



Energy Department, Prime Minister's Office
Negara Brunei Darussalam

Directive 2 on Local Business Development Framework for the Oil & Gas Industry

Guidelines

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www.EnergyLBD.gov.bn

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Directive 2 on Local Business Development Framework for the Oil & Gas Industry

Guidelines



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A large industrial crane structure, possibly a ship's derrick, is silhouetted against a dramatic sunset sky. The crane's lattice framework extends from the lower right towards the upper left. The sky is filled with soft, golden light from the setting sun, with scattered clouds catching the light. The water in the foreground is dark, and the silhouette of the ship's deck and other structures is visible at the bottom. The overall mood is industrial and serene.

INTRODUCTION

1. Introduction

1.1. Description

This document specifies the guidelines which are to be utilised in the implementation of the Directive 2 on Local Business Development Framework or LBD Framework for the Oil & Gas Industry as issued by the Energy Department, Prime Minister's Office (EDPMO) on 1st February 2012. (Appendix 1b)

1.2. Purpose

To ensure all Operators, Contractors and Sub-Contractors in the Oil & Gas industry in Brunei Darussalam apply a consistent approach in the implementation of the Directive.

1.3. Scope

This document applies to all contracting activities (procurement of materials and contracting of services) undertaken by Operators, Contractors and Sub-Contractors in the Oil & Gas industry in Brunei Darussalam.

OBJECTIVES



2. Objectives

The three main objectives of the Directive 2 on Local Business Development (LBD) Framework for the Oil & Gas Industry are:

- To increase the country's economy through use of local goods and services
- To create employment opportunities for locals and ensure employment of locals.
- To develop truly Bruneian businesses that are able to compete regionally





GENERAL GUIDELINES

3. General Guidelines

The LBD Framework Directive is to be applied to all new contracts and purchase orders. Existing contracts and supply agreements shall be aligned with the Directive upon its next contract extension. The LBD requirements are to be included as part of the contract terms and conditions with the obligatory tracking and reporting of progress at regular intervals.

Production to date: 01-Aug-09



SPECIFIC GUIDELINES



4. Specific Guidelines

4.1. Reference to Directive 2, item 1(i).

The prioritisation on the use of local goods and services – this is implemented via the Local Business Development (LBD) Framework which includes targets for employment of locals and amount of local content.

4.2. Reference to Directive 2, item 1(ii).

The implementation and progress of the LBD Management System covering objectives, long term strategies, annual plan of action, Key Performance Indicators (KPIs) & targets and local training & development plan are to be captured in the LBD Business Plan report (Appendix 2a).

4.3. Reference to Directive 2, item 1(iii).

Local Content Opportunity Framing report needs to be prepared for major projects / contracts / agreements e.g. significant projects or contracts to be undertaken by Operators, or significant investments e.g. purchase of assets, construction of new facilities,

etc. to be made by Contractor or Sub-Contractors. The report needs to indicate what the potential impact of the project / contract / agreement on LBD including the identification of opportunities for increasing local content and local employment.

4.4. Reference to Directive 2, item 1(iv).

EDPMO may decide to set specific directions to further increase local content and local employment in a specific market segment or for a major activity e.g. a particular service to be executed only in Brunei Darussalam.

4.5. Reference to Directive 2, item 1(v).

Local financial institutions and local investors refer to those institutions or investors based in Negara Brunei Darussalam. These will include foreign institutions with a local branch or subsidiary in Brunei Darussalam such as Standard Chartered Bank Brunei or HSBC Brunei.

Operators, Contractors and Sub-Contractors can consider any available financial incentives from



the different government ministries to (financially) support their efforts in employing locals e.g. corporate tax credits, Department of Economic Planning and Development (JPKE) schemes, etc.

4.6. Reference to Directive 2, item 1(vi).

The LBD Performance report is to include, as a minimum, the number of local employment and the amount of local content.

Appropriate sanctions will be put into place to ensure Operators, Contractors, Sub-Contractors and suppliers deliver reports on time. In practice this is likely to be implemented through provisions in contracts, agreements and purchase orders.

