

MYANMAR EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (MEITI)

EITI REPORT FOR THE PERIOD
APRIL 2015 - MARCH 2016

FORESTRY SECTOR

Final

January 2019

This Report has been prepared at the request of the Myanmar EITI Multi-Stakeholder Group (MSG) charged with the implementation of the Extractive Industries Transparency Initiative in Myanmar. The views expressed in the Report are those of the Independent Administrator and in no way reflect the official opinion of the MSG. This Report has been prepared exclusively for use by the MSG members and must not be used by other parties, nor for any purposes other than those for which it is intended.

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LIST OF ACRONYMS	
AAC	Annual Allowable Cut
ADB	Asian Development Bank
BD	Budget Department
CBM	Central Bank of Myanmar
CESD	Myanmar Development Resources Institute
CFI	Community Forestry Instructions
CIF	Cost, Insurance and Freight
CoC	Chain-of-Custody
COP	Conference of the Parties
CRMS	Custom Reform and Modernisation Strategy
CSO	Civil Society Organisation and Central Statistical Office
CSR	Corporate Social Responsibility
DfID	Department for International Development
DG	Director General
DICA	Directorate of Investment and Company Administration
ECAF	Existing Controls and Audit Framework
EIA	Environmental Investigation Agency
ETTF	European Timber Trade Federation
EU FLEGT	European Union's Forest Law Enforcement Governance Trade
EUTR	EU Timber Regulation
FAO	Food and Agriculture Organization
FD	Forest Department
FESR	Framework of Economic and Social Reform
FPJVC	Forest Products Joint Venture Corporation Ltd.
FSC	Forest Stewardship Council
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAD	General Administration Department
GDP	Gross Domestic Product
GEF	Global Environmental Facility
GHG	Greenhouse Gas
GOUM	Government of the Union of Myanmar
HRD	Human Resource Development
HRM	Human Resource Management
IA	Independent Administrator
IAA	Initial Assessment of Assurance
IAS	International Accounting Standard
IDA	International Development Association
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
INDC	Intended Nationally Determined Contribution
IPSAS	International Public Sector Accounting Standards
IRD	Internal Revenue Department
ISA	International Auditing Standard
ISRS	International Standards for Related Services
ISSAI	International Standards of Supreme Audit Institution
IT	Information Technology

LIST OF ACRONYMS	
ITTA	International Tropical Timber Agreement
ITTO	International Tropical Timber Organization
IU	Implementation Unit
IUCN	International Union for Conservation of Nature
JICA	Japan International Co-operation Agency
KOICA	Korea International Cooperation Agency
LTO	Large Taxpayer Office
MAC	Myanmar Accountancy Council
MAS	Myanmar Accounting Standard
MATA	Myanmar Alliance for Transparency and Accountability
MCA	Myanmar Companies Act
MCD	Myanmar Customs Department
MCL	Myanmar Company Law
MCRB	Myanmar Centre for Responsible Business
MDAP	Myanmar Development Assistant Policy
MEB	Myanmar Economic Bank
MEC	Myanmar Economic Corporation
MEITI	Myanmar EITI
MFCC	Myanmar Forest Certification Committee
MFIL	Myanmar Foreign Investment Law
MFP	Multi Function Panel
MFRS	Myanmar Financial Reporting Standard
MFTB	Myanmar Foreign Trade Bank
MIC	Myanmar Investment Commission
MICB	Myanma Investment and Commercial Bank
MICPA	Myanmar Institute of Certified Accountants
MIL	Myanmar Investment Law
MIR	Myanmar Investment Rules
MMK	Myanmar Kyat
MMK million	One million (1,000,000) Myanmar Kyat
MMPFMP	Myanmar Modernization of Public Finance Management Project
MMSIS	Myanmar Information System
MNPED	Ministry of National Planning and Economic Development
MOC	Ministry of Commerce
MoHA	Ministry of Home Affairs
MOI	Ministry of Information
MONREC	Ministry of Natural Resources and Environmental Conservation
MoPF	Ministry of Planning and Finance
MOU	Memorandum of Understanding
MRV	Measurement, Reporting and Verification
MSDP	Myanmar Sustainable Development Plan
MSG	Multi-Stakeholder Group
MTE	Myanma Timber Enterprise
MTFF	Medium Term Fiscal Framework
MTLAS	Myanmar Timber Legality Assurance System
MTO	Medium Taxpayer Office
NA	Not Applicable
NBSAP	National Biodiversity Strategy and Action Plan

LIST OF ACRONYMS	
NC	Not communicated
NCDP	National Comprehensive Development Plan
NCEA	National Commission for Environmental Affairs
NCS	National Coordination Secretariat
NFMP	National Forest Master Plan
NGO	Non-governmental organisation
NLC	National Land Commission
NRGI	Natural Resource Governance Institute
NTFP	Non-Timber Forest Products
NWCD	Nature and Wildlife Conservation Division
OA	Other Accounts
OAGM	Office of the Auditor General of the Union
OAS	Official Assessment System
OT	Open Tender
PAC	Public Accounts Committee
PD	Planning Department
PEFA	Public Expenditure and Financial Accountability
PEFC	Programme for the Endorsement of Forest Certification
PEP	Politically Exposed Person
PER	Public Expenditure Review
PFM	Public Finance Management
PIP	Public Investment Program
RT	Reporting template
SAS	Self Assessment System
SECM	Securities and Exchange Commission of Myanmar
SEE	State Economic Enterprise
SEZ	Special Economic Zone
SFA	State Forestry Administration
SGT	Specific Goods Tax
SME	Small and Medium Enterprise
SOE	State-Owned Enterprise
SOS	Standing Orders for Extraction Staff
SOT	Special Open Tender
STB	State Timber Board
STO	Small Taxpayer Office
SWG	Sub-Sector Working Group
TAPL	Tax Administration and Procedures Law
TC	Timber Corporation
TD	Treasury Department
TIN	Taxpayer Identification Number
TLAS	Timber Legality Assurance System
ToR	Terms of Reference
TRO	Township Revenue Officer
UBL	Union Budget Law
UFA	Union Fund Account
UGDA	Union Government Deposit Account
UNCCD	United Nations Convention to Combat Desertification
UNCTAD	United Nations Conference on Trade and Development

LIST OF ACRONYMS	
UNEP	United Nations Environment Programme
US \$	United States Dollars
US\$ million / US\$ m	One million (1,000,000) US\$
VAT	Value-Added Tax
VFV	Vacant, Fallow and Virgin
VPA	Voluntary Partnership Agreement
WBG	World Bank Group
WHT	Withholding Tax
WTO	World Trade Organization
YSX	Yangon Stock Exchange

INTRODUCTION

Extractive Industries Transparency Initiative

The Extractive Industries Transparency Initiative (EITI) is a global Standard to promote open and accountable management of natural resources. It seeks to strengthen government and company systems, inform public debates and enhance trust. In each implementing country, it is supported by a coalition of governments, companies and civil society organisations working together.

EITI was first announced at the World Summit on Sustainable Development in Johannesburg in 2002 (the Earth Summit 2002) and was officially launched in London in 2003. EITI is currently implemented in 51 countries around the world.

The EITI Standard sets out the requirements which countries need to meet in order to be recognised, through validation, as having made 'Satisfactory progress', 'Meaningful progress', 'Inadequate progress' or 'No progress'. The Standard is overseen by the International EITI Secretariat, which comprises members from Governments, extractive companies and civil society organisations.¹

EITI in Myanmar

The EITI timeline in Myanmar (MEITI) is summarised in Table 1 below.²

Table 1: Timeline of MEITI

Date	Event
December 2012	Myanmar's President announces Commitment to EITI.
18 February 2014	A Multi-Stakeholder Group (MSG) was appointed to oversee EITI implementation in Myanmar. Three sub-committees were set up to take forward the work on reporting, outreach and communications, and work plan and governance. MSG comprises a total of 21 representatives, with six (6) from Government, nine (9) civil society organisations and six (6) the private sector. MSG laid out four overarching objectives for MEITI: <ul style="list-style-type: none"> • to contribute to a broader reform of resource governance in Myanmar; • to create an enabling environment for EITI; • to prepare and facilitate the EITI implementing process; and • to increase the accessibility of data on natural resources in Myanmar.
May 2014	Myanmar submitted its application to become an 'EITI Candidate' country to the EITI Board.
July 2014	Myanmar becomes a Candidate country.
Early 2015	A National MEITI Office, staffed by civil servants, was set up in the Fiscal Policy, Strategy, and EITI Division, under the Budget Department of the Ministry of Planning and Finance (MoPF). However, Myanmar Development Resources Institute (CESD) continued to share responsibility for EITI implementation with this Division.
December 2015	Myanmar's First EITI Report was published. (Period covered: April 2013 - March 2014 / Sectors covered: Oil, Gas and Mining).
19 December 2016	A new MEITI Leading Committee was formed, U Kyaw Win, Union Minister for Planning and Finance was appointed as the Chair of the EITI Leading Committee, and Renaissance Institute was designated as the MEITI National Coordinator.
17 January 2017	The Government of the Union of Myanmar signed a Grant Agreement with the World Bank for funding support to cover implementation of the MEITI Work Plan for 2017 to 2019.
15 March 2017	MSG approved the terms of reference (ToR) of the Independent Administrator (IA) for the second and third EITI Reports. MSG agreed to publish separate EITI Reports for the forestry sector.
March 2018	Myanmar's Second and Third EITI Reports were published. (Periods covered: April 2014 - March 2015 and April 2015 - March 2016 / Sectors covered: Oil, Gas and Mining).
1 July 2018	Myanmar's Validation against the EITI Standard (2016) commences.

¹ Source: <https://eiti.org/>

² For more information, please refer to MEITI website on <http://www.myanmar-eiti.org/> and EITI website on <https://eiti.org/myanmar>

Objective

The purpose of this Report is to reconcile the data provided by companies operating in the forestry sector (hereafter referred to as “Companies”) with the data provided by relevant Government Ministries and Bodies (hereinafter referred to as “Government Agencies”).

The overall objectives of the reconciliation exercise are to assist the Government of the Union of Myanmar (GOUM) in identifying the positive contribution that the forestry sector makes to the economic and social development of the country and to realise its potential through improved resource governance that encompasses and fully implements the EITI principles and criteria.

Nature and Extent of our Work

We have performed our work in accordance with the International Auditing Standards applicable to related services (ISRS 4400 Engagements to perform agreed upon procedures regarding Financial Information). The procedures performed were those set out in the ToR as set out in the Request for Proposal and approved by MSG.

The reconciliation procedures carried out were not designed to constitute an audit or review in accordance with International Standards on Auditing or International Standards on Review Engagements and as a result we do not express any assurance on the transactions beyond the explicit statements set out in this report. Had we performed additional procedures other matters might have come to our attention that would have been reported to you.

