

The contents of this document are preliminary and subject to change.

GRAY/23/5880

September 7, 2023

**Joint Statement by Mr. Alhosani, Mr. Alrashed, Mr. Abalala, Mr. Abdul Raheem, and
Ms. Alfawaz on Brunei Darussalam
(Preliminary)
Executive Board Meeting
September 11, 2023**

We thank staff for the informative report and Mr. Anwar and Ms. Abu Bakar for their helpful Buff statement. We broadly agree with the thrust of the staff assessment and policy recommendations and would like to make the following points.

Implementing a growth-friendly fiscal consolidation with targeted support to the vulnerable while protecting productive investment should be prioritized. While the authorities' commitment to the fiscal consolidation plan (FCP) is welcome, more efforts are needed to enhance its implementation and ensure a sustainable fiscal position. Also, we take note of the recently announced reforms to the pension system as outlined in the Buff statement which should help improve the adequacy and sustainability of the pension system while containing public spending. In this vein, we join staff in emphasizing that these efforts should be supported by improving a Medium-Term Fiscal Framework (MTFF) to mitigate the risk of procyclicality, and positively note the ongoing work on improving Public Investment Management Assessment (PIMA) with support from the Fund TA. These consolidation efforts should also help strengthen international reserves and support the credibility and sustainability of the pegged exchange rate regime.

We positively note that systemic financial risks are contained on the back of a sound banking sector and resilient financial system. We welcome the authorities' efforts in recent years to improve financial system resilience through strengthening

regulatory supervision and macroprudential framework to safeguard stability. Nonetheless, maintaining close monitoring of emerging risks is warranted in view of the tighter global financial conditions. Moreover, we agree with staff on the importance of deepening the interbank and domestic bond markets to support financial and private sector developments and improve monetary policy transmission. We encourage the authorities to build on recent improvements and advance progress on strengthening the AML/CFT framework.

Structural reforms to support the diversification of the economy are critical for long term resilience. We broadly concur with staff on the policy recommendations for diversification, including human capital development, digitalization, strengthening regulatory framework for Public Private Partnerships and greater regional economic integration. We welcome the authorities' strong commitment towards advancing economic diversification and positively note the focus placed on diversification in the latest budget. More focus needs to be put on raising public expenditure on education and health in line with peers. On digitalization we positively note the Digital Economy Masterplan 2025 and the progress being made on the flag projects and initiatives. Going forward, we concur with staff that making a greater impact of digitalization on industry and the economy would need more focus on enhancing digital capabilities and business opportunities of the private sector.

Addressing climate change is important to support the long-term growth potential and diversification of the economy. However, using fiscal policy to address the complex climate change challenge can be regressive and difficult to implement. Considering Brunei's small share of global emissions, the current focus of enhancing climate data transparency and ongoing effort to develop a National Climate Change Adaptation Plan is appropriate. More efforts are needed to manage GHG emissions to achieve climate targets in a timely manner. Here, we encourage staff to provide tailored policy advice that takes into account country-specific circumstances.

With these remarks, we wish the authorities and people of Brunei Darussalam all the success in their future endeavors.