

Digitalisation & IT Sector Brief

BRUNEI DARUSSALAM



COUNTRY OVERVIEW

Brunei is a tiny country with an expansive vision when it comes to developing its digital economy. Part of Brunei's strength lies in its tight dimensions. The sultanate, which is surrounded by the Malaysian state of Sarawak and fringed at its northern perimeter by the South China Sea, is a remnant of a naval empire that once controlled all of Borneo and part of the present-day Philippines.

These days, the light paced Darussalam (Arabic for 'abode of peace') is somewhat more self-contained. With the largest oilfields in Southeast Asia lying just offshore it can afford to be. With a population of just over 400,000, Brunei Darussalam is 16th in the world's rankings regarding GDP Per Capita at purchasing power parity.

Free healthcare, free education, affordable housing and 0% income tax are among the perks for the country's people. Nevertheless, oil supplies are finite. According to the BP World Energy Outlook, at its current pace of extraction, Brunei has hydrocarbon resources left for just 15 years.

To sustain a high quality of life for its citizens, the country's government – with monarch Sultan Hassanal Bolkiah as a figurehead – recognises the need for a more diversified economy. As such, the development of digital technologies such as cybersecurity, big data, Internet of Things (IoT), AI and 5G are key areas of focus that are being actively implemented to empower innovation and drive sustainable progress.



SECTOR OVERVIEW

In 2020, Brunei's Digital Economy Council, formed in 2019, launched its first five-year master plan towards transforming the country into a Smart Nation. The council was set up to give strategic drive and leadership on digital policies and initiatives at the national level. It listed 17 projects that are expected to be implemented in the next five years, including the public transport information system, national business service platform, school network infrastructure and halal certification system. Brunei has several advantages over other countries in the region when it comes to developing its digital economy, not least the digital readiness of its citizens. According to Statista, as of June 2021, Brunei had the highest rate of internet penetration in Southeast Asia at 104.5 per cent. The same resource estimated that, as of January 2021, approximately 99 per cent of the population in Brunei were active social media users.

General characteristics and trends

The population of Brunei is youthful and growing. More than one-fifth of the population is under age 15 and roughly half is under age 30. This preponderance of so-called "digital natives" – defined by US author Marc Prensky, who coined the phrase, like those born into an innate "new culture" – offers major opportunities for SMEs moving forward.

- **Government prioritization:** Four strategic thrusts were identified to support the mission and vision of the Digital Economy Masterplan 2025 – industry digitalisation; government digitalisation; a thriving digital industry, and manpower and talent development. The master plan stated that industry digitalisation focuses on the need to evaluate the readiness of stakeholders in adopting Fourth Industrial Revolution technologies and promote awareness among micro, small and medium enterprises (MSMEs).
- **Telecommunications infrastructure:** Unified National Networks (UNN) has been launched to manage and modernize all of Brunei's telco infrastructure, to improve the quality and speed of fixed and mobile networks. Under the plan, fixed broadband data capacity will be increased to support online learning; an objective that has been especially relevant during the global pandemic. The strategy also aims to support the digitalization of SMEs by helping the telco infrastructure become more resilient and immune to service disruptions.
- **Digitalising SMEs:** Recently, the Authority for Info-Communications Technology Industry of Brunei Darussalam (AITI) announced the launch of its new initiative, the Productivity and Efficiency Joint Funding for Digital Adoption (PENJANA) Scheme, aimed to boost digital adoption among local micro, small and medium enterprises (MSMEs). AITI also introduced a new initiative called 'Tech Clinic' for micro, small and medium enterprises (MSMEs), a platform for MSMEs to seek technical advisory services for adoption of digital technologies in their businesses. This initiative is to enable business operations with digital capabilities to achieve internal efficiencies, cost reductions and better service offerings to stay competitive in the digital economy.