The Report consists of seven chapters presented as follows:

1. Executive summary;
2. Approach and methodology;
3. Contextual information;
4. Determination of the reconciliation scope;
5. Reconciliation results;
6. Other information; and
7. Recommendations.

Reported data disaggregated by individual companies, Government Agencies and revenue streams, are included as Annexes to this Report. The amounts in this Report are stated in **Myanmar Kyat (MMK) million**, unless otherwise stated.

This Report incorporates information received up to 27 August 2018. Any information received after this date has not been included in the Report.

1. EXECUTIVE SUMMARY

This Report summarises information about the reconciliation of tax and non-tax revenues from the forestry sector in Myanmar as part of the EITI implementation. Additionally, this Report includes the reconciliation of cash flows contributed by Myanmar Timber Enterprise (MTE) to the State budget.

1.1. Revenue Generated from the Forestry Sector

The receipts reported by the Government Agencies during the period from 1 April 2015 to 31 March 2016, after reconciliation, are summarised as follows:

1.1.1. Direct payments made by companies¹

Total revenue collected from forestry companies amounted to **MMK 584,941 million** during the FY 2015/16. The revenue stream from the forestry sector comprises mainly timber. The contribution of Non-Timber Forest Products (NTFP) is less than 1%.

Details of these revenue streams are set out in table 2 below:

Table 2: Myanmar Forestry revenues by sub-sector (FY 2015/16)

in MMK million

Sub-sector	Tax revenues {A}	Non-tax revenues			Total revenues {A} + {B}	%
		MTE {1}	FD {2}	Total {B} = {1} + {2}		
Timber	214,379	362,725	4,686	367,411	581,790	99%
NTFP	3,115	0	36	36	3,151	1%
Total	217,493	362,725	4,722	367,447	584,941	100%
%	37%	99%	1%	63%	100%	

Source: EITI Data reported by Government Agencies after reconciliation adjustments.

EITI figures indicate that MTE and IRD accounted for more than 99% of revenues received from companies during the FY 2015/16.

1.1.2. Detail of revenues by Government Agency and by source of revenues

Table 3 below sets out details of revenues by Government Agency and by source of revenues:

Table 3: Collection of forestry revenues (FY 2015/16)

in MMK million

	Revenues received from forestry sector					
	MTE	IRD	FD	MCD	Total	%
Timber sub-sector	362,849	209,690	8,895	355	581,790	99%
Sale of the state's share of production	362,725		4,686		367,411	63%
MTE		204,620			204,620	35%
Companies	124	5,070	4,210	355	9,758	2%
NTFP sub-sector			3,151		3,151	1%
Sale of the state's share of production			36		36	1%
Companies			3,115		3,115	99%
Total	362,849	209,690	12,046	355	584,941	100%
%	62%	36%	2%	0%	100%	

Source: EITI Data reported by Government Agencies after reconciliation adjustments.

¹ This does not include transfers made by MTE to the State Budget Account.

1.1.3. Transfers made by MTE

Table 4 below sets out the allocation of revenues collected by MTE during the FY 2015/16.

Table 4: Transfers of revenues collected by MTE (FY 2015/16)

in MMK million

Amount received	Transfer from MTE to State Budget			MTE other accounts	Total
	IRD	State contributions	Total		
	{1}	{2}	{A} = {1} + {2}		
362,849	204,620	90,015	294,636	407,153 ¹	701,788

Source: EITI Data reported by Government Agencies after reconciliation adjustments.

Further explanations on the collection process of forestry revenues in Myanmar are included in Section 3.7 of this Report.

1.1.4. Government receipts from forestry sector

MTE retained more than half of the total revenues / net receipts from the forestry sector for the FY 2015/16. Forestry revenues net receipts collected by the State Budget Account accounted for 43% of which approximately 96% related to MTE transfers.

Table 5 below sets out the breakdown of Government receipts from the forestry sector during the FY 2015/16.

Table 5: Total Government Receipts from the Forestry sector (FY 2015/16)

in MMK million

	Timber	NTPF	Total	%
Transfers from MTE	294,636	0	294,636	41%
Tax revenues	5,425	0	5,425	1%
SOE's net receipts	407,153	0	407,153	57%
Non-Tax revenues	4,333	3,115	7,448	1%
Total	711,547	3,115	714,661	100%

Source: EITI Data reported by Government Agencies after reconciliation adjustments.

1.1.5. Reconciliation rate

The reconciliation scope will cover **99.49%** of the total Government receipts from the forestry sector as detailed in table 6 below.

Table 6: Breakdown of the reconciliation rate

in MMK million

	To be reconciled	Reported through unilateral disclosure	Total	% Reconciliation
Transfers from MTE	294,636	0	294,636	100.00%
Tax revenues	4,909	516	5,425	90.49%
SOE's net receipts	407,153	0	407,153	100.00%
Non-Tax revenues	4,315	3,133	7,448	57.94%
Total	711,012	3,649	714,661	99.49%
% Reconciliation	99.49%	0.51%	100.00%	

Source: EITI Data reported by Government Agencies after reconciliation adjustments.

¹ According to MTE, MTE OA amount was the transfer of revenues collected by MTE during FY 2015-16 and remitted to MTE Head office OA A/C-010634 in the same FY 2015-16. It was the correct figure for income according to the bank statement. Closing balance was the balance of OA A/C of MTE Head Office, State/Region, agencies, factories and mills at the end of financial year.

It was not exactly the Sale Income (Revenues) for the FY 2015-16. Some Sale Income that have not been transferred to MTE Head Office at the end of financial year would be left at state/regional OA account. If an income could not be remitted to the MTE Head Office at the end of the FY, it will be remitted in the bank account of Head Office during the following year. Generally, offices in State/Region remit to the Head Office on time.

Table 7 below sets out the reconciliation scope by tax and taxpayer.

Table 7: Reconciliation scope (FY 2015/16)

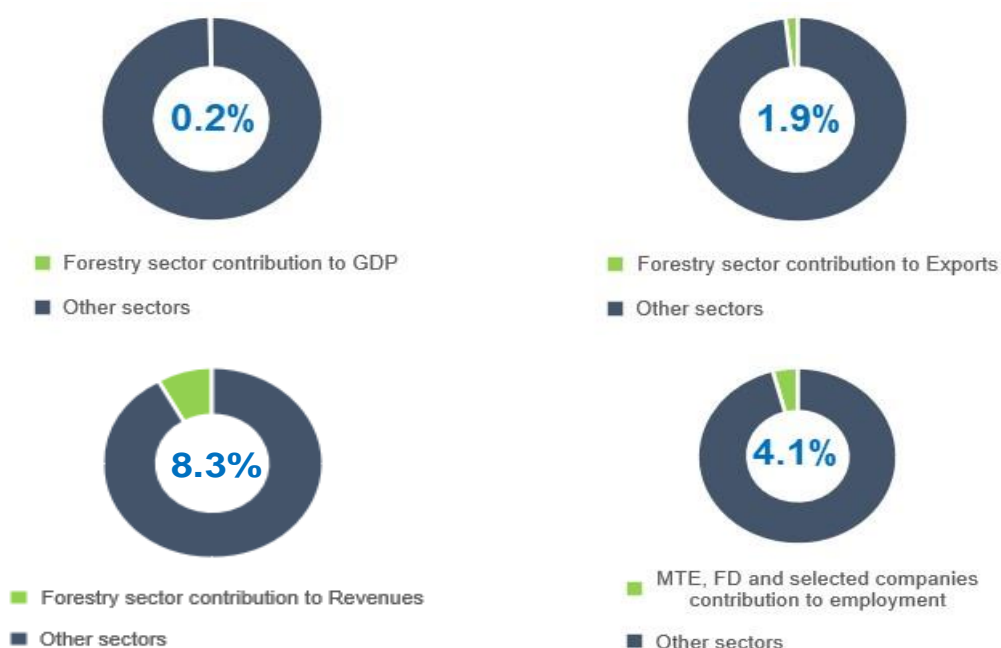
No.	Paid by / Tax	Paid to	Reconciled		Unilateral disclosure		Total	
			in MMK million	in %	in MMK million	in %	in MMK million	in %
	MTE		705,957	100.00%	0	0.00%	705,957	100.00%
1	Royalty	FD	4,169	100.00%	0	0.00%	4,169	100.00%
2	Commercial Tax	IRD	92,101	100.00%	0	0.00%	92,101	100.00%
3	Income Tax	IRD	112,520	100.00%	0	0.00%	112,520	100.00%
4	State Contribution	TD	90,015	100.00%	0	0.00%	90,015	100.00%
5	Other accounts	Other accounts	407,153	100.00%	0	0.00%	407,153	100.00%
	Sub-contractors		4,909	90.49%	516	9.51%	5,425	100.00%
6	Income Tax	IRD	1,199	87.64%	169	12.36%	1,368	100.00%
7	Commercial Tax	IRD	1,335	95.13%	68	4.87%	1,403	100.00%
8	Withholding Tax	IRD	2,261	98.38%	37	1.62%	2,299	100.00%
9	Import duties	MCD	114	32.04%	241	67.96%	355	100.00%
	FPJVC		146	100.00%	0	0.00%	146	100.00%
10	Dividend	MTE	124	100.00%	0	0.00%	124	100.00%
11	Dividend	FD	23	100.00%	0	0.00%	23	100.00%
	Other entities		0	0.00%	3,133	100.00%	3,133	100.00%
12	Land rental fees	FD	0	0.00%	2,188	100.00%	2,188	100.00%
13	Fees	FD	0	0.00%	772	100.00%	772	100.00%
14	Fines	FD	0	0.00%	70	100.00%	70	100.00%
15	Confiscation	FD	0	0.00%	18	100.00%	18	100.00%
16	Other income	FD	0	0.00%	85	100.00%	85	100.00%
	Total		711,012	99.49%	3,649	0.51%	714,661	100.00%

Source: EITI Data reported by Government Agencies after reconciliation adjustments.

1.1.6. Significance to Myanmar economy

The contribution of the forestry sector to GDP, State revenues, exports and employment for the FY 2015/16 is presented in Figure 1 below. More details are set out in Section 3.1.4 of this Report.

Figure 1: Macro-economic indicators for the forestry sector (FY 2015/16)



1.2. Timber Production, Sales and Exports

1.2.1. Timber Production

The table below sets out the production of timber during FY 2015/16 by MTE and companies:

Table 8: Myanmar Timber production (FY 2015/16)

in Hoppus Tons

Product	Hardwood	%	Teak	%	Total	%
MTE	193,775	31%	20,595	34%	214,370	32%
Forestry companies	425,967	69%	39,457	66%	465,424	68%
Total	619,742	100%	60,052	100%	679,794	100%

Source : MTE.

