

## Myanmar Ends Opaque Banking of Proceeds from State Enterprises

### THE PROBLEM



Photo by Suthep Kritsanavarin for NRGi

State-owned enterprises (SOEs) play a dominant role in Myanmar's economy. They are involved in most sectors; contribute about 50 percent of the government's fiscal revenues; and exert considerable influence on Myanmar's economic composition and growth.

The Myanmar government's efforts to normalize relations with the international community started in 2012, prompting major changes throughout the country's political and economic systems. Reforms of state-owned enterprises were part of this process. But not all reforms were positive—as a result of changes

made, an estimated USD 8.6 billion in taxes and other payments collected by SOEs were placed in a fund known as “Other Accounts” at the Myanmar Economic Bank. Vast amounts of money were diverted to this fund from productive uses such as health care, with no explanation.

*An estimated USD 8.6 billion in taxes and other payments collected by state-owned companies were placed in an opaque fund known as “Other Accounts.”*

### NRGI'S ROLE

In 2016, NRGi published *Gilded Gatekeepers*, the first-ever report on the “Other Accounts” and the many associated transparency issues. The report prompted the Myanmar government to grant permission to NRGi and its local partner, the Renaissance Institute, to conduct research on the problem. The resulting analysis of government documents, plus interviews with hundreds of government officials, formed the basis for another NRGi report, *State-Owned Economic Enterprise Reform in Myanmar*. That report, covered by national media as well as *The Economist*, provided recommendations to the government aimed at:

- closing the Other Accounts
- improving the legal framework governing SOE activities

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- requiring that SOEs articulate their strategic objectives and performance targets
  - strengthening SOE oversight
  - requiring much greater disclosure of SOE financial information and activities

In January 2018, the report was publicly released. NRG staff circulated infographics and speaking points to encourage accurate messaging by policymakers and journalists; briefed reform-minded parliamentarians; testified in parliament; and presented to key civil society groups, international financial institutions and international economic advisors.

## THE IMPACT

In June 2019, Myanmar's cabinet issued a directive to abolish the Other Accounts and requires all SOEs to transfer revenues to the treasury or Internal Revenue Department. Billions of dollars in natural resource revenues will now likely be channelled through the normal budget process, rather than opaquely funnelled to special interests. There is greater incentive for the government to balance SOE financing needs against priorities such as education and healthcare. Some SOEs planning to "corporatize" and become more independent must improve their performance before doing so.

NRGI's report recommendations were wholly incorporated into Myanmar's Sustainable Development Plan (2018-2030) and are guiding the technical assistance plans of donors and international financial institutions. The government now discloses much more information on SOE finances to parliament and the public in budget documents. The Myanmar Gems Enterprise (MGE) has publicly committed to publishing a comprehensive annual report, while the other natural resource SOEs under the Ministry of Natural Resources and Environmental Conservation have indicated they will follow suit.

The report directly led to debates in parliament and investigations by parliamentary committees, as well as efforts to enhance oversight. Government economic advisors now have a more accurate understanding of how the system functions and necessary steps for reform. Civil society actors are beginning to challenge the government on economic issues, and the media have begun reporting more accurately on the activities of SOEs.

NRGI is currently working with the SOEs to produce annual reports and continues to push for a new state-owned enterprise law, enhanced oversight by the Ministry of Planning and Finance, and greater transparency within the bureaucracy. NRG also continues to inform policymakers and the public on SOE governance.

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