4.7. Reference to Directive 2, item 1(vii).

Measures to provide an enabling environment for the employment of locals is to be consistent throughout the relevant industry e.g. career development, minimum wages for a specific category of skills like welders, scaffolders, etc.

There may be instances where employment of foreign workers may be commercially advantageous (example

unskilled low-tech labourers) to the Contractor. The proposal to employ the locals may therefore affect Contractor's probability to win the contract. Thus, the Contractors are reluctant to propose locals, thereby reducing the opportunities for locals.



In such cases, minimum wages for selected categories of personnel or minimum requirements of local staff may be set. This will ensure that all Contractors are bidding on the same basis. It is advised that minimum wages are fixed after benchmarking with other users (internal & external) to ensure that wages proposed are close to prevailing market rates but good enough to attract local workers. The potential commercial impact of this mechanism will have to be an integral part of the commercial decision.

To further optimise local employment, specific categories or contracts may include the rollover of existing Contractor's personnel which serves multiple objectives. Firstly, the successful tenderer gets trained and experienced manpower suitable for immediate deployment and secondly, it

ensures that the present level of locals is not reduced and provides continuity to the Operator's, Contractor's or Sub-Contractor's operations. It also provides continued employment opportunity and security to the personnel.

4.8. Reference to Directive 2, item 1(ix)

4.8.1. The LBD Allocation of Contracts (Framework) determines for each Quadrant (Basic, Development, Core and Highly Specialised) the following:

- Eligible Contractors to participate in the bids under the work categories defined in the Quadrants e.g. open to Bumiputra companies only (Basic Quadrant) or Local companies only (Development Quadrant).
- Targets for Local Employment, Locals in Management positions, amount of Local Content and the utilization of local Sub-Contractors. These are targets to be progressed and achieved at the end of the primary contract period. The targets are to be included as part of any contracts or



agreements put in place by the Operators or Contractors.

- All companies are required to be registered under the Companies Act (Cap 39) with the exception of those companies participating in the Basic Quadrant where minimum requirement is to be registered under the Business Names Act (Cap 92).

4.8.2. Quadrant axes defines the level of technology and capability required (complexity, expertise, investment etc.) to execute the activities and the Total Approved Contract Value (ACV) is the total amount spent for a specific contract. A threshold of B\$10 million Total ACV is set to guide the split of the Quadrants.

4.8.3. In the execution of the Framework, the Operators and Contractors shall adhere to the following:

- a. Provide the opportunity for the smaller local companies to grow and develop:
 - Bumiputra companies registered or active in other quadrants are excluded from The “Basic” Quadrant.

- For specific market segments within the Development Quadrant, the bid list shall be restricted to the small Local companies. These exceptions are to be addressed by category or contracting strategies for each Operator's or Contractor's commercial approving body e.g. tender board or commercial board.
- b. Deviations of targets from LBD framework can be agreed per contracting strategies. Specific categories can have exceptions for low skilled workforce e.g. grass cutting under Basic Quadrant. Any deviation will have to be fully reviewed first and the measures required to achieve the levels of local employment in the quadrant identified and a reasoned decision made not to take those measures.



c. In line with the LBD Directive 1 on Local Business Development in the Oil & Gas Industry issued on 7th April 2011 by the EDPMO (Appendix 1a):

- A Contractor (incl. affiliate companies) can only hold a maximum of 10% of the total annualized Contract Value of the Operators' total 3rd party annual spending.
- The spending limit a Contractor (including affiliate companies) can hold per market segment e.g. Construction and Maintenance, Marine, etc. is less than fifty percent (< 50 %) to allow a minimum of 3 players competing in a particular market segment. Exceptions will be addressed by category or contracting strategies for the Operators or Contractors commercial approving bodies' approval.

4.8.4. In the development of key categories/contract strategies, due regard must be given to achieving a balance between a duration which gives an economic or commercial benefit to both the client and the Contractor, and the need for regular market testing by tendering. The contract duration should be of reasonable period so as to provide

opportunity or incentive for the local companies to invest in better facilities or owning the required assets e.g. 5 to 10 years for capital intensive contracts, etc.

There is a preference to tender contracts to support a competitive environment, however, contract extensions or early termination may be proposed as incentive for meeting or dis-incentive for not meeting contractual KPIs including LBD targets.