Companies selected in the reconciliation scope were required to disclose their production data. Production reported by in-scope companies represents **82%** of total production made by all companies. The table below sets out the reconciliation of production between companies and MTE.

Table 9: Reconciliation of timber production (FY 2015/16)

in Hoppus Tons

Product	Per Company			Per MTE			Final difference	%
	Original	Adjust	Final	Original	Adjust	Final		
Hardwood	337,006.03	10,025.34	347,031.37	346,032.00	1,000.00	347,032.00	-0.63	0.00%
Teak	32,486.52	6.00	32,492.52	32,492.00	0.00	32,492.00	0.52	0.00%
Total	369,492.55	10,031.34	379,523.89	378,524.00	1,000.00	379,524.00	-0.11	0.00%

Source: EITI Data reported by forestry companies and MTE after reconciliation adjustments.

Details of the production are presented in Sections 3.1.6 and 5.3 of this Report.

1.2.2. Timber Sales

Table below sets out details of timber sold by MTE during FY 2015/16.

Table 10: Volume and value of timber sold (FY 2015/16)

Type	Quantity	Unit	US\$ million	%
Local	410,052	Hoppus Tons	275.34	93%
Local/Export	15,909	Cubic tons	21.10	7%
Total Sales			296.45	100%

Source: MTE Data.

Further details of timber sales are presented in Section 3.1.7 and Annex 1 to this Report.

1.2.3. Timber Exports

According to the data provided by MCD, timber exports amounted to **US\$ 207.24 million** during FY 2015/16 of which US\$ 120.13 million (or 58%) were destined for India.

Further details of timber exports are presented in Section 3.1.4 and Annex 2 to this Report.

1.3. Scope of the Data Collection and Reconciliation

The scope of payment flows selected in the reconciliation scope for FY 2015/16 includes:

- all tax payments and non-tax payments made or reported by companies selected in the scope and revenues received by or reported to the Government Agencies during the FY 2015/16; and
- all transfers made by MTE and revenues received by Government Agencies during the FY 2015/16.

Payments made by companies not selected in the scope and cash flows from the sale of the State's production share are disclosed unilaterally and do not form part of the reconciliation process.

1.3.1. Companies

MSG identified eighteen companies to be included in the reconciliation process for the first MEITI Report on the forestry sector. Companies listed in Section 4.2.1 meet one or both materiality thresholds of payments of **MMK 100 million** or extraction of **10,000 Hoppus Tons** of timber or more.

Table 9 below shows that 90% of payments made by companies were reconciled.

Table 11: Reconciliation coverage rate (FY 2015/16)

Companies	Number	%	Total revenues (in MMK million)	%
In-scope	16	50%	4,899	90%
Out of scope	16	50%	516	10%
Total	32	100%	5,415	100%

Source: EITI Data.

1.3.2. Government Agencies

MSG agreed that all Government Agencies which received forestry revenues from companies should be included within the reconciliation scope. Accordingly, five Government Agencies have been included and as listed in Section 4.3 of this Report.

1.4. Comprehensiveness and Reliability of Data

1.4.1. Data submission

Both companies and Government Agencies included in the reconciliation scope have submitted their reporting templates (RT) according to the reporting instructions and within the deadline approved by MSG, except for Nature Timber Trading Co. Ltd which was delayed.

1.4.2. Reliability of data submitted

Selected companies

As decided by MSG, RTs should be approved by an authorised company official, supported by detail of payments reported and accompanied by a copy of the audit report.

Accordingly, all companies followed the instructions as detailed in Annex 3 to this Report.

Government Agencies

With regards to Government Agencies including MTE, RTs should be signed by an authorised officer, supported by detail of payments reported and certified by the Office of Auditor General (OAG).

All Government Agencies submitted signed RTs supported by details of payments reported.

OAG has certified RTs provided by MTE and all other Government Agencies.

1.4.3. Summary

We did not audit the figures presented and rely on assurances from reporting entities.

All companies have submitted a copy of their audit report for the FY 2015/16.

We concluded that the final assessment of the overall comprehensiveness and reliability of reconciled financial data from the companies, MTE and Government Agencies is satisfactory.

1.5. Summary of the Reconciliation Results

Total revenues received from the companies as declared by Government Agencies amounted to **MMK 584,941 million** during FY 2015/16. Table 12 below presents the forestry revenues in accordance with the reconciliation scope.

Table 12: Total forestry revenues (FY 2015/16)

	Total revenues (in MMK million)	%
Payments from companies selected in the reconciliation scope	213,844	98%
Payments from companies not selected in the reconciliation scope	3,649	2%
Total payments	217,493	100%
Sales of the State share of production	367,447	
Total	584,941	

Source: EITI Data.

1.5.1. Reconciliation of payments to the Government Agencies

We have been contracted to reconcile payments reported by companies and Government Agencies in order to identify and clarify any potential discrepancies in the payments reported in the declarations. Disaggregated reporting is detailed in Section 5 of this Report.

A net difference of **MMK (3,798) million¹** representing (1.78%) of Government RTs after adjustments remained unreconciled. Table 13 below sets out the breakdown of this difference between positive and negative amounts.

Table 13: Final reconciliation differences

			in MMK million		
			MTE	Companies	Total revenues
Companies	{1}		205,064.21	4,982.36	210,046.56
Government Agencies	{2}		208,789.27	5,055.11	213,844.38
Net differences	Amount	$\{A\} = \{1\} - \{2\}$	-3,725.06	-72.76	-3,797.82
	%	$\{A\} / \{2\}$	-1.78%	-1.44%	-1.78%
Positive differences	Amount	{B}	0.00	1.82	1.82
	%	$\{B\} / \{2\}$	0.00%	0.04%	0.00%
Negative differences	Amount	{C}	-3,725.06	-74.57	-3,799.64
	%	$\{C\} / \{2\}$	-1.78%	-1.48%	-1.78%
Cumulative differences	Amount	$\{D\} = \{B\} - \{C\}$	3,725.06	76.39	3,801.45
	%	$\{D\} / \{2\}$	1.78%	1.51%	1.78%

Source: EITI Data.

The unreconciled difference of (1.78%) is above the agreed materiality deviation of 0.1% of the total forestry revenues.

This difference comes from MTE and is mainly related to commercial tax. MTE reported total taxes of MMK 88,385 million while IRD reported MMK 92,101 million, hence a significant difference of MMK (3,716) million.

Based on our meetings with MTE and FD, we understood that this difference was because MTE pays commercial tax before the end of March (i.e. FY 2014/15) and flag receipts are issued in April due to the lengthy process between the transfer date and the receipt date.

Details of this discrepancy by company and by tax are presented in Section 5.1 of this Report.

¹ Approximately US\$ 3.11 million.

1.5.2. Reconciliation of transfers made by MTE

According to MSG's decision, transfers made by MTE to MoPF and other Government Agencies were also reconciled.

The main difference was, as stated above, related to commercial tax transferred to IRD. No differences were noted with regards to the state contribution transferred to the Treasury Department and amounts transferred to other MTE accounts. The table below shows the reconciliation results of transfers.

Table 14: Reconciliation results of transfers made by MTE

in MMK million

	MTE	Government Agency	Difference
Transfers to IRD	200,904.39	204,620.45	-3,716.05
Transfers to TD	90,015.16	90,015.16	0.00
Other accounts - MTE own Accounts	407,152.61	407,152.61	0.00
Total	698,072.16	701,788.22	-3,716.05

Source: EITI Data.

RT of MTE showing the reconciliation work is set out in Annex 4 to this Report.

1.6. Findings and Recommendations

We raised several findings and have made recommendations with a view to improve the EITI process in Myanmar and governance of the forestry sector and revenue management. Table 15 below sets out the findings we raised:

Table 15: IA Findings

N°	Governance of the Forestry Revenues	N°	Management of the Forestry Sector	N°	EITI implementation
1	Lack of Unique Taxpayer Identification Number	4	Lack of Timber Trade and Traceability	7	Completeness of the data reported on License Register
2	Lack of Resource Revenue Sharing System for Forestry Revenues	5	Regulatory Framework and Law Enforcement	8	Award of contracts
3	Lack of distinction between Forestry and Non-Forestry Revenues	6	Improving Governance of MTE	9	Lack of Reporting System for Employment data
				10	Lack of reporting at project level
				11	Lack of EITI Reporting Regulations

These findings and the associated recommendations are detailed in Section 7 of this Report.



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2. APPROACH AND METHODOLOGY

The reconciliation of revenues from the forestry sector consisted of the following steps:

- conduct a scoping study to determine the scope of the reconciliation exercise;
- preparation of a RT (See Annex 5 to this Report) and reporting instructions;
- collection of payment and other data from Government Agencies and companies which provide the basis for reconciliation;
- comparison of payments and other data reported by Government Agencies and companies to determine if there are discrepancies between the amounts reported as being received by the authorities and the amounts reported as being paid by taxpayers; and
- contact Government Agencies and companies to investigate and resolve identified discrepancies.

2.1. Scoping Study

Under the ToR for the Engagement, we were required to carry out a scoping study which eventually determined the scope of the second MEITI Report for forestry sector, including a proposal of:

- the materiality threshold for receipts and payments;
- taxes and revenues to be included;
- companies and Government Agencies to be included in the report; and
- assurances to be provided by reporting entities to ensure credibility of the data being reported.

The financial flows to be included in the reconciliation, the Government Agencies and companies which were required to report were determined by MSG based on the scoping study we conducted.

The scope of the EITI Report as decided by MSG during their meeting of 29 January 2018 is described in Section 4 of this Report.

2.2. Data Collection

A standard RT and instructions were designed to facilitate the process for the reporting entities. The RT was designed to include the revenue streams paid to each Government Agency and was formatted in such a way that companies could easily identify and determine the appropriate amounts to be disclosed. The RTs were sent electronically to the reporting entities.

Companies and Government Agencies were required to report directly to the IA and to submit a breakdown of payments by date and by receipt in the supporting schedules. They were also requested to direct any questions on the RTs to the IA.

The 10th MSG meeting held in Nay Pyi Taw on 29 January 2018 agreed that the deadline for submission of the RTs by companies would be 21 March 2018 for the soft copies and 30 March 2018 for the signed hard copies.

Following a request formulated by the OAG, the 13th MSG meeting held in Yangon on 30 March 2018 agreed to extend the deadline for submission of the Certified RTs on hard copies by Government Agencies and MTE from 18 to 27 April 2018 upon a request formulated by the OAG. This was to give enough time to OAG for the certification.

