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In whose interest? An examination of public sector governance in Brunei Darussalam

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ABSTRACT

This paper uses institutional and elite theories to interpret research interviews concerned with public sector governance in the Sultanate of Brunei Darussalam over the period 1998–2005. Despite the suggestion from international agencies (such as the WTO and the IMF) to improve governance in the public sector, the recent governance reform in the post-royal dynasty crisis period in Brunei is overtly displayed and covertly ignored by the main actors. The results show that public governance is not well developed. Using elite and institutional theories it is understood that the royal family played a dominant role in legitimizing their absolute power (using elites) over governance in public sector organizations.

1. Introduction

Recent research indicates that the improvement of the mechanisms of governance and accountability can enhance performance results in the public sector (Aucion, 1990; Pollitt and Bouckaert, 2011). Corporate governance can be defined as a concept of structures, rules, procedures and mechanisms established for the proper steering and controlling of organizations (OECD, 2004; Colley et al., 2005). Governance, in general terms, involves the direction and coordination of various actors (see Rhodes, 1997; Kooiman, 2003). A particular focus of research has been how governance and accountability have become dispersed in the public sector context and how multiple actors interact in this arena (Humphrey et al., 1993; Mulgan, 2000; Dubnick, 2005). These multiple actors have been primarily involved in public sector organizations and have played a vital role in defining the requirements for new governance and accountability mechanisms (Christensen and Laegreid, 2007).

The governors of public service organizations always face a challenging task. They are responsible for governance – the leadership, direction and control of the organizations that they serve. It is their responsibility to ensure the public interest is considered within an increasingly complex regulatory environment alongside their accountability to government. Governors must bring about positive outcomes for the people who use public services as well as provide good value for the citizens who fund these services.

An escalation of accountability requirements in organizations has surfaced in a vertical and a hierarchical manner. The principle of accountability is primarily associated with the delegation of power, and in this respect, Bovens provides a definition of accountability as "a social relationship in which an actor feels an obligation to explain and to justify his or her conduct to some significant other" (Bovens, 2009, p. 184). Today, more public disclosure of accountability and information

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regarding the performance of organizations is required because various stakeholders seek transparency with respect to public sector performance – for example, voters can make elected parliamentarians respond to their policies (De Leon, 1998; Mulgan, 2000).

Another important aspect of governance and accountability is the underlying power relationship. As Keohane (2008) posits, accountability is chiefly concerned with the delegation of power. Those actors (or elites) who hold accountability may perform based on their vested power or status – and act upon their vested power in different organizational settings. The main objective of these elites is to pursue and protect their interest in capital formation and maintenance. It is often difficult to differentiate between accountability and power (Lindsay, 1981; Ettore, 1987; Johnson, 1972).

In this context, the objective of this research study is to add to our knowledge of the nature and practice of public sector governance in an emerging Southeast Asian country, the Sultanate of Brunei Darussalam, and to use institutional and elite theories to examine its development and the effectiveness of its operations in the Bruneian public sector over the period from 1998 to 2005. This period had an enormous impact on governance in Brunei due to the 'royal dynasty crisis' that took place in 1997. The crisis involved the misappropriation of US$ 14.8 billion of government funds by the former Finance Minister, the youngest brother of the ruling Sultan. The Auditor General (AG) is appointed by the Sultan, according to the constitution, to audit and monitor the organizations in Brunei. Interestingly, the AG was silent in this misappropriation of public funds. In a lawsuit, the Sultan accused his brother in 2000 of misusing billions of state funds. Ultimately, an out-of-court settlement was reached between the Sultan and his brother; this issue is explained in detail in Section 3.4. This crisis did not damage the country's finances extensively, but it created a bad image of the governance of the ruling royal family. To improve the family's image and in part because pressure was placed on the existing governance by international agencies, efforts have been made to reform the governance process in the public sector. This study explores the roles of good governance in legitimizing specific institutional, political and economic arrangements in Bruneian authoritarian society in the post-crisis period. To perform a more thorough analysis of this situation, the following sub-questions were formulated.

First, do public institutions comply with governance rules and regulations? Second, what are the perceived tensions between traditional public institutional values and the required new values for good governance? Third, what role does the Auditor General (AG) play to ensure good governance? Furthermore, the author strongly believes that the time is ripe for a debate on whether public governance in Brunei can safeguard the general public. This point represents the motivation for the study. To address this issue, the study uses interview and secondary data. The study will also examine the reasons why governance has not been established in certain public sector institutions in Brunei in the post-crisis period.

The remainder of the paper is organized as follows. The first section explains the system of government, the public sector environment and pressure emanating from international agencies on governance in Brunei Darussalam. The second section examines the institutional settings surrounding state agencies, the royal dynasty crisis in 1997 and the development of public sector organizations in Brunei Darussalam. The third section outlines institutional and elite theories and explains how these theories can be applied to understand the development of governance in the Bruneian public sector. The fourth section discusses previous research on corporate governance and accountability. The fifth section describes the research methods employed in this study. The sixth section presents the case interviews and analysis in terms of the reasons for not having governance and the implications of these results in the context of the theories used. The seventh section presents the paper's conclusions and summarizes the main reasons for the absence of good governance in Brunei.

2. The system of government in Brunei Darussalam

The system of government in Brunei is an Islamic monarchy, in which Islam makes up the economic, legal, political, civil, cultural and social fabric of the country. Brunei is economically and politically stable. With one of Asia's highest per capita incomes (US$ 30,000), Brunei owes its prosperity mainly to its abundant petroleum resources, the GDP share of which grew from 53% in 2002 to 69% in 2006. Over the same period, petroleum products' share of exports rose from 88% to 96%, largely due to the sharp rise in oil and gas prices (WTO, 2008). With its small population base (372,000 in 2005) and vast reserves of oil and natural gas, Brunei, located on the northeastern side of the island of Borneo, has an economy that is able to provide an enviable standard of living for its population and billions for its ruling royal family, headed by Sultan Hassanal Bolkiah and supported by a network of close non-royal collaborators.

After Brunei achieved independence from Britain in 1984, the Sultan became a monarch. Since then, oil and natural gas revenues have been used to create a prosperous welfare state. Although Brunei has gone as far as to create a cabinet system of government, it has shown no signs of reviving its short-lived parliament (The Economic Intelligence Unit, 2005) or openly tolerating a climate of opposition. Moreover, although political parties have surfaced, they have existed in nominal form only. Governance in Brunei conforms closely to the Middle Eastern pattern of dynastic monarchy, with the exception that Brunei has wrapped itself in the cloak of monoculturalism that is Malay Islam Beraja (MIB).[1] This "monoloyal" ideological system privileges Brunei subjects, who constitute some 66% of the population, but excludes many other members of the population (Gunn, 2008).

[1] Melayu Islam Beraja (Malay Islamic Monarchy, MIB) was officially proclaimed as the national philosophy of Brunei on the day of independence in January 1, 1984, by Sultan Haji Hassanal Bolkiah Mu'izzadin Waddaulah. MIB is described as "a blend of Malay language, culture and Malay customs, the teaching of Islamic laws and values and the monarchy system which must be esteemed and practiced by all". MIB is the party in power.