- 4.8.5. In the bid to further encourage locally owned and managed local companies, including owning key assets, the concept of agents or “fax and mark up” companies are strongly discouraged. It needs to be demonstrated the added value of such agents to the Operators’, Contractors’ and Sub-Contractors’ businesses and to the local economy. For the supply of goods and equipment, the preference is to deal directly with the Original Equipment Manufacturers (OEMs).

4.9. Reference to Directive 2, item 2.

- 4.9.1. The reporting requirements and frequency as per this Directive are:

a. LBD Business Plan (Appendix 2a)

The report is to include assurances or progress on the implementation of an LBD Management system in the Operators, Contractors and Sub-Contractors' process and procedures. **This report is due annually at the start of the financial year.**

b. Local Content Opportunity Framing report (Appendix 2b)

The report is applicable to any new projects to be undertaken by the Operator. **This report is to be submitted prior to any final investment decisions.**

c. LBD Performance Report (Appendix 2c)

This report will cover the performance to date of the Operators, Contractors and sub-contractors

on the Local Employment, Local Content, etc. This report shall be submitted **three times per year, i.e. 30th April, 31st August and 1st December** of each year.



d. Deviations to the Framework (Appendix 2d)

This report to include any deviations proposed or have been taken, any difficulties or issues faced by the Operators, Contractors and Sub-Contractors in fulfilling the requirements of the Directive. **This report is due annually at the end of the financial year.**

4.9.2. Submissions of reports

The LBD Business Plan, Local Content Opportunity Framing and Deviations to the Framework reports are to be submitted to:

Energy Services Business Development

Energy Department
Prime Minister's Office
5th Floor, Bahirah Building
Jalan Menteri Besar
Bandar Seri Begawan, BB3910
Brunei Darussalam

The LBD Performance Report shall be submitted via an online form available on the Energy Department, Prime Minister's Office website at

www.EnergyLBD.gov.bn



APPENDICES



APPENDICES

- A. Appendix 1a - DIRECTIVE 1 ON LBD IN OIL & GAS INDUSTRY
Appendix 1b - DIRECTIVE 2 ON LBD FRAMEWORK FOR THE OIL & GAS INDUSTRY
- B. Appendix 2 - Reporting Templates
- Appendix 2a - LBD Business Plan
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- C. Appendix 3 Terminology

Appendix 1a – DIRECTIVE 1 ON LBD IN OIL & GAS INDUSTRY



DIRECTIVES ON LOCAL BUSINESS DEVELOPMENT IN OIL & GAS INDUSTRY

As part of the efforts of the Government of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam to ensure the sustainable development of capacities, capabilities, competencies and competitiveness of local contractors and suppliers to support the oil and gas industry within Brunei and provide a sound foundation for the pursuit of opportunities outside Brunei, Oil & Gas Operators and their Principal Contractors and Suppliers shall adopt the following in their contracting activities for goods and services, in order to pro-actively prevent monopolies/market domination which have as their object or effect the appreciable prevention, restriction or distortion of competition within Brunei.

Thereeto, the Oil and Gas Operators and their Principal Contractors shall:

- i. Strive for a fair, level playing field and maintain a competitive environment, including but not limited to certain larger market segments, such as Offshore and Onshore Constructions & Maintenance Services;
- ii. Put in place mechanisms to prevent and discourage collusion, bid-rigging, price-fixing and other predatory behaviors towards competitors;
- iii. Award work by adhering to strictly set standard tender procedures, therewith avoiding awards based solely on trust or market domination; and
- iv. Ensure that proper measures and checks are in place to ensure that any sub-contracted activities are awarded in a competitive manner, with a particular scrutiny with regard to works being awarded to affiliates of Principal Contractors and Suppliers.

Provided, however, that neither of the above measures intend to impede initiatives undertaken by the Oil and Gas Operators and their Principal Contractors and Suppliers which aim to build and further strengthen sustainable local business development.

In support of the above measures, Oil & Gas Operators and their Principal Contractors and Suppliers shall put into place mechanisms to ensure compliance by confirming arrangement to achieve these.