2.3. Reconciliation and Investigation of Discrepancies

The reconciliation exercise was carried out between 22 March and 7 April 2018. In carrying out the reconciliation, we performed the following procedures:

2.3.1. Initial Reconciliation Procedures

Figures reported by companies were compiled item by item and compared with figures reported by Government Agencies. As a result, all discrepancies identified have been listed by item in relation to each Government Agency and company.

In cases where the revenue reported by Government Agencies agreed with a company's reported payment data, with deviation within the allowable variance as described in Section 2.3.2 below, the Government figures were considered to be confirmed and no further action was undertaken.

In cases where the reported revenue data from Government Agencies did not agree with a company's reported payment data and the difference was not within the allowable variance, discrepancies were identified for each company and Government Agency and the discrepancies were subject to further investigations before completing the initial reconciliation report.

2.3.2. Reconciliation Variance and Level of Effort

As part of the RT finalisation, a variance threshold of MMK 8 million was set to help determine an acceptable level of effort to be spent in attempting to resolve discrepancies.

In cases where the reported revenue data from Government Agencies did not agree with the company's reported payment data, and the discrepancies were at or below the variance threshold, we concluded that the discrepancies were not material to the MEITI Report.

2.3.3. Follow-Up Procedures to Investigate Differences

In cases where the reported revenue data from Government Agencies did not agree with the company's reported payments and the discrepancies were outside the variance, we considered the discrepancies to be material and further investigations were performed in a bid to resolve these discrepancies. In such instances, the Government Agencies and companies were requested to provide supporting documents and/or confirmations in respect of any adjustments to the data provided in the original RTs.

We contacted the reporting entities and arranged meetings with relevant officials. We also reviewed additional supporting documentation evidencing the payments reported. In instances where we were unable to identify the reason for the discrepancies following the review of additional supporting evidence, we concluded that the discrepancies were "undetermined / unexplained". The results of our work are presented in Section 5 of this Report. Adjustments made to RTs are presented in Annex 6 to this Report.

2.4. Reliability and Credibility of Data Reported

2.4.1. Initial assessment of assurance procedure

The EITI Standard requires that a credible assurance process applying international standards should be in place. The approach adopted for the 2015/16 MEITI Report incorporated constraints existing in Myanmar and insufficiencies noticed during the previous reconciliation.

We applied our professional judgement to assess the extent to which reliance can be placed on the Existing Controls and Audit Framework (ECAAF) of the companies, MTE and Government Agencies. This step helps in determining the Initial Assessment of Assurance (IAA) for each of the reporting. In short, when the AF is rated low, the IAA is rated low (i.e. low assurance).

The assessment is based on the key factors such as accounting standards applied (international standards, local reliable standards, other standards), existing governance and internal controls, audit standards applied where the entities are audited, and the reliability of the auditor where an auditor exists.

In order to comply with Requirement 4.9 of the EITI Standard (2016) which aims to guarantee the credibility of the data submitted by reporting entities, MSG agreed the following approach for the preparation of the 2015/16 MEITI Report.

a. Companies

The classification was made based on the accounting standards applied (see Section 3.9.1), audit standards applied where the companies are audited. ECAF and IAA for the companies were considered low.

Companies selected in the scope were requested to submit their RTs:

- signed by a person authorised to represent the company; and
- supported by details of payments reported.

Companies having their accounts audited were also requested to provide a copy of their audited financial statements.

b. Government Agencies and MTE

Usually, in most developing countries central Government Agencies and SOEs are in a low range of the rating for ECAF and thus for IAA.

Based on the above, MSG agreed that for the 2015/16 Report that all Government Agencies and MTE selected in the scope should submit a RT:

- signed by a person authorised to represent the Government Agency;
- accompanied by payment details reported; and
- certified by the OAG.

2.4.2. Final assessment of assurance procedure

We have analysed the data received from Government Agencies and from companies as described in the section above and applied the following criteria for assurance:

- non-submission of a RT signed by a person authorised to represent the Government Agency, MTE or the company reduced the level of assurance;
- non-submission of payment details for the amounts reported also reduced the level of assurance; and
- lack of audit reports or reporting reduced the level of assurance.

Thus, the level of assurance for each entity selected was categorised as follows:

- Low: entities which are not audited and did not provide signed copies of the RT;
- Medium: entities which provided audit report but no signed copies of the RT; and
- High: entities which provided signed copies of the RT as well as audit reports.

We can assess the level of assurance for companies within high range as all companies have submitted signed copies of the RT together with a copy of their audit report for the FY 2015/16.

We can assess the level of assurance for Government Agencies and MTE within high range as they have submitted signed copies of the RT together with OAG's certification.

2.4.3. Assessment of the overall comprehensiveness and reliability of reconciled data

We concluded that the final assessment of the overall comprehensiveness and reliability of reconciled financial data from companies, MTE and Government Agencies were satisfactory.

2.5. Basis and Period of Reporting

In order to comply with Requirement 2 of the EITI Standard, MSG agreed that the 2015/16 MEITI Report would be based on data for the FY 2015/16.

MSG defined the reporting period as the FY. For the 2015/16 MEITI Report, the reconciliation has been carried out on data for FY 2015/16, which is 1 April 2015 through 31 March 2016.

The revenue streams included in the reconciliation scope relate to only the payments made by companies and revenues received by Government Agencies during FY 2015/16. The period in which companies incur the fees is not relevant, but rather the period in which the fees were actually paid.

The reporting currency is MMK million unless stated otherwise.

Where actual rates were not available or not disclosed, we applied the average rate for the period as published by the Central Bank of Myanmar. The average rate used was US\$ 1 = MMK 1,223.58.

2.6. Procedures for the Management and Protection of the data collected

In order to protect the confidentiality of the data collected from the reporting entities, the following measures have been applied:

- only the data required by the EITI Standard, ToR and reconciliation exercise has been requested. Any irrelevant information inadvertently communicated has been deleted and/or destroyed;
- data collected is processed on password-protected laptops and e-mail communications are performed via secure messaging servers;
- reporting entities were requested to address the completed RT and any information considered sensitive or confidential directly to the IA's generic email address: (meiti.forestry@moorestephens.com); and
- all requests for additional information from Government Agencies or companies for the reconciliation purposes were processed in accordance with the above protocol.

3. CONTEXTUAL INFORMATION

3.1. Forestry Sector in Myanmar

3.1.1. Forest Lands and Ownership

Myanmar is the largest country on mainland South East Asia with a total area of 68 million hectares. According to the latest FAO's Global Forest Resource Assessment, 42.92% of Myanmar's total land area consists of forests.¹ Despite a high proportion of remaining forest cover, the country has seen substantial deforestation and forest degradation over recent decades, with annual deforestation rates of approximately 1.2% between 1990/2015. The remaining primary forests ecosystems are of global significance due to their high biodiversity.

According to Forest Department (FD),² the main reason of losing forest cover in Myanmar are:

1. Conversion of land use in other purpose;
2. Over-logging in the formal sector;
3. Increase population and extension of villages and towns;
4. Increase demand of timber and woods for fire-wood, charcoal, and other products of local; household daily use and living; and
5. Over-logging and illegal timber extraction in the informal sector.

In the forestry governance system of Myanmar, forests are classified as follows:³

- **Reserved Forests** which are formed in accordance with Forest Law and managed under a Forest Management Plan in order to conserve environment and to maintain sustained yield of forest produces. They are composed of compartments and divided into felling series for extraction purpose and each felling serie is sub divided into 30 annual coupes in which extraction is done in a 30-year rotation;
- **Protected Public Forests** which are formed in accordance with Forest Law and managed under a Forest Management Plan in order to conserve environment and to provide basic need of community; and
- **Unclassified Forests** which are at the disposal of the Government.

Around 20.5 million ha (70%) of the forests are designated for production. In 2013, the area of planted forests was 944,000 ha (roughly 4% of production forest), including plantations established for timber production, village wood supply, and watershed management.

In Myanmar, the State owns all lands. The responsibility for management of forest resources rests with the FD, a division of the Ministry of Natural Resources and Environmental Conservation (MONREC). By law, the state-owned forest enterprise (Myanmar Timber Enterprise, MTE) has the monopolistic right to extract timber. Teak and other valuable hardwoods are considered to be 'reserved species' in the forest policy. This means that they are owned by the State, and that only the State has permission to harvest them and profit from them.

The Community Forestry Instructions (CFI, 2016) gives legal backing for rural communities to co-manage forests. The overall principles in CFI are for local communities to fulfil basic livelihood needs for firewood, farm implements and small timber, as well as reforest degraded forestlands. The role of community forests in the county's commercial forestry sector is very small.

3.1.2. Forest Management and Products

Myanmar's formal forest management system was originally established during the British colonial era to manage its vast teak (*Tectona grandis*) forests. The management system is based on

¹ Source: FAO Global Forest Resource Assessment 2015.

² Source: Stakeholder Mapping, August 2016, FLEGT Action Plan of Myanmar.

³ Source: Forest Law, n°8/92 (1992).

sustainable utilisation of forest resources, defined by the estimated growth and yield of the forests and the annual allowable cut (AAC). To ensure the sustained yield of the forests, the volume of timber extracted should be lower than the AAC, which is defined by FD. Forests are managed following a 30-year Master Plan for the period from 2001 to 2031, 10-year forest district management plans and annual operational plans.

During recent decades, the formal management system has been ignored, which has resulted in significant deforestation and degradation of the country's forests.¹ For a long time, the harvested volumes exceeded the AAC defined by FD. The development has been driven by the timber production targets set by the government, which have arisen from political and financial pressures and not from the actual AAC. Based on these state revenue requirements, target production volumes were calculated which were then translated downwards into logging quotas for each logging district.

Until early 2016, MTE subcontracted a significant part (up to 70%) of extraction tasks to private sector subcontractors, which partially resulted in poor law enforcement and non-transparent supply chains of timber.

Following major political reforms in Myanmar, the forestry and timber sector is also currently undergoing a reform process. This is indicated by many policy changes, most significantly the 2014 log export ban which made it illegal to export unprocessed logs, the 2016 logging ban which halted all timber extraction in the country for one logging season, and the 10-year logging ban in the Pegu Yoma region. Furthermore, the government's engagement in a Voluntary Partnership Agreement (VPA) process with the European Union's Forest Law Enforcement Governance and Trade (EU FLEGT) initiative, requires transparency and compliance improvements within the sector. Myanmar is also engaged in the REDD+ process, an initiative to reduce emissions from deforestation and forest degradation, and foster conservation, sustainable management of forests, and enhancement of forest carbon stocks.

