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Myanmar lifts the veil on state-owned companies

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[EITI Report](#)



State-owned companies retain 49% of revenues according to first MEITI report



This [EITI Report](#) is not just a tool for [transparency](#); it is a driving force for strengthening democratic process and building trust among stakeholders. Apart from that, the EITI Report enlightens us on how Myanmar can better improve natural resource governance and public finance management systems.

H.E. Dr. Maung Maung Thein. Union Deputy Minister, Ministry of

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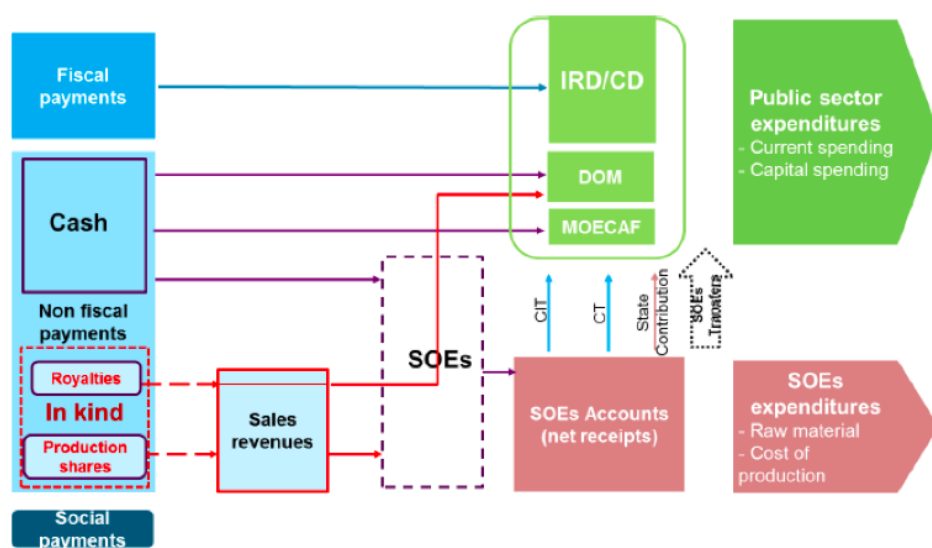
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Follow the EITI

Myanmar published its first [EITI Report](#) on 2 January, opening up the extractive sector for the first time. The report shows that the government received a total of USD 3.1bn from the extractive sector. After having paid its taxes and other dues, Myanma Oil and Gas Enterprise (MOGE), the state-owned company, retained USD 1.3bn of this revenue for own operating costs and raw materials. The four state-owned mining companies collectively retained appx. USD 230m, illustrating the significant role that state-owned companies play in the country's extractive sector. The report covers financial year April 2013 to March 2014.

"All over the world, national resource companies have been criticised for their opacity - and it is in such circumstances that resources are often mismanaged. Myanmar's first EITI Report contributes to changing this reputation, and sheds important light on the role of such companies in managing the extractive sector. It is heartening to see how the government, companies and civil society have worked together determinedly for more openness and to create a better future for their country", said EITI Chair Clare Short about the publication of the report.

Figure – Allocation of revenues to **SOE** accounts and government accounts



Source: [MEITI Report for the period April 2013- March 2014](#), p.45.

According to the report, information on the functioning and use of

these accounts held by state-owned companies was not provided to the firm hired to produce the report. Thus, the report recommends that in order to improve the transparency and comprehensiveness of the budgeting process, the Ministry of Finance should consider whether revenues from extractive sector collected by state-owned companies could be redefined as normal budgetary revenue and whether more information need to be disclosed with regards to “other accounts” in the budget.

The report also documents the cost of oil and gas subsidies. MOGE sells some limited amounts of oil and gas domestically below market price. While amounts are small compared to what has been the practice in the region, it is estimated that the cost of the subsidies amounted to USD 58m.

Conflicting data reaffirms need for reform

While the oil and gas sector is Myanmar’s most developed extractive industry, the country is famous worldwide for its jade and gems. The report reconciles payments and revenues from the top 30 jade and gems companies. Although the USD 400m in revenues from these companies is much lower than figures reported elsewhere^[1], the report explains some of the reasons for this, including the decision by MEITI to only use Myanmar Gems Emporium data for the purpose of this report, leaving out any taxes and payments made by companies that do not export their production through the emporium. In addition, revenues collected by the State from the sale of their share of gems and jade production have not been captured by the report. The report also explains that the tendering process that is required for companies wishing to mine jade and gems is currently not applied. Rather, permits are awarded on a first come first serve basis without applying specific criteria. This is because most of the deposits are located in conflict zones and there is a lack of available geological data.

Knowing who is extracting the oil, gas and minerals?

In 2013/14, Myanmar was in the spotlight as it launched its first ever competitive bidding processes for oil and gas rights, resulting in the award of 26 onshore and offshore blocks to 24 companies. Although

some information on the two oil and gas bidding rounds has been disclosed, the report stops short of disclosing the bid criteria and whether the established procedure for allocating these blocks was followed. Despite this, the report compiles for the first time a register of all oil and gas, mining and gems and jade [license](#)[?] holders enabling stakeholders to see who is operating where, for how long and for what purpose. The legal owners of the extractive companies have also been reported, which is an important step towards disclosing the name of the people who own and control the companies operating in Myanmar, and ultimately profit from their activities.

[Read the full Myanmar 2013/14 EITI Report \(PDF\) >](#)

For more information about extractives transparency in Myanmar, visit [Myanmar's EITI website](#).

[1] The Myanmar Business Update (June 2015) states that according to the Chinese Customs, China imported USD 12.3bn of Jade and Gems in 2014; A report by Global Witness (2015) estimated the production of jade in 2014 to be worth USD 30.9bn. According to the MEITI report, the value of the gems and jade sold through the Myanmar Gems Emporium in 2014 amounted to USD 1.4bn.

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