The above measures will be reviewed from time to time.

Issued by:

A handwritten signature in black ink, appearing to read 'Hussein'.

Office of the Minister of Energy, Prime Minister's Office
Bandar Seri Begawan, BRUNEI DARUSSALAM

Issued on: 07 April 2011

Appendix 1b – DIRECTIVE 2 ON LBD FRAMEWORK FOR THE OIL & GAS INDUSTRY



DIRECTIVE 2:

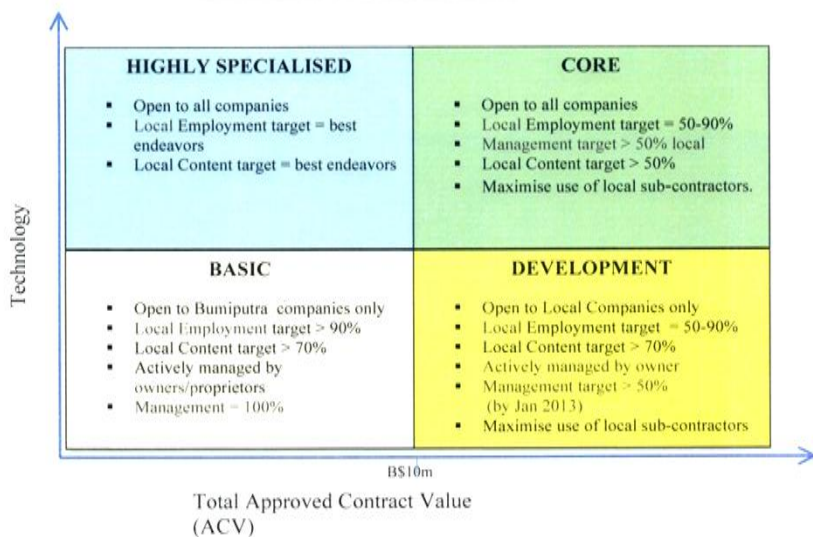
LOCAL BUSINESS DEVELOPMENT FRAMEWORK FOR THE OIL & GAS INDUSTRY

1. As part of the efforts of the Government of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam to facilitate the sustainable development of capacities, capabilities, competencies and competitiveness of local contractors / suppliers in supporting the oil and gas industry within Brunei Darussalam and provide a sound foundation for pursuit of opportunities outside Brunei Darussalam, oil & gas, midstream and downstream operators, their contractors, sub-contractors and suppliers operating within the oil and gas industry in Brunei Darussalam shall hereby adopt and undertake the following:
 - i. The prioritization of the use of local goods and services.
 - ii. The formulation of a **Local Business Development (LBD) Management System** which includes, but not limited to, the following:
 - Objective
 - Long term strategies
 - Annual plan of action
 - Key performance indicators (KPI) & Targets
 - Local Training & Development Program
 - iii. The formulation of a **Local Content Opportunity Framing** report for major projects / contracts / agreements. This document shall identify opportunities to increase local content and local employment opportunities.
 - iv. The carrying out of certain activities in Brunei Darussalam as set and directed by the Energy Department, Prime Minister's Office (EDPMO) from time to time.
 - v. The prioritization of the use of local financial institutions and local investors in the funding of projects and purchase of assets.
 - vi. To produce an **LBD Performance Report** which includes the number of local employment and the amount of local content.
 - vii. To provide a conducive environment for the employment of locals by implementing measures as set and issued by the EDPMO from time to time such as, but not exclusive to, minimum wage, career development plan and employment security.



- viii. To provide a **report** to the EDPMO on any difficulties or failures to fulfill the LBD requirements set out in this LBD Framework.
- ix. Oil and gas, midstream and downstream operators working in the oil and gas industry in Brunei Darussalam shall adopt the **LBD Allocation of Contract** (as described in the diagram below and in the attached Appendix I-III) for their allocation of contracting activities for goods and service

LBD Allocation of Contract



Note: Bumiputra companies registered or active in other quadrants are excluded from "Basic" Quadrant



2. All oil and gas, midstream and downstream operators, contractors, sub-contractors and suppliers operating in the oil and gas industry in Brunei Darussalam shall be required to send the reports as described in paragraph 1 above to the EDPMO. These reports must be received by the EDPMO on or before the **30th of April, 31st of August and 31st of December of every year** commencing this year, 2012 and be sent to the following address:

**Permanent Secretary (Energy)
Prime Minister's Office
5th Floor, Bahirah Building,
Jalan Menteri Besar,
Bandar Seri Begawan BB3910
Brunei Darussalam**

Issued by :

A handwritten signature in black ink, appearing to read 'Hajj Umar'.