A significant step towards sustainability and improved transparency of the forest sector was seen in early 2017, when MTE announced further decreases in timber production targets, and agreed that all future timber extraction would be carried out directly by MTE. Due to the lack of harvesting and transport equipment within MTE, contractors are still being used for extraction, but they are now operating under MTE and will be paid in cash instead of in-kind timber allocations.² MTE's production target for the FY 2017/18 for teak is 15,000 hoppus tons (27,000 m³) and for other hardwood 350,000 hoppus tons (631,000 m³). This is only around 10% of the volume of teak extracted in Myanmar between 2006 and 2014, and around 40% of the volume of other hardwoods extracted during the same period. Most of the timber is sourced from natural forests, and there is no data on the volume of timber extracted from forest plantations. However, the volume of timber from tree plantations is currently low, as there has been no significant investments to commercial plantations during recent decades. The development has been hindered by the lack of sound investment and land tenure security, but this is beginning to receive more serious attention by MONREC.

The extracted teak and hardwood volumes from 2006 to 2016 are presented in Table 16 and Figure 2 below.³ The official volumes do not account for the illegal extraction of timber, which has been reported to be widespread especially in areas close to China. This can also be seen from MTE's timber sales statistics, where a significant source of revenue has been confiscated (i.e. illegally extracted) timber. To mitigate the risks of illegal cross-border timber trade, the Myanmar government has made significant attempts to ensure that all timber is transported to and exported out of Yangon's ports. Furthermore, the extracted volume does not account for the timber extracted when clearing land prior to development of land concessions (i.e. agricultural plantations, hydropower, mines and road projects). It has been acknowledged, that this "conversion timber" is a significant source of timber in the country.

¹ EU FLEGT Facility, Baseline Study 4, Myanmar: Overview of Forest Law Enforcement, Governance and Trade, August 2011.

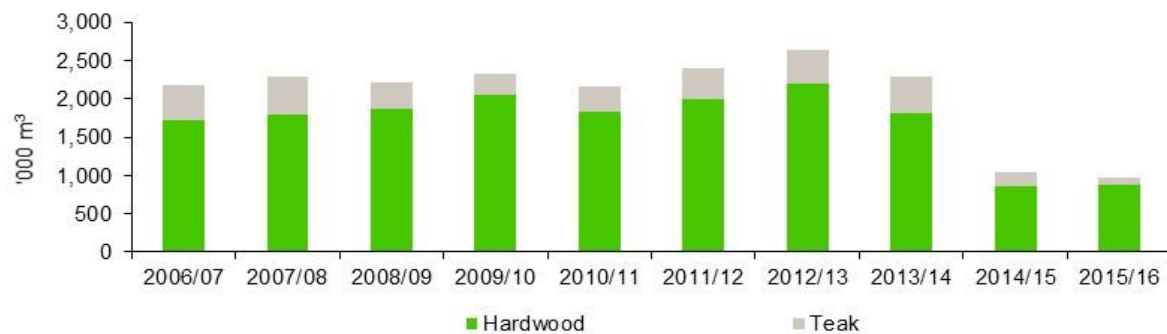
² Current Situation of MTE and the Future Plans & Documentation for Myanmar Timber Export, August 2017.

³ Myanmar Agricultural Statistics, CSO. 2017.

Table 16: Teak and Hardwood Logs extraction in Myanmar (2006/2016)

	000 m ³									
Product	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Hardwood	1,723	1,796	1,862	2,049	1,837	1,988	2,205	1,817	869	879
Teak	457	487	351	284	330	406	425	466	181	100
Total	2,180	2,283	2,213	2,333	2,167	2,394	2,630	2,283	1,050	979

Source: Myanmar Agricultural Statistics, Central Statistical Office, 2017.

Figure 2: Teak and Hardwood Logs Extraction in Myanmar (2006/2016)

The most valuable and commonly harvested species has traditionally been teak, but the country is also a source of several other high-valued tropical hardwood species, such as rosewoods. While the teak resources have depleted, the role of other hardwoods has increased. Timber remains a significant source of revenue for the government, although relatively less as the oil, gas, hydropower and other energy related business surge. Timber and other forest products represent a significant source of income especially for the ethnic groups, most notably in Kachin State along the border with China and Karen State along the Thai border.

Until 2014, most of the logged timber has been exported as roundwood logs, with the largest export destinations being India, China, and Thailand. It is highly likely that Myanmar wood is being re-exported from these countries, although it is difficult to track this information systematically. The 2014 log export ban was announced to stop roundwood exports and support of the domestic wood processing industries to capture more value before export. However, the wood processing industry in Myanmar is still relatively undeveloped and consists mostly of small-scale sawmills and a small number of plywood and other wood processing factories. In general, the capacity to process timber further to produce higher value products is limited, and most of the extracted timber is now exported mostly in rough sawn and semi-finished format. Very little information can be found about the domestic supply and demand for wood products.¹

In addition to timber, the forests in Myanmar provide other goods and services, especially for rural communities. The main commercial NTFP extracted include charcoal, rattan, bamboo poles, and cutch. Furthermore, more than 70% of the Myanmar population resides in rural areas and depend heavily on forests for basic needs. Moreover, harvesting and utilisation of NTFP and hunting support rural people for their sustenance and additional income.²

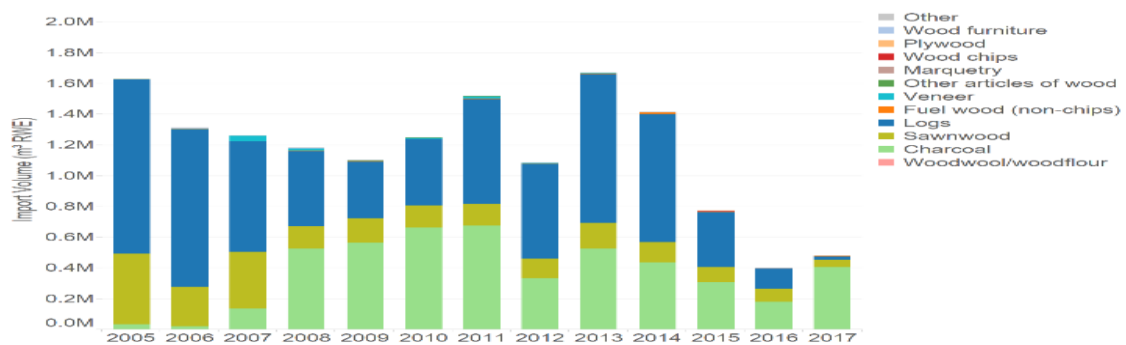
Figure 3 below shows that a significant portion of China Timber products imported from Myanmar during FY 2015/16 were logs despite the ban on log exports.³ However, it should be noted that volumes have significantly decreased especially between 2013 and 2017.

This situation was mainly due to illegal logging and undeveloped wood processing industry, hence a significant shortfall for Myanmar which could be avoided or reduced by improving the management of the forestry sector. (Please see recommendations we made in Section 7.2 of this Report).

¹ EU FLEGT Facility, Baseline Study 4, Myanmar: Overview of Forest Law Enforcement, Governance and Trade, August 2011.

² Source: Forest landscape restoration for Asia-Pacific forests, Bangkok, 2016.

³ Source: China Customs statistics as compiled by Forest Trends. Myanmar/China Forest Products Trade, Forest Trends, February 2018.

Figure 3: China's Imports of Timber Products from Myanmar (2005-2017)

A Memorandum of Understanding (MOU) for cooperation on forestry sector between MONREC and State Forestry Administration (SFA) of China was signed on 10 April 2018. This MOU aims to:

- make common efforts on against illegal timber extraction and trade including Sustainable Forest Management, promotion of timber legal trade, forest law enforcement and effective management and exchange of information;
- prevent and control forest fires in border areas;
- fulfil the requirement of timber for wood-based industries and other industries on a sustainable supply, investment from China for the establishment of forest plantation shall be encouraged in line with Myanmar Investment Law, regulations and procedures;
- reduce the dependency on extraction of timber in Myanmar;
- enhance industrial cooperation and scientific research in sustainable forest management; and
- encourage the use of rattan and bamboo resources.

There are currently ongoing discussions to form Joint Working Group between FD and SFA to monitor the implementation of the activities listed above.

3.1.3. Timber flow chart¹

Myanmar timber flow chart presented in Figure 4 below was prepared by the Stakeholder Mapping, FLEGT Action Plan of Myanmar.

It describes the steps and the process of timber flow rather than people and players. It is trying to reflect the actual snap shot of timber flow as at August 2016.

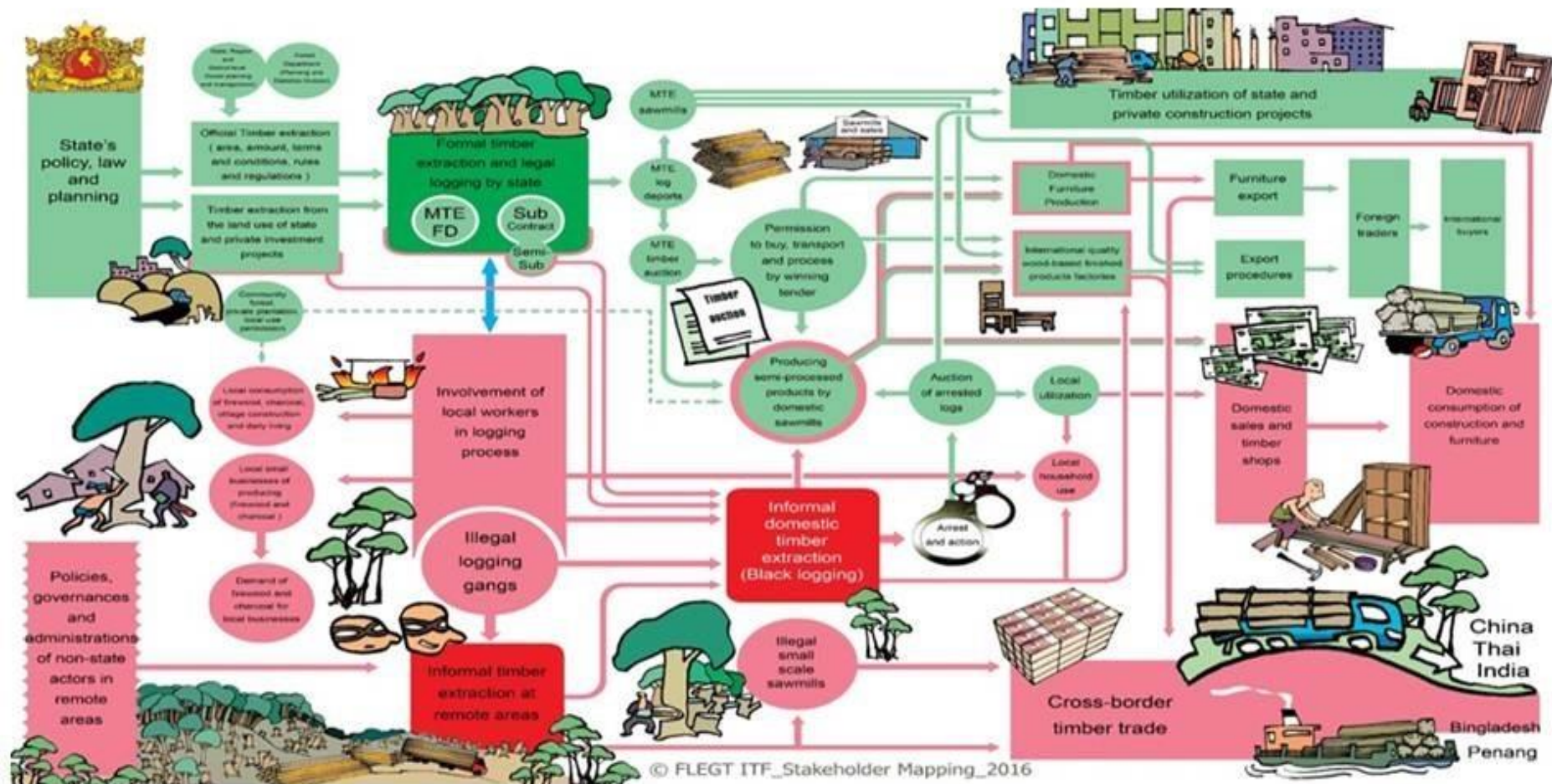
This diagram has been developed by different key stakeholder groups from their own viewpoints. The final flow chart presented in this report is the version that synthesizes three diagrams together with all of these three main sectors after a thorough discussion amongst their representatives. The flow chart has three main important components. They are:

