

**FOR
AGENDA**

SM/06/333
Correction 1

October 11, 2006

To: Members of the Executive Board

From: The Secretary

Subject: **Brunei Darussalam—Staff Report for the 2006 Article IV Consultation**

The following corrections to SM/06/333 (9/29/06) have been provided by the staff:

Factual Errors Not Affecting the Presentation of Staff's Analysis or Views

Page 1, bullet 1, line 3, last sentence: added to read “Ms. Phang (Executive Director) and Mr. Wesaratchakit (Advisor to the Executive Director) also participated in the discussions.”

bullet 2: revised to read “Among others, the mission met with Hon. Pehin Dato Abd. Rahman Ibrahim, Minister of Finance II; Dato Kamis Tamin, Permanent Secretary at the Prime Minister's Office; Dato Ali Apong and Dato Metassan Momin, Permanent Secretaries at the Ministry of Finance; other senior government officials; and private sector representatives.”

Questions may be referred to Mr. Nakabayashi (ext. 38918) and Mr. Eskesen (ext. 34033), in APD.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

BRUNEI DARUSSALAM

Staff Report for the 2006 Article IV Consultation

Prepared by the Staff Representatives for the 2006 Consultation with Brunei Darussalam

Approved by David T. Coe and Adrienne Cheasty

September 28, 2006

- The 2006 Article IV consultation discussions were held in Bandar Seri Begawan during July 1–13. The team comprised Messrs. Nakabayashi (Head) and Eskesen (both APD), and Mss. Asmundson (APD) and Gobat (MFD). Ms. Phang (Executive Director) and Mr. Wesaratchakit (Advisor to the Executive Director) also participated in the discussions.
- Among others, the mission met with Hon. Pehin Dato Abd. Rahman Ibrahim, Minister of Finance II; Dato Kamis Tamin, Permanent Secretary at the Prime Minister's Office; Dato Ali Apong and Dato Metassan Momin, Permanent Secretaries at the Ministry of Finance; other senior government officials; and private sector representatives.
- The Fund has supported the authorities' exemplary commitment to prudent fiscal policies in recent years. At the same time, it has urged them to adopt a formalized medium-term fiscal framework and the authorities have now taken some initial steps in this direction, drawing up a Strategic Plan. The authorities have also taken steps to upgrade the regulatory and prudential framework to strengthen financial sector supervision, in line with Fund advice. While the Fund and the authorities have agreed on the importance of diversifying Brunei's economy, given the eventual depletion of natural resources, progress has been slower than hoped. Important improvements in the economic and financial database have been achieved, but it remains weak and data provision is irregular, hindering effective surveillance. Details on last year's Executive Board discussion can be found at <http://www.imf.org/external/np/sec/pn/2005/pn05137.htm>.
- Brunei joined the Fund in October 1995. It has accepted the obligations of Article VIII, Sections 2, 3, and 4. It maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions. Brunei has a currency board arrangement with the Brunei dollar exchanged at par with the Singapore dollar.
- The public information notice has been issued since 2003 and the Statistical Appendix was published for the first time last year. However, Brunei has not published any Article IV staff reports.

	Contents	Page
Executive Summary		3
I. Introduction.....		4
II. Recent Economic Developments and Outlook		4
III. Policy Discussions		8
A. Fiscal Policies: Strengthening Fiscal Management		8
B. Monetary and Financial Sector Policies: Building Institutions.....		10
C. Structural Policies: Stepping up Diversification		12
IV. Statistical and Other Issues		13
V. Staff Appraisal		14
Box		
1. Cross-Country Lessons on Economic Diversification		13
Tables		
1. Selected Economic and Financial Indicators, 2001–07		16
2. Fiscal Developments, 2001–06/07		17
3. Balance of Payments, 2001–07		18
4. Monetary Developments, 2001–06		19
5. Medium-Term Scenario, 2001–11		20
6. Indicators of Vulnerability, 2001–05		21
Appendixes		
I. Fund Relations		22
II. Statistical Issues		23
III. Draft Public Information Notice		27