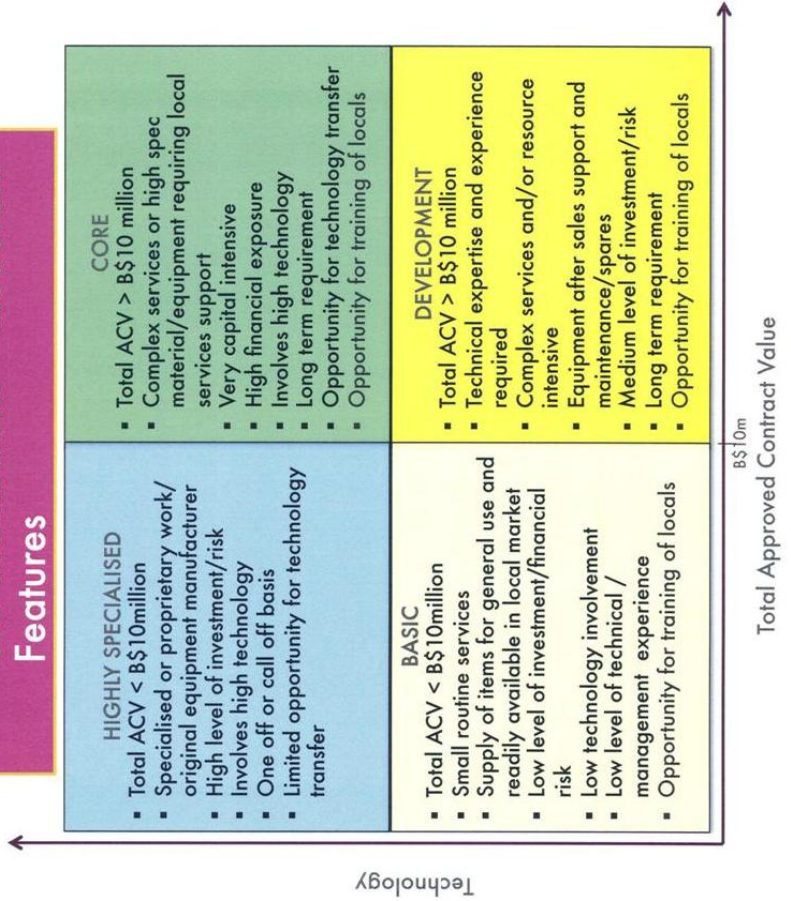
(Yang Berhormat Pehin Datu Singamanteri Kolonel (B) Dato Seri Setia
(Dr.) Awang Haji Mohammad Yasmin bin Haji Umar)

