

## Myanmar's Budget Blues... Report highlights need for greater budgetary transparency

by Victoria Bruce



Ensuring budgetary transparency is crucial to the wellbeing of all Myanmar's citizens. Whether for a community in Sittwe hoping to receive a share of millions of dollars in oil and gas revenue from an off-shore field, for villagers in Thilawa wondering whether investment from a multimillion dollar industrial project could be used to fund a community centre, or for an expectant mother in Mandalay seeking access to pre-natal care,

As Myanmar's parliament puts the finishing touches to the country's 2013-14 fiscal budget, experts and hu-

man rights groups highlight the need for greater transparency after a recent report ranks the country second lowest on a list of 100 participant nations around the globe.

The 2012 Open Budget Survey, spearheaded by the Open Budget Initiative, a global research and advocacy program to promote public access to budget information and the adoption of accountable budget systems, gave Myanmar a score of zero – meaning there is scant or no information available to the public regarding the allocation of public funding.

The report placed Myanmar on par with the corruption-rife African nation of Equatorial Guinea and the oil rich Gulf state of Qatar in terms of lack of budgetary transparency, participation or accountability.

As post-sanctions Myanmar opens its door to foreign investment, the country's citizens need to know where the money goes and have their say in how it is used.

Tracking extractive industry revenue and ensuring accountable allocation in the national budget will be crucial to Myanmar's growth, says David Allan, co-founder of civil society organisation Spectrum.

"In a democracy, it is the public who need to give input to the government about how the national budget should be spent," Mr Allan told *M-ZINE+* reporter Victoria Bruce.

But how can this happen if the information is not available?

Mr Allan says civil society overall can play an important role in helping the public in considering the complicated matters of a national budget. His organization is playing a pivotal role in trying to help progress the transparency side of the process, so that the wider debate on spending allocations is much more available for the public to understand and consider.

"A tripartite dialogue between government, business and the public offers improved communication, understanding and many opportunities to facilitate further national development," Mr Allan says.

Taking steps to reform its budget process is low-hanging fruit for the Myanmar government and are top of the list for Framework for Economic and Social Reforms (FESR), which describes them as "quick wins" in a draft version dated January 2013 obtained by *M-ZINE+*.

National budgets are a critical link for citizen participation in the new democratic process of national development, and ensuring the public has timely access

to budget documents is an essential step along the road to better budgetary management.

"I hope very much to see a citizen's budget, which will convert this quite complicated information into a simple document that the public can understand. Many countries do this and there are some great examples available," Mr Allan says.

When asked if investors and donors should be wary of putting money into Myanmar given the country's dire corruption rankings and budget transparency issues, Mr Allan told *M-ZINE+*, investors could play a key role in introducing business integrity and best practices.

"There are many factors influencing corruption,"

Mr Allan says. "What has been found internationally is that 'building a culture of integrity' is an important step for addressing corruption problems where they exist."

Improving transparency in both the spending and revenue side of the budget is a step that improves government accountability, he said, adding, "I think the President has been very clear in consistently promoting the 'good governance and clean government' focus... Many have described the important role that investor due diligence will play in making sure that they help and don't hinder Myanmar's development."

Right now, natural gas exports are Myanmar's biggest revenue earner and foreign oil firms are visiting the country in droves in preparation to stake claims in the current onshore and offshore tenders.

Although new oilfields will take years to discover and bring online, revenue from petroleum sales isn't the only earner the Myanmar government will take home from foreign investment in its oil and gas industry.

Significant signature bonuses are expected to be paid by the successful companies once awarded a block, industry insiders say, and anything from US \$1 million - \$10 million is the going rate for an onshore block.

#### 5 Steps to help Myanmar rapidly improve budget transparency by international standards

1. Prepare, publish and make easily accessible for citizens at least the 8 standard reports (*pre-budget statement, executive's budget proposal, enacted budget, citizen's budget, in-year, mid-year and end-year reports, audit report*) listed.
2. Post reports on the Internet and publish through book-shops / newspapers to be easily accessible.
3. Publish a citizen's budget or a guide to the budget for citizens.
4. Help from Civil Society groups on guides may be useful, however all the 8 official documents need to come from official government sources.
5. Transparency should apply both to the budget allocations and also to the sources of revenue. This is normally mostly taxation and the income from state enterprises, business revenues and revenues from Myanmar's extractive industries. [Note: The Extractive Industry Transparency Initiative (EITI) can help with improving the revenue transparency process.]

Source: *Spectrum policy briefing 2013*



Signature bonuses in the energy sector of developing countries may be business as usual but do not promote accountability and clean government.

Energy industry giant Exxon-Mobil, which insiders say has been pre-qualified to participate in Myanmar's current onshore tender, made headlines in 2009 for reportedly paying a signature bonus of as much as US \$600 million after securing a new lease to three blocks in Nigeria, the *Financial Times* reported.

The American oil company plans to give the state of Liberia a whopping US \$50 million from a signature bonus if ongoing negotiated contract between ExxonMobil and Peppercost Broadway is signed by President Ellen Johnson-Sirleaf, African website *The NEWS*

reported last month.

Revenues from Myanmar's extractive industry will play a major role in boosting gross domestic product, which the Asia Development Bank (ADB) estimated rose to 6.3 percent in the fiscal year 2012 (ended 31 March 2013) compared with an average of 5 percent in the previous 5 years. "Economic growth is forecast to rise gradually to 6.5 percent in FY2013 and 6.7 percent in FY2014," the ADB said in its Asian Development Outlook 2013 report.

Last year the International Monetary Fund forecasted that direct foreign investment would rise

40 percent to a record US \$3.99 billion, and a fair chunk of that will be in extractive industries.

While insiders say Myanmar's blocks aren't as sought after as some of the acreage in Africa, it's rumoured that as many as 90 oil companies expressed interest in the current onshore tender, with some 59 foreign firms passing the pre-qualification stage. Supermajors including Australia's Woodside Petroleum, Italy's ENI, France's Total E&P and Thailand's PTT EP stand out from lesser known firms from countries including Pakistan, India and Australia on an unofficial list obtained by *M-ZINE+*.

As Myanmar continues to open up its petroleum blocks to international investors, the nation's coffers are set to swell with oil and gas revenues, meaning measures need to be put in place to ensure revenue transparency and government spending.

Last year, the Myanmar government announced plans to voluntarily sign up to the Extractive Industries Transparency Initiative or EITI, and a task force consisting of key government officials was established in December.

The purpose of the EITI process is to track revenue flows and in-kind contributions between companies and the government, with the intention of ensuring extractive industry revenues reach the national budget and can then be used as part of an overall government development package.

"If it's done properly, unlocking Myanmar's wealth of natural petroleum resources could prove essential to the growth of the country and the entry of new firms could also boost the industry with international best practice guidelines and create local jobs," Mr Allan says.