

MYANMAR'S FOURTH EITI REPORT

Highlights from the oil, gas and mining industries in 2016/17

Production permits

In 2016/17 there were more than 21,000 active permits for the production of oil, gas and minerals in Myanmar.

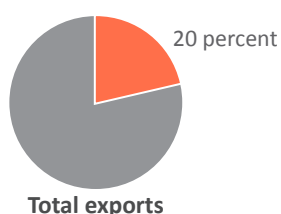
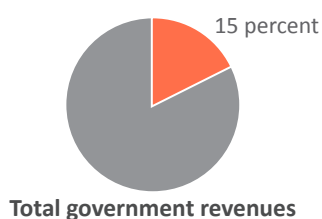
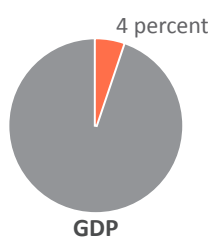
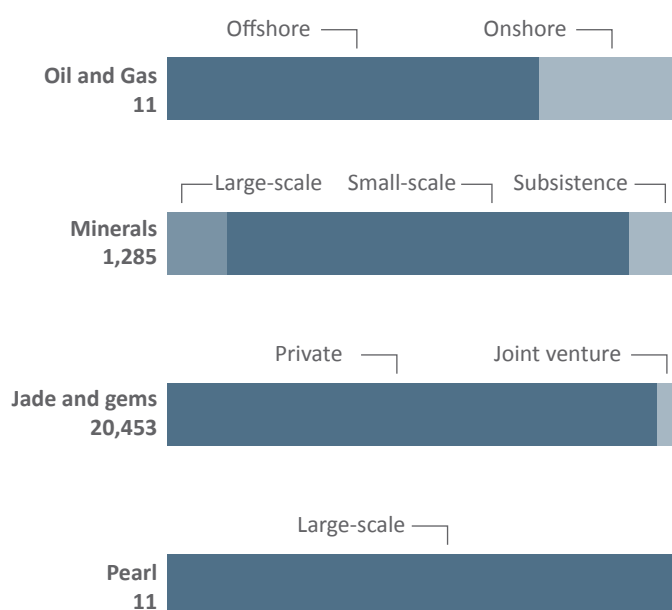
Most of these were permits for small-scale production of gemstones and other minerals held by local companies.

A mix of local companies and foreign investors held large-scale permits for the production of oil and gas, coal, limestone, gold, tin and copper, among other resources.

The Extractive Industries Transparency Initiative (EITI) is a global standard for the good governance of oil, gas and mineral resources. It requires countries to disclose information on who owns exploration and production licenses, the volume and value of production, the amount of revenue collected and how these payments are being managed.

A candidate country since 2014, Myanmar has published four EITI reports to date, covering oil and gas, gemstones, other minerals, and pearl.

Active production permits in 2016/17



■ Contribution of extractive industries

Economic contribution

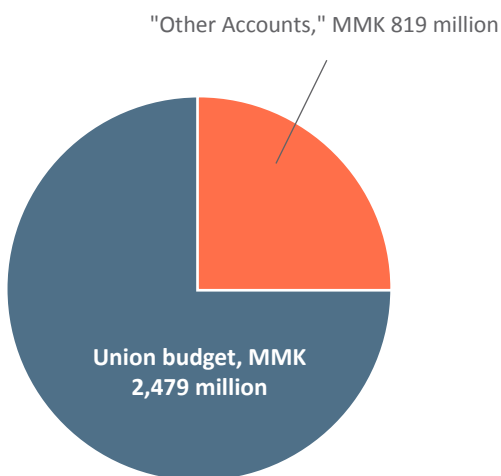
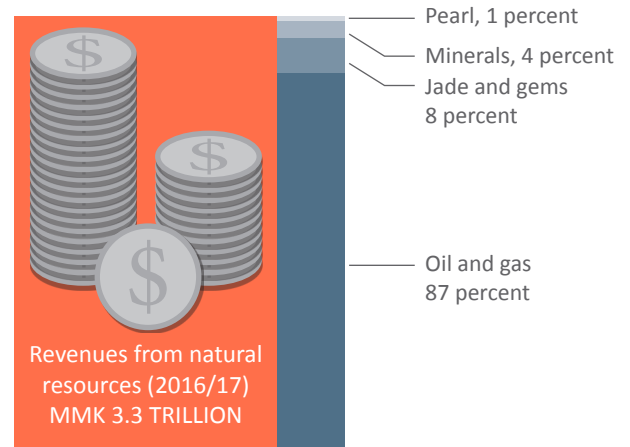
The extractive industries played an important role in Myanmar's economy in 2016/17, representing a significant proportion of government revenues and officially reported exports.

Given the large amounts of informal mining of gemstones and other minerals, the sector's true economic contribution is likely much higher.

Revenue collection

Myanmar's extractive industries contributed MMK 3.3 trillion to government revenues in 2016/17 – equivalent to approximately USD 2.5 billion. The oil and gas sector made up the vast majority of these revenues.

Revenue collection from gemstones and other minerals remains relatively low. This is in part because most mining is done by small and medium-scale companies that generate less value than the oil and gas sector's large-scale production. Widespread tax evasion and smuggling further erode government revenues from the mining industry.