**Office of the Minister of Energy,
Prime Minister's Office
Bandar Seri Begawan
BRUNEI DARUSSALAM**

Issued on : 01 February 2012

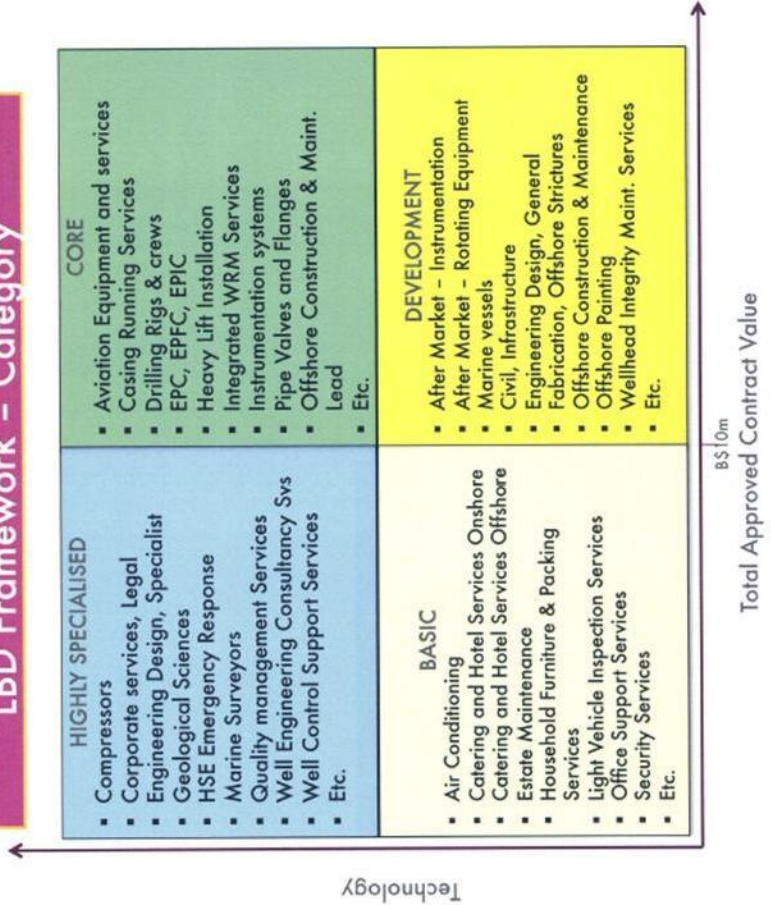
APPENDIX I

LBD Framework – Quadrant Features



APPENDIX II

LBD Framework – Category





Appendix 2a - LBD Business Plan

LBD BUSINESS PLAN

1. Introduction

- Description of the business
- Product and service offering and Scope of Work

[Also highlight changes from previous year if any]

2. Summary

- Key programs or changes on LBD initiated or planned
- Expected Local Content and Local employment for the year
- Important outcomes and milestones on LBD initiatives or programs in the year *[not applicable for first submission]*
- Highlights on LBD achievements and improvement areas *[not applicable for first submission]*

3. Long-term strategy *[Defined as strategies beyond a year]*

- Overall annual and long-term LBD targets:
 - Local Employment
 - Local Content
- Resources to drive local content in the company *[where applicable]*
 - Names and designation of manpower/leadership dedicated and their key tasks
 - Processes to drive sourcing from local in the company (e.g. sourcing protocols, recruitment processes, etc.)

- Long-term action plan *[where applicable]*
 - Planned projects, investments
 - Resources committed

- 4. Annual plan of action *[where applicable]***
 - Local contracting and procurement, for example sourcing programs and local partnerships
 - Key LBD milestones

- 5. Local training & Development Program**
 - Training programs and schedules of local employees
 - Workplace training or apprenticeships to locals
 - Scholarship programs
 - Donations or sponsorships to local educational, training or research institutions

Appendix 2b - Local Content Opportunity Framing Report

LOCAL CONTENT OPPORTUNITY FRAMING REPORT

1. Opportunity Statement

- Defines opportunities to increase local employment and local content within the project or contract or investment
- Scope of work
- Business objectives
- Context of the project or contract or investment in the your overall business objectives / plan
- Estimated value & timing

2. Value Drivers

Value Drivers act as a lever on the end-result of your project. You want to “do more of” of it to increase success e.g. *Reduce CAPEX, increase profit, increased capacity, reputation, etc. [why is this important to your company]*

3. Opportunities & Threat

Consider any opportunities or threats relating to Technical, Economics, Commercial, Organisational and Political *[where applicable]*.

4. Potential impact on LBD & mitigation

- Include the potential impact on LBD requirements or targets e.g. no of jobs created, increase in local content etc.
- Identify any mitigation factors/actions in order to address or minimise any negative impact.