- Capacity building programmes: Numerous initiatives designed to prepare citizens and SMEs for the digital future are now in place. Go Digital ASEAN launched in 2020 by The Asia Foundation, with support from Google.org aims to train and digitalize 4000 Bruneians including youth and business owners to gain digital skills to open markets for their products. Implementation of the initiative was carried out by local partners, Young Entrepreneurs Association of Brunei (YEAB) and Big BWN. Teens in AI, meanwhile, is an UN-endorsed program supporting digital and leadership skills in Brunei's youth, driving innovation, productivity and supporting future growth. Under the scheme, 500 Bruneian youth are participating in three phases to develop skills in new technologies to solve real-world problems. And in 2021, AITI rolled out industry-grade data analytics courses and launched Coding.bn, a 6-month full time course in programming with global industry standards.
- E-payment options: Innovation in digital payments include the use of contactless credit cards, digital wallets, wearable technology, and biometric authentication is becoming more common. SMEs in Brunei can therefore manage accounts more quickly and cheaply, while also benefitting from low-cost and often free instant digital payment options. In November 2020, AITI and Beep Digital Solutions Sdn Bhd signed an MOU to develop and implement the Cashless Society Pilot Program. In line with AITI's strategic objectives, the program offers training and incentives to three target markets – namely paid parking lots, laundromats, and convenience stores – which would allow them to adopt and deploy a digital payment system for cashless transactions in their respective premises. The country's first cashless self-service laundromat was launched in January 2022, while a smart parking solution is also expected to be rolled out within the first quarter.
- E-commerce platforms: According to an e-commerce survey conducted by AITI in 2018, 76% of Bruneians use e-commerce to shop, bank, and pay bills. Approximately 57% of online shoppers preferred to shop via shopping websites, while 24 per cent preferred to shop via social media platforms such as Facebook and Instagram. An initiative by AITI, eKadaiBrunei.bn is an online directory portal that connects users to local e-commerce marketplaces, delivery services, and 'One Village One Product' in the country. The initiative is supported by the Ministry of Transport and Infocommunications (MTIC), the Ministry of Home Affairs (MOHA), and DARE (Darussalam Enterprise). Community for Brunei, a national e-Commerce platform, meanwhile, supports MSMEs, including home-based and single mothers, to sell their goods and services in a virtual market.



MAIN PRODUCTS, SERVICES, AND SEGMENTS

Banking and money transfer

Digital transformation in Brunei's financial sector is well underway. In 2018, Brunei's central bank Brunei Darussalam Central Bank (BDCB), announced the development of a 'digital payment roadmap' aimed at driving the process.

According to BDCB, the digital transformation strategies contained in the roadmap will focus on three key strategic areas, namely balancing regulation and innovation, adoption of an open digital payment and public awareness and education. Through its roadmap, BDCB is pushing for integrated collaboration with relevant stakeholders in developing platforms for digital payments that are safe, efficient, and resilient.

Several financial institutions are taking up the call to digital arms. Baiduri Bank has developed several user-friendly mobile applications in keeping with the digital banking movement. The bank's latest tech offering, Baiduri b.Digital Personal, is a digital banking and lifestyle platform. Baiduri Bank, Datastream Digital Sdb Bhd (DST) and international payment brand UnionPay have collaborated to launch the DSTPay digital mobile wallet for their customers in Brunei. DSTPay is both Baiduri and UnionPay's first QR code payment solution in Brunei.

The app also marks UnionPay International's (UPI) first mobile wallet in Southeast Asia that features a tripartite collaboration of a bank, telco, and international payment network. With this launch, Baiduri Bank and UPI customers will be able to use DSTPay to scan QR codes at over 200 merchant outlets from diverse SMEs such as food and beverage, supermarkets, mini-marts, retail, and services in Brunei.

Cybersecurity

In a time of increased remote work and growing cyber threats, SMEs are facing major cybersecurity challenges. A low-security budget, lack of cyber-skills and increase in cyber-attacks can seriously impact the competitiveness of SMEs and compromise their value chain.

Cyber-attacks have been on the rise in Brunei in recent years. In 2018, the country saw an increase of more than 30 per cent compared to the previous year, according to statistics by the Brunei Computer Emergency Response Team (BruCERT). These activities include generic malware, malware infection, malicious bot and IRC bot, along with some cases that involved unauthorised user access to files and shares.

Brunei is taking steps towards protecting SMEs in response to this growing threat. In 2020 it set up its national cyber security agency. Cyber Security Brunei (CSB) will be responsible for developing policies and frameworks to govern cyber security in the country.

