

**PROJECT INFORMATION DOCUMENT (PID)  
IDENTIFICATION/CONCEPT STAGE**

Report No.: PIDC27450

<b>Project Name</b>	Myanmar EITI Implementation Project
<b>Region</b>	EAST ASIA AND PACIFIC
<b>Country</b>	Myanmar
<b>Sector(s)</b>	Other Mining and Extractive Industries (100%)
<b>Theme(s)</b>	Other accountability/anti-corruption (60%), Other public sector governance (40%)
<b>Lending Instrument</b>	Lending Instrument
<b>Project ID</b>	P156124
<b>Borrower Name</b>	Ministry of Finance
<b>Implementing Agency</b>	EITI Unit, Budget Department, Ministry of Finance
<b>Environment Category</b>	C - Not Required
<b>Date PID Prepared</b>	06-Nov-2015
<b>Estimated Date of Approval</b>	15-Dec-2015
<b>Initiation Note Review Decision</b>	The review did authorize the preparation to continue

## **I. Introduction and Context**

### **Country Context**

In December 2012, the Myanmar government announced its intention to join the Extractive Industries Transparency Initiative (EITI) in the interest of introducing transparency in revenue management and the strengthening of natural resource governance. This initiative quickly became a central pillar in the on-going reform process. An independent think-tank, the Myanmar Development Resource Institute – Center for Economic and Social Development (MDRI - CESD) was tasked with the coordination and implementation of EITI. The country became an EITI Candidate in July 2014. The first report must be produced by January 2, 2016.

In addition to the immediate goal of bringing transparency to extractive industry operations and revenues, EITI is expected to contribute to the national reform process in three ways: (i) it will provide essential data concerning payment streams, ownership structures and the decision-making along the extractive industries value chain from award of contract to sustainable development derived from resource exploitation; (ii) the data generated by EITI can be a cornerstone for the public financial management (PFM) reform program launched in 2013; and (iii) the EITI supports the development of a vibrant civil society and their participation in the public dialog alongside Government and industry stakeholders. The EITI process to date has generally been well supported by Government, political opposition, civil society, and private sector. The EITI multi-stakeholder group (MSG) was officially created in February 2014 and a work plan was agreed in April 2014.

The overall aim of the Bank's support to EITI in Myanmar is to strengthen transparency and

accountability, enhance sector governance, and foster informed debate about the extractive industries. These goals are also building blocks toward increased revenue mobilization in the medium-term. A proposed US \$3.5 million grant from the Myanmar Partnership MDTF (MP-MDTF) will be implemented by the National EITI Secretariat from January 2016 to December 2019.

### **Sectoral and Institutional Context**

Extractive industries play a central role in Myanmar's economic and political landscape. In 2014 natural gas exports were \$4.2 billion, equivalent to 34 percent of total exports and 7 percent of GDP. Traditionally revenue flows have been opaque, with revenue accruing to line ministries and State Economic Enterprises and no disclosure of revenues and ownership structures. The extent of both mineral and gemstone mining is poorly documented. There are estimated to be 1,400 current mining licenses, of which some 1,300 are small scale and 139 medium to large-scale. Myanmar is among the world's largest producers of jade, sapphires and rubies. Data on the gems trade is very limited, with poor accounting and reporting of sales and a very large proportion of sales going through undocumented border trade, resulting in under-reporting.

Until 2012, restrictions on the media and freedom of assembly ensured there was little publicly available information or debate. Extractive industries are also linked to the country's decades-long conflicts. Many of the areas richest in natural resources are home to conflicts between the central government and ethnic armed groups. There are no formalized arrangements for sub-national revenue sharing. This has led to "extra-judicial fee collection" from combatants in some areas. In all areas of the country, absence of regulation has resulted in poor enforcement of environmental and social protection. The World Bank's recent Extractive Industries Institutional and Regulatory Assessment (IRA) serves as a baseline reference on the sectoral context. Data quality is a significant challenge across all extractive industries sub-sectors. As such significant investment in improving data quality is anticipated in the grant activities, including deepening the understanding of MSG members of the challenges posed by poor data for the validation and compliance time-line.

MSG, Ministry of Finance and EITI - In January 2015 MOF created an EITI 'Secretariat' unit within the newly established Ministry of Finance Budget Department. EITI implementation and coordination responsibilities will transition from MDRI to this unit over the course of 2015 and 2016. The EITI MSG was formally confirmed in the National Gazette in January 2014, and includes three standing sub-committees: (i) Technical and Reporting, (ii) Work Plan and Governance, and (iii) Communication and Outreach.

### **Relationship to CAS/CPS/CPF**

A full Country Partnership Framework (CPF) FY15 – FY17 was approved by the World Bank Group Board on April 23, 2015. The role of extractive industries in the national economy is well documented in the CPF and in the Systemic Country Diagnostic (SCD). The CPF anticipates that support to EITI and the enabling environment, as foreseen under the 2013 EITI Standard, will continue. The EITI team has actively engaged in the SCD and CPF development.

## **II. Project Development Objective(s) Proposed Development Objective(s)**

Increase transparency and accountability in Myanmar's management of extractive industry data, revenue, and impacts. The project is expected to achieve this objective by supporting the implementation of the Myanmar Extractive Industries Transparency Initiative.