5. Critical deliverables


- What must be in place to achieve success?
- All the items to be achieved decided and delivered to claim success
- Measures of success

Appendix 2c - LBD Performance Report – sample

The latest Reporting Template available online at www.EnergyLBD.gov.bn

Energy Department, Prime Minister's Office


**LOCAL BUSINESS DEVELOPMENT
PERFORMANCE REPORT**

You are logged in as Iran [Vendor Details](#) 

Cycle 1

Name Of Company Iran Company Type International Year 2012 Date of Registration 16/04/2012

Section 1

Total Workforce To Date:

Local	Non Local	Total	% of Local
NaN	NaN	NaN	NaN

Total Employed In Year:

Local	Non Local	Total	% of Local
		0	0

Workforce Breakdown

Management

Category	Local	Non Local	Total	% Local	Delete?
Others			NaN	NaN	<input type="button" value="X"/>
ABC			NaN	NaN	<input type="button" value="X"/>
Managing Director			NaN	NaN	<input type="button" value="X"/>
Total	NaN	NaN	NaN	NaN	NaN

Supervisory

Category	Local	Non Local	Total	% Local	Delete?
Others			NaN	NaN	<input type="button" value="X"/>
Electrical Engineer			NaN	NaN	<input type="button" value="X"/>
Total	NaN	NaN	NaN	NaN	NaN

Skilled

Category	Local	Non Local	Total	% Local	Delete?
Abanker			NaN	NaN	<input type="button" value="X"/>
Total	NaN	NaN	NaN	NaN	NaN

Non Skilled

Category	Local	Non Local	Total	% Local	Delete?
Cleaners			NaN	NaN	<input type="button" value="X"/>
Total	NaN	NaN	NaN	NaN	NaN

Admin & Account

Category	Local	Non Local	Total	% Local	Delete?
Administrator			NaN	NaN	<input type="button" value="X"/>
Total	NaN	300	NaN	NaN	NaN

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Appendix 2d - Deviations to the Framework (& Issues)

DEVIATIONS TO THE FRAMEWORK

1. Details of deviations

- Defines specific deviations to the Directive 2 [make specific reference to the Directive e.g. LBD targets (local employment, local content, etc.) or related paragraphs, etc.
- Timeline of deviations or exceptions

2. Mitigation actions

3. Way forward

Appendix 3 - Terminology

Terminology	Definition
<i>Approved Contract Value</i>	Ceiling spend approved for a specific contract or purchase order
<i>Brunei Citizens</i>	Brunei Citizens means subjects of His Majesty the Sultan and Yang Di-Pertuan holding a Brunei Yellow Identity Card.
<i>Bumiputra</i>	Brunei Citizens belonging to one of the indigenous groups of the Malay race, namely, Belait, Bisayah, Brunei, Dusun, Kedayan, Murut or Tutong
<i>Bumiputra company</i>	Fully owned by Bumiputra, actively managed by Owners /Proprietors and registered under the Companies Act (Cap 39). Exception for Basic Quadrant – minimum is to be registered under the Business Names Act (Cap 92)
<i>Directive 2</i>	Refers to Directive 2 Local Business Development Framework for the Oil & Gas Industry as issued by the EDPMO on 1 st February 2012
<i>EDPMO</i>	Energy Department, Prime Minister’s Office
<i>LBD</i>	Local Business Development
<i>Local (in “ownership of company” context)</i>	Brunei Citizens means subjects of His Majesty the Sultan and Yang Di-Pertuan holding a Brunei Yellow Identity Card.
<i>Locals (in ‘employment” context)</i>	Brunei citizens and Permanent Residents (PRs)
<i>Local company</i>	Fully owned by Brunei Citizens, actively manage by owner/proprietors and registered under the Companies Act (Cap 39)
<i>Joint venture company</i>	Joint equity participation between Local Company & International partner(s), actively

	managed by both parties and registered under the Companies Act (Cap 39)
Local Content	<p>The sum of value added or created in the Bruneian economy through the use of local employment, goods and services.</p> <p>Employment spend in country is defined as any costs of locally-based staff (local and non-local) including TAP, all subsistence costs and any other costs. To assume 100 % of the costs for local staff and 50 % of the costs for non-local staff.</p> <p>Goods and services spend in country is defined as spending on any services rendered/purchases of materials/equipment in Brunei, monies paid to Sub-Contractors or suppliers in Brunei.</p>
LBD Quadrants	Refers to the LBD Quadrants of Basic, Development, Core and Highly Specialised.



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Negara Brunei Darussalam