1. Legal and formal timber extraction under supervision of FD and MTE;
2. Informal timber extraction and supply chain (Local people called it "Black"); and
3. Informal timber extraction, supply chain and trade carried out at the border area with the administration and involvement of non-state actors.

Green Lines and boxes show steps in the formal chain of timber extraction, supply chain and trade while red ones show informal and illegal flows of timber, which are often intertwined with the formal chain. A more simplified timber flow chart provided by MTE is presented in Annex 7 to this Report.

¹ Updates from Stakeholders Mapping Report, August 2016. EU FLEGT Action Plan, Myanmar. This report is facilitated and developed by Sagawa Development Consultancy Co., Ltd. For FLEGT Interim Task Force (ITF), Myanmar and Supported by European Forest Institute (EFI).

Figure 4: Timber flow chart



3.1.4. Contribution in the Economy

a. Gross Domestic Product (GDP)

The forestry sector accounted for approximately **0.2%** to the country's GDP during FY 2015/16. Table 17 shows the breakdown of Myanmar's GDP by sector:

Table 17: Breakdown of Myanmar's GDP by sector (FY 2015/16)

Sectors	MMK million	%
Agriculture	19,467,849	26.7%
Agriculture	13,417,668	18.4%
Livestock and Fishery	5,906,519	8.1%
Forestry	143,662	0.2%
Industry	25,141,827	34.5%
Processing and Manufacturing	15,045,356	20.7%
Construction	4,454,895	6.1%
Energy	3,687,504	5.1%
Electric Power	1,029,961	1.4%
Mining	924,111	1.3%
Services	28,170,789	38.7%
Trade	13,759,341	18.9%
Transportation	8,239,653	11.3%
Social and Administrative Services	2,686,744	3.7%
Rental and Other Services	1,812,108	2.5%
Communications	1,500,344	2.1%
Financial Institutions	172,600	0.2%
Gross Domestic Product	72,780,465	100.0%

Source: Central Statistical Organisation, 2016 Myanmar Statistical Yearbook, Table 8.01.

b. Revenues

The forestry sector accounted for **8%** to the country's revenues during FY 2015/16. Table 18 shows the breakdown of Myanmar's revenues by tax.

Table 18: Breakdown of Myanmar's revenues by tax (FY 2015/16)

Designation	MMK million	%
Tax levied on inland productions and public consumption	2,579,993	29.86%
Commercial tax	2,324,565	26.91%
Taxes on Transport	185,300	2.14%
Sales proceeds of stamps	32,710	0.38%
State Lottery	30,000	0.35%
Licence fees on imported goods	6,500	0.08%
Excise duty	918	0.01%
Income-Tax	2,135,435	24.72%
Taxes levied on utility of State-owned properties	857,846	9.93%
Tax levied on Communication Services	529,880	6.13%
Tax on extraction of petroleum and natural gas	306,311	3.55%
Tax levied on extraction of electricity	9,882	0.11%
Minerals Tax and Treasure Tax	9,390	0.11%
Tax on extraction of forest produces	1,273	0.01%
Tax on Fisheries	1,104	0.01%
Tax on extraction of mineral	5	0.00%
Taxes on land (Land Revenue)	1	0.00%
Tax levied on rubber	1	0.00%
Water Tax and Embankment Tax	0	0.00%
Customs duties	375,000	4.34%
Non-tax Revenues	2,690,854	31.15%
Total State Receipts	8,639,129	100.00%
Total State Receipts from the forestry sector	714,661	
%	8.3%	

Source: Union Budget Law 2015.

c. Exports

According to MCD, timber exports amounted to US\$ 207.24 million during FY 2015/16 of which US\$ 2 million (or 1%) made by land to China and Thailand.

Timber exports represented **1.9%** of total Myanmar export during FY 2015/16:

Designation	US\$ million
Total exports	11,137
Forestry product exports	207
%	1.9%

Source: Selected monthly economic indicators, Central Statistical Office, April 2016.

❖ Details by product

Table 19: Breakdown of exports by product

Product	Total Amount (in US\$ million)	%
Teak	97.26	47%
Face Veneer	68.55	33%
Other products	33.70	16%
Hardwood	7.73	4%
Total	207.24	100%

Source: MCD.

The following table sets out the breakdown of exports by product during FY 2015/16.

❖ Details by exporter

Table 20: Breakdown of exports by company

N°	Exporter	Total Amount (in US\$ million)	%
1	Myanmar Rice	14.97	7%
2	National Wood	12.75	6%
3	Concorde Ind	11.65	6%
4	Centurypl	10.50	5%
5	Green Hardwood	7.30	4%
6	MTE	7.11	3%
7	Greenply Inds	6.77	3%
8	Fine Ply M'ar	6.63	3%
9	Zabu Hlwan	5.41	3%
10	Mak(M)Plywood Ids	4.70	2%
	Top 10	87.81	42%
	Other 190 Exporters	119.43	58%
	Total	207.24	100%

Source: MCD.

Timber exports were made through 200 companies during FY 2015/16. Top 10 exporters contributed to 42% of total exports. The following table sets out the breakdown of exports by company.

❖ Details by destination

Table 21: Breakdown of exports by country

N°	Destination	Total Amount (in US\$ million)	%
1	India	120.13	58%
2	Singapore	23.49	11%
3	China	14.34	7%
4	Thailand	12.65	6%
5	Malaysia	9.02	4%
	Top 5	179.64	87%
	Other 45 Destinations	27.60	13%
	Total	207.24	100%

Source: MCD.

58% of timber were exported to India during FY 2015/16. Top 5 countries contributed to 87% of total exports. The following table sets the breakdown of exports by country.

Volumes of exports made FY 2015/16 are detailed by product, exporter and destination in Annex 2 to this Report.

3.1.5. Employment

The following table sets out key figures of labour force statistics in 2015:

Table 22: Key figures of labour force statistics in 2015

Designation		Male	Female	Total
Working age population (15 years and above)	(a)	15,553,856	18,380,805	33,934,661
Labour force	(b)	12,474,495	9,485,302	21,959,797
Labour force participation rate	(b) / (a)	80.20%	51.60%	64.71%
Employment		12,391,395	9,399,940	21,791,335
Unemployment	(d)	83,100	85,362	168,462
Unemployment rate	(d) / (b)	0.67%	0.90%	0.77%
Weekly average working hours		52.74	49.97	51.55
Daily average wage (in MMK)		5,320	3,990	4,760
Monthly average wage (in MMK)		147,200	119,040	134,490

Source: Myanmar Labour Force, Child Labour and School-to-Work Transition Survey-2015.

The forestry sector's contribution to employment represents 4.1% of the total Country's 2015 labour force. It comprises staff working at FD, MTE and companies and detailed in the table below:

**Table 23: Employment in the forestry sector
(FY 2015/16)**

FY 2015/16	Local employees	Foreign employees	Total
FD	862,723	0	862,723
MTE	20,030	0	20,030
Selected companies	3,198	2	3,200
Total	885,951	2	885,953

Source: EITI Data.

FD does not have any information regarding the number of individuals operating on NTFP.

MTE does not have any information regarding its subcontractors' employment.

3.1.6. Production

MTE has the exclusive right to harvest timber in Myanmar. This was made through its own facilities and its sub-contractors until 1 April 2016.

a. Hardwood and teak

In addition to MTE, fifty-four sub-contractors were active during the FY 2015/16. They are listed in Annex 8 of this Report.

Table 24 below indicates that Top 10 companies contributed for approximately **80%** to the total hardwood harvested during the FY 2015/16 while Table 25 shows that Sagaing region contributed for almost **66%** to the total hardwood harvested during the same period.

Table 24: Quantities of hardwood harvested by company (FY 2015/16)

N°	Company	Quantity (Hoppus Tons)	%
1	MTE	193,775	31.27%
2	Myat Noe Thu	89,499	14.44%
3	Tin Win Tun	53,597	8.65%
4	Pacific Timber	37,697	6.08%
5	Nature Timber	29,154	4.70%
6	Myanmar Rice	27,067	4.37%
7	FPJVC	20,233	3.26%
8	Green Hardwood	15,018	2.42%
9	Htun Myat Aung	14,002	2.26%
10	Century Dragon	13,021	2.10%
Top 10		493,063	79.56%
Others		126,679	20.44%
Total		619,742	100.00%

Source: MTE.

Table 25: Quantities of hardwood harvested by region/state (FY 2015/16)

N°	Region/State	Quantity (Hoppus Tons)	%
1	Sagaing Region	407,878	65.81%
2	Shan State	39,396	6.36%
3	Bago Region	39,053	6.30%
4	Tanintharyi Region	26,361	4.25%
5	Magway Region	24,507	3.95%
Top 5		537,195	86.68%
Others		82,547	13.32%
Total		619,742	100.00%

Source: MTE.

Table 26 below indicates that Top 10 companies contributed for approximately **95%** to the total teak harvested during the FY 2015/16 while Table 27 shows that Sagaing region contributed for **46%** to the total teak harvested during the same period.

