for SMEs to apply for the non-oil and gas industry as well.
22. We also would expect that our SMEs would develop and understand proper corporate governance, business integrity and zero tolerance to the ills of corruption. The introduction of the **"New BSJV Supplier Code of Conduct"** requires any third party doing business with the BSJVs to live by and act in accordance with the equivalent core values and principles. Failure to adhere to the Code of Conduct will result in BSJV discontinuing its relationship with the suppliers.
23. We also want to remind SMEs that with proper governance, also comes with paying your employees on time, including

overtime. In some contracts with BSP, bank guarantee clauses have been inserted for the SME to commit, so in the event the SME is not able to pay their staff, BSP can directly pay the staff themselves, which would be deducted from the contract amount. At this juncture, I have heard from various sources that BSP has been a good paymaster towards its contractors. This is the sort of thing, which ensures SMEs can continue to be in business.

Distinguished Guests, Ladies and Gentlemen,

24. I would like to also briefly touch on opportunities for local employment **via the industry competency framework**. Over the last 5 years, you may have known about the Energy Industry Competency Framework or EICF. This is where the Government has started the initiative to train our locals to match the requirements of the oil and gas industry in Brunei. Over the next 5 years, we will expand this to the whole industry sector in Brunei. This initiative will be called the **Industry Competency Framework or ICF**, which will be part of the national manpower agenda. We will establish the necessary framework to harness the potential of our locals to work in industry and thus ensuring that our local SMEs would have capable local employees that **are “industry-ready”**.
25. For oil and gas projects to be sustainable, Health, Safety, Security and Environment (HSSE) must always be in the forefront. This aspect cannot be compromised and will continue to be the **Government’s top priority**. It should also be the top priority of everybody in this audience. We have also made it very clear that employers are legally responsible to provide their employees and members of the public at their premises with a safe and healthy environment.

26. Before I end my speech, I would urge all SMEs **to not give up**, even in this time of low oil prices and uncertain economic environment. We can see that BSP remains committed to local spending, a commitment that is lauded by the Government. I firmly believe that the future is still bright for Brunei but the environment now **needs the hard work, innovation and collaboration** of all those concerned – the Government, the operators and SMEs. Please **do not get distracted** by social media chatter and viral rumours. **Honesty and openness** in communication with the Government is crucial. The Government will continue to **provide an environment and a system** for SMEs to grow and develop. The operators need to continue to **provide business opportunities and development assistance** for SMEs to survive in this environment. And SMEs need to be willing to **learn, grow, be transparent, be more efficient and innovative** and insyaAllah reach a status where they can compete effectively domestically and regionally.
27. Dengan kalimah Bismillahir Rahmanir Rahim, I declare the BSJV SME Event open.

Wabillahi Taufik Walhidayah Assalamualaikum Warahmatullahi Wabarakatuh and thank you.