Revenue management

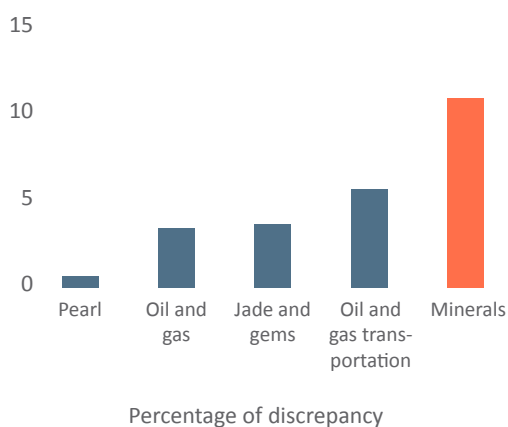
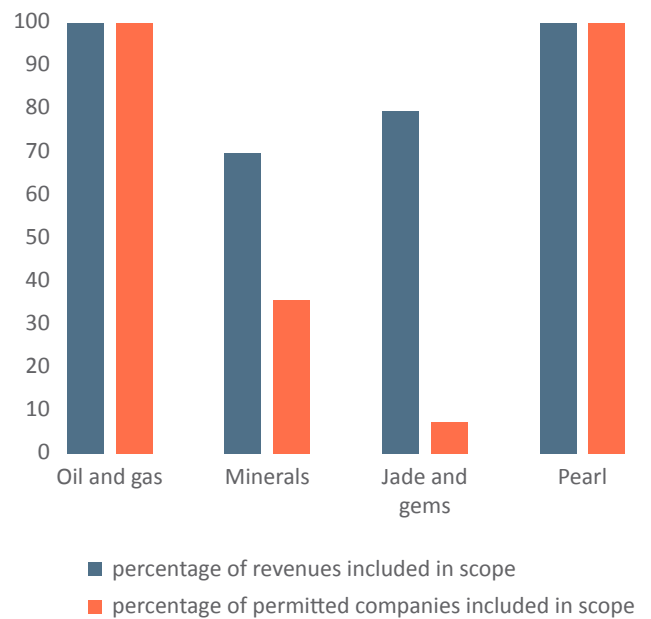
Not all taxes collected from the extractive industries go to the Union budget. In 2016/17, approximately a quarter of revenues were paid into the so-called "other accounts" of state-owned enterprises.

Other accounts were set up to increase the financial independence of state-owned enterprises; however oversight of these funds remains weak. These accounts mean less money is available in the Union budget to fund public investments in education, healthcare and infrastructure.

The government has announced that other accounts will be abolished in the 2019-20 fiscal year.

Scope of the EITI report

There were significant variations between sectors in terms of the percentage of companies and revenues covered by the EITI report. In the oil and gas and pearl sectors, all companies and all revenues were included. In the gemstone sector, less than 10 percent of companies, accounting for approximately 80 percent of revenues, were covered in the report. For other minerals, less than 40 percent of companies, accounting for under 70 percent of revenues, were covered.



Payment discrepancies

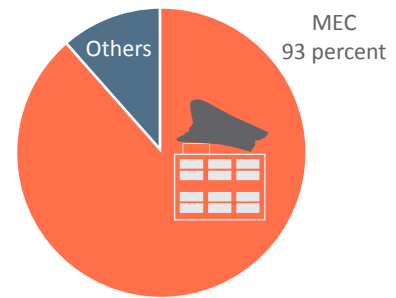
The reconciliation exercise surfaced multiple discrepancies between government and company payment records.

The greatest difference was in the minerals sector, where the total discrepancy was 11 percent.

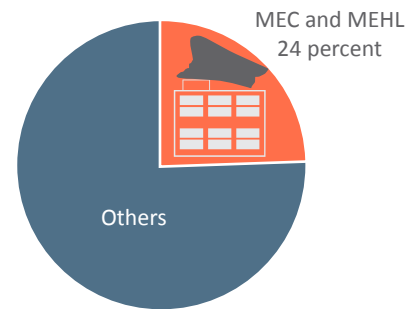
Military companies

Companies controlled by Myanmar's military - i.e., Myanmar Economic Corporation (MEC), Myanmar Economic Holdings Limited (MEHL), and their subsidiaries - did not adequately report to EITI.

Military companies accounted for more than 90 percent of unreconciled discrepancies in the gemstones industries, and for nearly a quarter of unreconciled discrepancies in the minerals sector.



Jade and gems

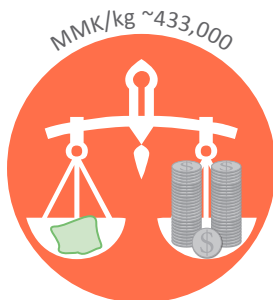


Minerals

JADE



Declared value



Export value

Undervaluation

Data reported through EITI suggest that companies declare certain minerals produced in Myanmar to the government at a fraction of their true value.

Undervaluation allows companies to reduce royalty payments to the government.

This is particularly problematic in the jade industry, where official jade exports were more than 100 times more valuable, by weight, than what producers had reported to the government that year.