Table 26: Quantities of teak harvested by company (FY 2015/16)

N°	Company	Quantity (Hoppus Tons)	%
1	MTE	20,595	34.30%
2	Tin Myint Yee	13,678	22.78%
3	Pacific Timber	5,102	8.50%
4	Tin Win Tun	3,008	5.01%
5	FPJVC	2,968	4.94%
6	Specal (4)	2,628	4.38%
7	Myat Noe Thu	2,628	4.38%
8	Myanmar Rice	2,613	4.35%
9	Manaw Phyu	2,495	4.15%
10	Win Marlar Aung	1,142	1.90%
Top 10		56,857	94.68%
Others		3,195	5.32%
Total		60,052	100.00%

Source: MTE.

Table 27: Quantities of teak harvested by region/state (FY 2015/16)

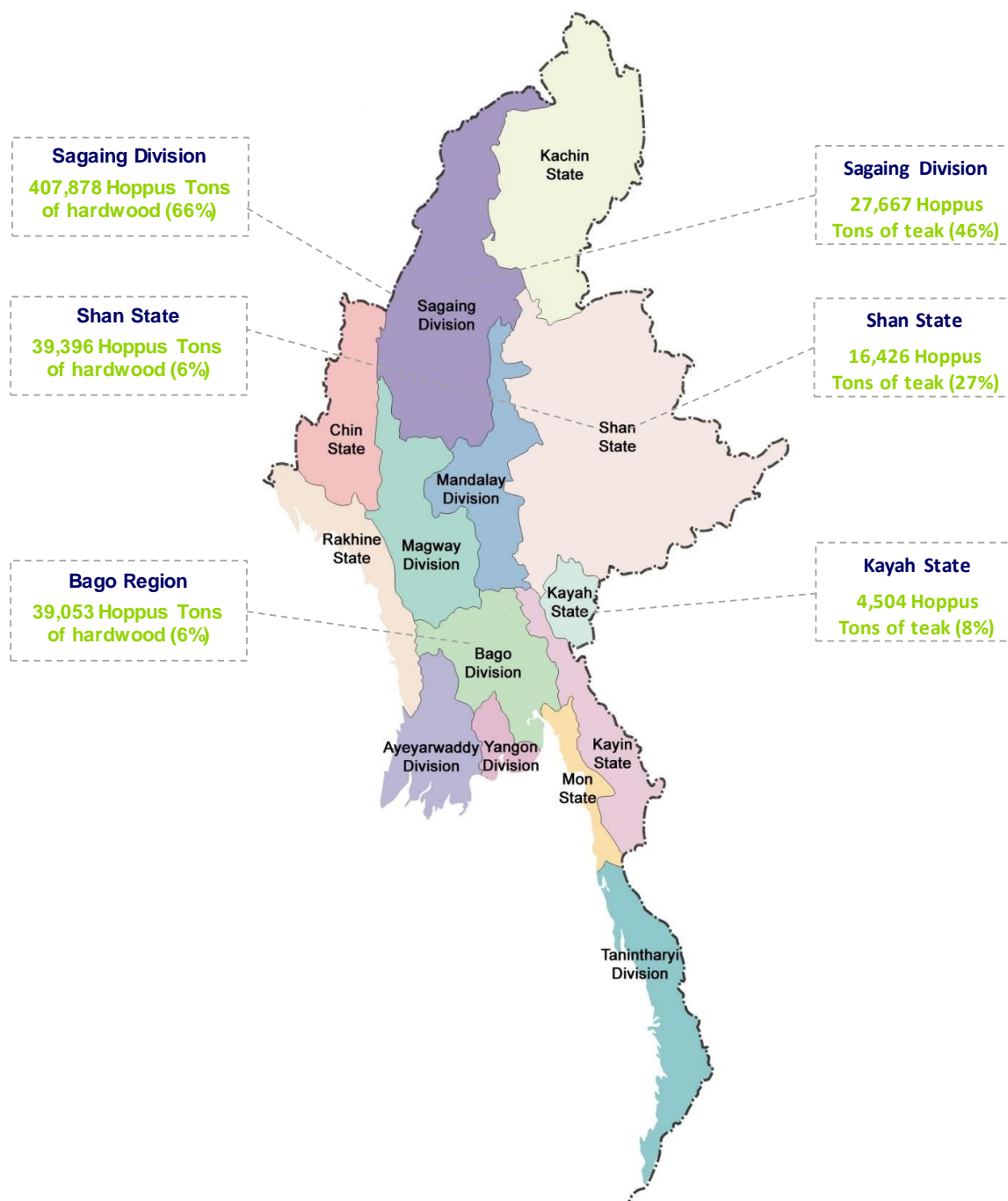
N°	Region/State	Quantity (Hoppus Tons)	%
1	Sagaing Region	27,667	46.07%
2	Shan State	16,426	27.35%
3	Kayah State	4,504	7.50%
4	Bago Region	4,174	6.95%
5	Magway Region	3,001	5.00%
Top 5		55,772	92.87%
Others		4,280	7.13%
Total		60,052	100.00%

Source: MTE.

Production provided by MTE is detailed by contract in Annex 9 to this Report.

Figure 5 below shows the main geographical distribution of production of hardwood and teak during FY 2015/16 across the territory of Myanmar.

Figure 5: Main geographical distribution of production of hardwood and teak (FY 2015/16)



b. Production value

Table 28 below indicates that Top 5 region/states contributed for approximately **96%** to the total value of teak harvested during the FY 2015/16 while Table 29 shows that Sagaing region contributed for approximately **61%** to the total value of hardwood harvested during the same period.

Table 28: Value of teak harvested by region/state (FY 2015/16)

N°	Region/State	Value (in MMK million)	%
1	Sagaing Region	4,618	40.8%
2	Shan State	4,254	37.6%
3	Bago Region	875	7.7%
4	Magway Region	598	5.3%
5	Chin State	479	4.2%
	Top 5	10,824	95.7%
	Other 3 States/Regions	489	4.3%
	Total	11,313	100.0%

Source : MTE.

Table 29: Value of hardwood harvested by region/state (FY 2015/16)

N°	Region/State	Value (in MMK million)	%
1	Sagaing Region	43,197	60.7%
2	Bago Region	6,404	9.0%
3	Shan State	4,651	6.5%
4	Magway Region	3,798	5.3%
5	Tanintharyi Region	2,978	4.2%
	Top 5	61,029	85.8%
	Other 9 States/Regions	10,129	14.2%
	Total	71,158	100.0%

Source : MTE.

c. Comparison of the actual production with the Annual Allowable Cut

The volume of hardwood and teak produced by MTE and its sub-contractors reached 96% of Annual Allowable Cut (AAC) during FY 2015/16 detailed in the table below:

Table 30: Comparison of the actual production with the AAC

Product	Operator	AAC (Hoppus Tons)	Performance (Hoppus Tons)	Performance %
		(1)	(2)	(2) / (1)
Hardwood	MTE	197,700	193,775	98.0%
	Private	455,450	425,967	93.5%
	Total	653,150	619,742	94.9%
Teak	MTE	22,000	20,595	93.6%
	Private	31,000	39,457	127.3%
	Total	53,000	60,052	113.3%
Total	MTE	219,700	214,370	97.6%
	Private	486,450	465,424	95.7%
	Total	706,150	679,794	96.3%

Source: MTE.

Annexes 10 and 11 to this Report show the Comparison of the actual production with the AAC by State and Region and operator for teak and hardwood.

d. Stock at the beginning and end of each period

Table 31 below presents the stocks of timber in disaggregated data by States/Regions with teak and hardwood species at the beginning and end of FYs 2014/15 and 2015/16.

Table 31: Stock of timber at the beginning and end of FYs 2014/15 and 2015/16

No.	Region and State	Teak			Hardwood		
		31 March 2014	31 March 2015	31 March 2016	31 March 2014	31 March 2015	31 March 2016
1	Kachin State	285	603	1,160	7,982	7,719	13,276
2	Kayah State	4,176	390	2,929	8,068	3,718	4,768
3	Kayin State	-	48	-	653	1,045	1,623
4	Chin State	2,729	3,645	4,027	12,799	8,586	7,241
5	Sagaing Region	66,211	40,225	35,735	421,290	435,490	474,936
6	Tanintharyi Region	-	-	-	40,330	27,596	26,773
7	Bago Region	5,824	3,187	2,074	58,794	34,684	18,819
8	Magway Region	9,204	5,002	3,330	29,623	29,830	31,751
9	Mandalay Region	8,921	4,234	5,227	35,761	25,203	30,258
10	Mon State	-	-	-	6,272	3,570	1,093
11	Rakhine State	-	-	-	4,197	3,445	8,346
12	Shan State	62,240	59,760	45,792	35,151	45,682	52,149
13	Ayeyarwady Region	-	-	-	10,384	27,787	20,231
14	Naypyidaw Union Territory	261	205	317	5,795	8,297	4,757
Total		159,852	117,300	100,591	677,101	662,652	696,020

Source: MTE.

The detailed breakdown of production data was provided by MTE and will be published on MEITI website along with this Report.

3.1.7. Timber sales

Table 32 below sets out the breakdown of MTE's timber sales detailed by market.

Table 32: Timber sales (FY 2015/16)

Type	Quantity	Unit	US\$ million	%
Teak Log	113,395	Hoppus Tons	140.06	51%
Hardwood Log	296,657	Hoppus Tons	135.29	49%
Total Local	410,052	Hoppus Tons	275.34	93%
Teak conversion	8,562	Cubic tons	10.72	51%
Hardwood conversion	4,184	Cubic tons	7.73	37%
Woodbase	3,163	Cubic tons	2.66	13%
Total Local/Export	15,909	Cubic tons	21.10	7%
Total Sales			296.45	100%

Source: MTE.

Annex 1 to this Report sets out timber sales during FY 2015/16 including the breakdown by:

- product type;
- buying company;
- volume;
- price; and
- market.

3.1.8. Transportation of timber

Following our discussion with MTE, we understood that transportation of timber was performed by sub-contractors (local entrepreneurs) who own the attached freight boats, barges and the boat pulling rafts.

According to MTE, no tax revenues were collected from those sub-contractors although it has paid them for transportation expenses. Financial terms of the transportation cost are inserted in the contract.

3.1.9. Non-timber forest products (NTFP)

a. Brief information on harvesting of forest product

Forest Produce means trees, leaves, flowers and fruits grown on or found in forest land or land at the disposal of the Government and their byproducts. This expression also includes wild animals and insects, their parts and their byproducts (as stated in Forest Law 1992, Article 2, Sub-article (e)).