Foodservice

Digital food delivery services in Brunei have provided an invaluable service during the pandemic during periods in which visiting restaurants and cafes have been prohibited. They have helped small restaurants and catering businesses reach new customers, while also pushing the industry away from cash-only payment towards digital solutions.

Restaurants have shifted to popular online food delivery platforms like HeyDomo, Ta-Pow, ONZ and Go Mamam to cater to their customers. The food delivery platforms, meanwhile, have been promoting cashless payments and contactless deliveries to add another layer of protection to customers and their network of riders during the pandemic.

Transport services

The ride-hailing sector in Brunei is dominated by Dart, the country's first and so far, only player in the segment. Brunei's Uber or Grab (both of which are currently unavailable in Brunei), Dart is competitively priced against Brunei's taxis, with the added convenience of booking a ride through the app which can be downloaded via the Apple App Store and on the Google Play Store. In 2019 it introduced cashless payments through debit and credit cards via a top-up facility on its app.

Meanwhile in 2021, Dart Logistics Sdn Bhd launched Dart Runner; a delivery service to safely deliver items from point to point nationwide, and Dart Food; a collaboration with Royal Brunei Culinary in producing weekly meals for the underprivileged distributing over 2,700 meals to 196 individuals.

Digital advertising

Brunei's emerging media marketing sector offers ample scope for innovative SMEs to succeed. Successful outfits in the sphere include creative agency MixMedia (MMW). Its development of digital media services has secured several major Brunei-based corporations as clients. Its digital division took off in 2013 with the introduction of Mixels – MMW's brand of standing electronic displays – which now come in several designs stationed at over 20 strategic locations nationwide. Its philosophy of staying abreast with new technologies and platforms allow it to help businesses scale for the digital age. Brunei's high social media penetration is also a boon for SMEs as they build two-way communication with customers and create unique marketing communication tools.

Education

The pandemic has forced schools and universities to go digital in the delivery of education. At that time, many universities and their administrators as well as instructors and students found themselves under-prepared to adapt to this unexpected new normal. But the Brunei Ministry of Education (MoE) is implementing a plan to enhance the digital readiness of teachers, schools, and system leaders in the long term. Under its 'Ministry of Education Digital Transformation Plan', digital learning will become a new norm in the education system. Online education is expected to see strong growth in the coming years as faster internet speeds allow for even more efficient video conferencing and real-time teaching online.



REGULATION

Registration and legal requirements

Brunei is currently undergoing a major transformation in the ICT sector. Moving to a single network provider (UNN) means that all retail companies – Datastream Digital, Imagine, and Progresif can have equal access to the technology and infrastructure, thereby creating a more level playing field and actually increasing competition and innovation.

Brunei has a relatively uncensored and active online community. The Government of Brunei practices a soft touch approach to content regulation which does not block active online community discussion so long as it adheres to the Broadcasting Act (S 44/1998) and the Broadcasting and Internet Code of Practice Notification (S 12/2001). Internet service providers and internet café operators are required to register with MTIC. MTIC co-chairs the Content Advisory Council together with the Prime Minister's Office.

In the banking sector, a string of new digital payments and digital signatures has opened the e-payment and e-commerce sector. BDCB declared that it will continue to strengthen and manage the industry's technology risk and cybersecurity matters by providing regulatory guidance to financial institutions and conducting on-site and off-site assessments to monitor and supervise technology risk and cybersecurity in financial institutions. Recent developments include issuance of Guidelines on Technology Risk Management and Guidelines on IT Third Party Risk Management for banks and financial institutions in January 2022, and enhancement of BDCB's supervisory framework for the assessment and monitoring of technology risk of the banks and financial institutions in December 2021.

Although Brunei's ride-hailing sector is limited to just one operator (DART) it is well regulated by the country's Land Transport Department (JPD). Dart drivers will have to be using cars less than seven years old and pass a roadworthy inspection, as part of JPD regulations. Those looking to drive specifically as a taxi driver will have to apply for a permit with the Motor Transport Licensing Authority as well as obtain the Class 12 driving license. Dart can assist potential drivers in their application, with the overall process simplified and streamlined to take about two months.



MARKET ENTRY

Setting up a business in Brunei

Brunei's population in 2021 is just 429,999, which makes the country's local market relatively small.

