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August 30, 2021

**Statement by Mr. Massourakis and Ms. Mateus on Brunei Darussalam
(Preliminary)
Executive Board Meeting
September 1, 2021**

We thank staff for the well-written report and Ms. Lim and Mr. Mahyuddin for the helpful Buff statement. Benefitting until recently from limited local transmission of Covid-19 and robust economic activity in the downstream non-Oil and Gas sectors, the economy of Brunei Darussalam has so far withstood well the pandemic. Moving ahead, the main challenge is diversifying the economy, while providing support in the near-term in response to the constraints imposed by the pandemic. We broadly share staff's appraisal and offer the following additional comments:

- **We agree that fiscal policy should remain supportive until the recovery is entrenched in light of the negative output gap, and even more so now that Brunei Darussalam started registering new Covid-19 cases.** Looking ahead, and only after the impact of the pandemic is well overcome, we agree with staff that the authorities should reform the fiscal framework in tandem with their diversification efforts, aiming at improving intergenerational equity and decreasing the reliance on Oil and Gas revenues. Reforming fuel subsidies, while ensuring that the social safety net can protect the most vulnerable, improving tax administration, modernizing, and broadening the tax system and strengthening public financial management would go a long way to prepare the country towards developing a more diversified and less-carbon intensive economy, while protecting the fiscal situation. We hope the authorities resort to the IMF's Public Investment Management Assessment (PIMA) that can provide useful inputs to their domestic decisions.

- **The authorities should continue to implement measures to foster private sector activity.** We welcome the past initiatives that led to a steady increase in private sector

employment and encourage the authorities to push ahead with initiatives to improve labor market functioning. Enhancing education and workers' upskilling, coupled with measures to facilitate job matching, should complement initiatives to promote private investment. We agree with staff that these efforts should go together with investing in technology, notably digitalization, and research and development, which carry the potential to boost productivity.

- **We welcome the development of the Brunei Darussalam National Climate Change Policy (BNCCP).** We invite the authorities to consider this agenda in their overall economic diversification strategy since the transition to a less carbon-intensive economy also offers opportunities both for the development of new activities as well as for tax revenue collection. We expect staff to focus on the BNCCP in future Article IV consultations.