### **Key Results**

1. Successful validation and EITI compliance.
2. Increased capacity of MSG and EITI Secretariat – As measured by regular meeting frequency and timely communication to internal and external stakeholders
3. Media, CSO, and citizen engagement in governance and accountability of the extractive industries– as measured by attendance at outreach events and tracking of accurate references to EITI in media by Secretariat media and communications staff.
4. Improved management of the extractive industries through systematic registration and monitoring of oil, gas and mining licenses
5. Progressively increased coverage of revenue data from extractive industries.
6. Number of recommendations from previous EITI Reconciliation Report that have been acted upon

## **III. Preliminary Description**

### **Concept Description**

The project duration is expected to be four years (2016, 2017, 2018, 2019) in support of the implementation of the MEITI work plan for the period 2016 - 2019. The four objectives of the MEITI work plan are: i) Reform of resource governance; ii) Creating an enabling environment for EITI; iii) Implementing EITI; and iv) Increasing accessibility of data. Specific activities include coordination of MSG and sub-committee meetings, outreach events, studies, capacity building and training, communications, and the preparation of annual EITI Reports and a validation report in 2017. Moreover, it is also envisioned that the project will support the development of a digitized mineral cadastre system. This is not a routine component of EITI support, but will help Myanmar comply with the 2013 EITI Standard by directly addressing the issue of data quality which is particularly prevalent in Myanmar. This project will aim to support the range of institutions and stakeholders involved in reaching compliance with the EITI requirements.

### **Project Components:**

Component 1 – Support to the MSG and EITI Secretariat (Estimated cost: \$1.6 Million) This component will support the activities essential to EITI implementation and meeting Myanmar's obligations as an EITI member under the 2013 Standard. Central to this will be the production and dissemination of the annual EITI Reconciliation Report. The Myanmar government covers the costs of office space, staff, utilities, and some communications costs, while the grant will cover the operation costs associated with the activities. These include the day to day activities carried out by the EITI Secretariat unit, under the oversight of the MSG. It will also emphasize capacity building to create the necessary skills among MSG members, constituency stakeholders, and the EITI Secretariat unit within the Ministry of Finance. It is anticipated that many of the activities will be carried out in close collaboration with civil society.

Given the breadth of extractive industries in Myanmar, the MSG has identified the need to undertake baseline studies of certain sectors. Baseline studies on the gemstone sector and the hydro sector have been included in the work plan. These studies will analyze the institutional structure of the industries and attempt to map and quantify the flow of funds accruing to central government and regional administration. The objective of the studies will be to determine the relevance and complexity of integrating these sectors under the EITI reporting framework.

Component 2 – Improving data quality and operators’ readiness for EITI implementation (Estimated Cost: \$150,000) Component 2 will cover activities aimed at improving the capacity of reporting entities to meet EITI reporting requirements and enhance the overall standard of the data they produce. This will be coordinated with and build on training in reporting templates typically provided by the Independent Administrator. It will aim to improve overall quality, availability and accessibility of EITI related data among both private sector operators and SEEs (such as audit procedures, verification of production statistics and others). Specific attention will be given to domestic companies and to SEEs.

Component 3 – Institutional development for EITI Implementation – Ministries (Estimated Cost: \$1.75 Million ) Component 3 will support the work plan activities specific to line Ministries, including the Ministry of Mines, the Ministry of Energy, the Ministry of Environmental Conservation and Forestry, and Ministry of Finance outside the EITI Secretariat unit. Specifically this will include development of a mineral cadastre registry system. EITI Standard 3.9 requires that countries have a publicly available registry of mining licenses, including information about license area, dates of award or duration, or type of permit. In addition to supporting EITI implementation, the creation of a modern mineral cadastre and license system will significantly improve mining governance and stewardship of natural resources by introducing greater transparency in the decision-making. The Mineral Cadaster Management System will be designed in a way that requires mandatory safeguards review before the award of a mineral license and that the system will prompt safeguards reporting deadlines as a flag in the monitoring system. The support to the mineral cadastre will be done in collaboration with the national land management authorities which hold overall responsibility for spatial planning and management. This activity will build on initial map consolidation support provided by Finnish support.

Component 3 will also support the capacity of Ministry of Finance to compile and manage EITI data across a range of governmental agencies including the Internal Revenue Department and Customs. This component will also support collaboration across traditional ministry lines in order to include agencies such as the National Statistical Office and the Office of the Auditor General.

#### IV. Safeguard Policies that Might Apply

<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>	<b>TBD</b>
Environmental Assessment OP/BP 4.01		<b>x</b>	
Natural Habitats OP/BP 4.04		<b>x</b>	
Forests OP/BP 4.36		<b>x</b>	
Pest Management OP 4.09		<b>x</b>	
Physical Cultural Resources OP/BP 4.11		<b>x</b>	
Indigenous Peoples OP/BP 4.10		<b>x</b>	

Involuntary Resettlement OP/BP 4.12		x	
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

## V. Financing (in USD Million)

Total Project Cost:	3.5	Total Bank Financing:	0
Financing Gap:	0		
<b>Financing Source</b>			<b>Amount</b>
Myanmar Strategic Partnership			3.5

## VI. Contact point

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