Foreign enterprises are allowed 100% ownership of business scope, operation, and investment. As such, foreign investors are not required to find a local partner to enter the market. However, in certain cases, foreign companies may be required to find a local partner to qualify for certain government and Brunei Shell Petroleum projects. The relatively small population of Brunei is an asset in that product exported to the country, once established, may gain national prominence relatively quickly.

There are other compelling factors in Brunei's favour when it comes to setting up an SME. Advantages include a stable political environment and an average inflation rate of 1.5% over the past couple of decades.

Brunei is ranked 66 among 190 economies in the ease of doing business, according to the 2020 edition of the annual World Bank Doing Business report which measures the domestic business regulatory environment and provides a general outlook of the ease of doing business in a country. Under the indicators for the report, Brunei was ranked highly in the "Getting Credit" category while substantive improvements were also seen in the local regulatory framework for the indicators on "Enforcing Contracts" and "Resolving Insolvency".

Trade Promotion

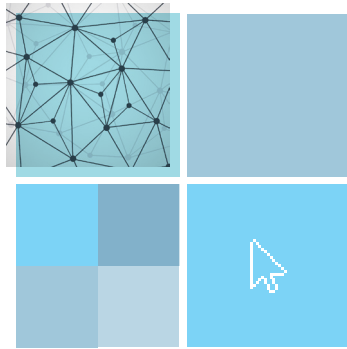
In line with Brunei Vision 2035's goals towards becoming a dynamic and sustainable economy, Trade Division together with the relevant agencies under the Ministry of Finance and Economy is actively promoting Brunei made products and assisting local businesses especially export-ready companies to access regional and international markets by identifying key international expos for Brunei companies' participation, publishing relevant promotion materials, and conducting outreach programmes to enhance capacities of SMEs in trade related matters including raising awareness on Free Trade Agreements and Certificates of Origin utilization to further facilitate exports and attract investments.



RECOMMENDATIONS AND TRENDS

Brunei is expected to enter into a phase that will witness the most rapid growth yet in regards to digital and IT services and products in the country, propelled by challenges encountered during the global pandemic. Further challenges and opportunities include:

- **5G adoption:** Brunei has set its sights on launching 5G services by mid-2022, promising faster mobile connection and minimal delay in processing a large amount of data. It kickstarted its 5G pilot project in April 2021 with 5G mobile networks deployed at five testing sites. Implemented in phases, the pilot project has identified five indoor and outdoor venues to study the potential of 5G in Brunei. The locations include outdoor coverage at The Airport Mall, Mulia Hotel, Universiti Teknologi Brunei as well as indoor coverage at The Mall's ground floor and the Design and Technology Building in Anggerek Desa. Spearheaded by AITI, the pilot project aims to test the feasibility of high-speed 5G mobile communications and raise awareness in accelerating 5G adoption. In a press statement, the ICT regulator said 5G technology has the potential to improve productivity, enhance virtual experiences and achieve digitalisation towards becoming a Smart Nation.
- **Industry digitalisation:** The digitalization of MSMEs was one of five key performance indicators in Brunei's AITI five-year strategic plan launched in 2021. In it, it set a target of increasing the use of digital technology among 1200 MSMEs by 2025. It said that MSMEs should use advanced digital tools to run their business, including digital payment gateways, inventory management systems and analytics solutions. AITI is also aiming to facilitate the development of at least a quarter of 110 digital businesses by 2025 as part of efforts to transform Brunei into a Smart Nation.
- **Social media potential:** Among the ASEAN member states, Brunei achieved the status of the highest Internet penetration. Social media usage in the country is also among the highest in the region. Social media such as Instagram, Facebook and Twitter is used as a business initiative to disseminate information efficiently and effectively to the public. Despite being widely accepted by both consumers and entrepreneurs, SMEs have still not fully utilized the potential of social media as a marketing and sales tool.
- **Manpower and talent development:** One of the key strategic thrusts of Brunei's digital economy master plan is prioritizing manpower and talent development. The country's future workforce needs to be digitally capable and equipped with the right skills to adapt to rapid developments in technology. To that end, the government and other key stakeholders including SMEs will support education programs to develop local capabilities, create a digital lifelong learning framework and enhance the capabilities of the existing workforce by reskilling and redeployment of human capital.



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