Minor Forest Produce means forest produce declared as a minor forest produce under this Law (as stated in Forest Law 1992, Article 2, Sub-article (f)).

As Forest Law 1992, Article 20, the Director-General may, with the approval of the Minister, determine the following in respect of the permission for extraction of forest produce.

b. Variety of minor forest produce

Table 33 below shows the list of 58 items minor forest produce:

Table 33: List of minor forest produce

N°	Name	N°	Name	N°	Name
1	Kanyin Resin (Resin of <i>Dipterocarp</i>)	21	Taunktarphu (Bud of <i>Kaempferia candida</i>)	41	Variety of Grass
2	Kalamet (<i>Black Sandalwood</i>)	22	Taung-tan (<i>Livistona speciosa</i>)	42	Cutch (<i>Acacia catechu</i>)
3	Caraway (<i>Cinnamomum impressinervium</i>)	23	Htamathaing (<i>Thysanolaena agrostis</i>)	43	Bat's Guano
4	Kyu Phyar (Reed mat)	24	Turpentine (<i>Pinis insularis</i> and <i>Pinus Khasya</i>)	44	Shaw (Fibre)
5	Khaingpyint (Flower of <i>Minesithea striata</i> , Wild Grasses)	25	Da-yin-gauk root, Roots of Fern-leaf tree (<i>Filicium decipiens</i>)	45	Elephant foot yam or white yam or Konjac (dry/fresh)
6	Kyaukkyaw	26	Dani/Thetke (<i>Thatch</i>)	46	Bamboo Products
7	Lac	27	Danon (<i>Calamus arborescens</i>)	47	Bamboo Leave
8	Gamone U (<i>Rhizome</i>)	28	Turmeric root (<i>Curcuma longa</i>)	48	Thanaka (<i>Limonia acidissima</i>)
9	Ginger (<i>Zingiber officinale</i>)	29	Nathaphyu, Sandalwood (<i>Santalum album</i>)	49	Thabaw phyar (mat)
10	Pepper (<i>Piper longum</i>)	30	Nathani, Red Sandalwood (<i>Pterocarpus santalinus</i>)	50	Thin (<i>Schumannianthus dichotomus</i>)
11	Salu (<i>Licuala peltata</i> , Thatching palm)	31	Nat Myar	51	Thitsi, Lacquer (<i>Melanorrhoea usitata</i>)
12	Salu Bud (Bud of <i>Licuala peltata</i>)	32	Variety of Lien	52	Orchid
13	Se-gandama (<i>Tanacetum cinerariifolium</i>)	33	Bee Wax	53	Bark (for tanning)
14	Se-myinkywa (<i>Hydrocotyle rotundifolia</i>)	34	Natural Honey	54	Variety of Nut
15	Ta-zaung (<i>Euphorbia neriifolia</i>)	35	Peik-chin, Long Pepper (<i>Piper cubebe</i>)	55	Indwe/Pwenyet (Resin of <i>Dipterocarpus tuberculatus</i>)
16	Tabin-shwe-hti (<i>Jatropha podagrica</i>)	36	Elephant foot yam or white yam or Konjac	56	Leaf of <i>Dipterocarpus tuberculatus</i>
17	Te Juice (Juice of <i>Diospyros burmanica</i>)	37	Bomma-Yaza (<i>Rauvolfia serpentina</i>)	57	Globular Fungi under the <i>Dipterocarpus tuberculatus</i>
18	Taw-shauk-root (Roots of <i>Citrus medica</i>)	38	Marlar rymzone /bud, Aromatic herbs	58	Other non-timber forest products occasionally notified by the FD.
19	Taung -kyar Leaf (Leaf of <i>Stephania discolor</i>)	39	Dry mushroom		
20	Taung-tangyi (<i>Premna integrifolia</i>)	40	Bamboo Shoot		

Source: FD data.

c. Commercial harvesting of minor forest produce and issuing of license

A private person shall extract minor forest produce for commercial purpose. He/she may apply licensee for collecting of minor forest produce at the Township Forest Office. After receiving the application, the beat officer of that forest range shall observe the availability of that product. After receiving the permission, he/she shall pay revenue for collection of forest products.

d. Revenue collecting system for minor forest produce

According to Forest Law 1992, Article 20, the FD shall provide the prevailing price of minor forest produce to the District Administration Department every six months.

The revenue for minor forest produce shall be levied at 25% of the prevailing price.

3.1.10. Hardwood species

There are eighty-three species of hardwood in Myanmar divided into five groups as follows:

- Group 1 (6 species)
- Group 2 (26 species)
- Group 3 (23 species)
- Group 4 (17 species)
- Group 5 (11 species)

Details of these species are presented in Annex 12 to the Report.

3.1.11. Illegal logging

Illegal timber seized by FD and other related departments amounted to 46,153 Hoppus tons during FY 2015/16 and is detailed as follows:

Table 34: Seizure Illegal Timber of Myanmar (FY 2015/16)

Fiscal Year	Teak		Hardwood		Other		Total
	Log	Sawn timber	Log	Sawn timber	Log	Sawn timber	
2015/16	11,642	4,105	4,380	6,058	11,667	8,300	46,153

Source: FD.

Forest Trends has released in December 2014 a note in respect of recent trends in the timber products trade between China and Myanmar, using Chinese customs data from 2000 through 2013.¹

The main finding is that most Chinese imports of Myanmar's timber products are recorded through the Kunming customs district, implying illegality.

The Government of Myanmar requires that all timber products be exported by sea from the southern port of Yangon and be stamped by the MTE. However, in 2013, 94% of Myanmar's timber product exports to China were registered in Kunming, the capital of Yunnan, a landlocked Chinese province bordering Kachin state in Myanmar. It is likely that all Myanmar timber imports registered in Kunming were transported overland through trade posts along the Yunnan border (Kudo 2008).

Confiscated timber represents approximately **6%** of the volume produced during FY 2015/16.

Confiscated timber is transferred to MTE. Payments received by FD during FY 2015/16 amounted to MMK 2,128.27 million.

¹ This note is publicly available on: (http://www.forest-trends.org/documents/files/doc_4775.pdf).

3.2. Legal Framework

3.2.1. Government Agencies

The main Government Agencies involved in the forestry sector in Myanmar are:

- Ministry of Planning and Finance;
- Ministry of Natural Resources and Environmental Conservation; and
- Ministry of Commerce.

a. Ministry of Planning and Finance

The Ministry of Planning and Finance (MoPF) aims to formulate and implement effective monetary and financial policies to meet political, economic, social, and other development objectives laid down by the State.

Further information on MoPF is available on its website <http://www.mof.gov.mm>.

The main departments within MoPF involved in the forestry sector are detailed as follows:

❖ Budget Department

The Budget Department (BD) formulates and implements Annual State Budget within a macroeconomics framework under the guidance of MoPF for a given period.

According to Section five of the State Constitution, BD is responsible to draw the Union Budget and State/Region Budgets. To fulfil this responsibility, BD opened fourteen State/Regional Budget offices, one Self-Administered Division Budget office and five Self-Administered Zone Budget offices in year 2010 and every State/Region Budget office formed two Budget Sections.

❖ Internal Revenue Department

The Internal Revenue Department (IRD) offers taxpayers education programmes and other services so they understand their tax obligations. Furthermore, IRD contributes towards the building of a new, modern and developed nation by collecting relevant tax revenues.

From the FY 2011/12 onwards, IRD has been collecting the following taxes and duties:

No.	Tax	Relevant Law
1	Income tax	Income Tax Law (1974)
2	Commercial tax	Commercial Tax Law (1990)
3	Stamp duty	Myanmar Stamp Act (1899)
4	State Lottery tax	Directives Pertaining to State Lottery

❖ Customs Department

The Myanmar Customs Department (MCD) aims to enhance trade facilitation through simplification of customs procedures while at the same time ensuring proper collection of customs duties and taxes. MCD collects customs duties pursuant to the Sea Customs Act (1878)¹ and the Land Customs Act (1924) as modified in 2015.²

❖ Treasury Department

The Treasury Department's (TD) main objective is to manage the cash in the country. It comprises the following six divisions:

1. Cash Management;

¹ This law is publicly available on: [https://www.myanmarcustoms.gov.mm/pdf/Sea%20Customs%20Act%20\(27.7.2015\).pdf](https://www.myanmarcustoms.gov.mm/pdf/Sea%20Customs%20Act%20(27.7.2015).pdf).

² This law is publicly available on: [https://www.myanmarcustoms.gov.mm/pdf/The%20Land%20Customs%20Act%20\(27.7.2015\)-1.pdf](https://www.myanmarcustoms.gov.mm/pdf/The%20Land%20Customs%20Act%20(27.7.2015)-1.pdf).

2. Debt Management;
3. Accounting and Reporting;
4. Treasury Policy and Quality Promotion;
5. Information Technology; and
6. Administration and Accounts.

❖ Central Statistical Organisation

The Central Statistical Organisation (CSO) is the national statistical authority of the GOUM. Its mission is to build a coherent National Statistical System in Myanmar that produces comprehensive, accurate and socio-economic statistics.

Further information on CSO is available on its website: <http://www.csostat.gov.mm:8888/cso-beta/>.

Statistical information can either be purchased in hard copies from CSO or can be downloaded in electronic version from the Myanmar Information System (MMSIS) platform: http://mmsis.gov.mm/sub_menu/statistics/fileDb.jsp.

b. Ministry of Natural Resources and Environmental Conservation

The Ministry of Natural Resources and Environmental Conservation (MONREC) is structured as follows:

N°	Department	N°	Enterprise
1	Forest Department	1	Myanma Timber Enterprise
2	Dry Zone Greening Department	2	No.1 Mining Enterprise
3	Environmental Conservation Department	3	No.2 Mining Enterprise
4	Survey Department	4	Myanmar Gems Enterprise
5	Department of Mines	5	Myanmar Pearl Enterprise
6	Department of Geological Survey and Mineral Explorer		

Further information on MONREC is available on its website <http://www.mining.gov.mm/>.

The main departments within MONREC which are involved in the forestry sector are detailed as follows:

❖ Forest Department

The functions and responsibilities of the Forest Department (FD) are as follows:¹

- implementation of Government's forestry policies;
- implementation of the plans relating to conservation of water, soil, bio-diversity and environment, sustained yield of forest products and protection of forest covered land;
- management of forest lands;
- submitting proposals to the Minister Natural Resources and Environmental Conservation for the determination, alteration or cancellation of reserved forest, protected public forest and species of reserved trees;
- set up and manage schools and training courses relating to forestry and sending trainees abroad;
- administering a Forestry Institute;
- inventorying forest resources; and
- carrying out forest research.

¹ Source: Forest Law, Chapter IV, Article 9.

❖ Myanmar Timber Enterprise

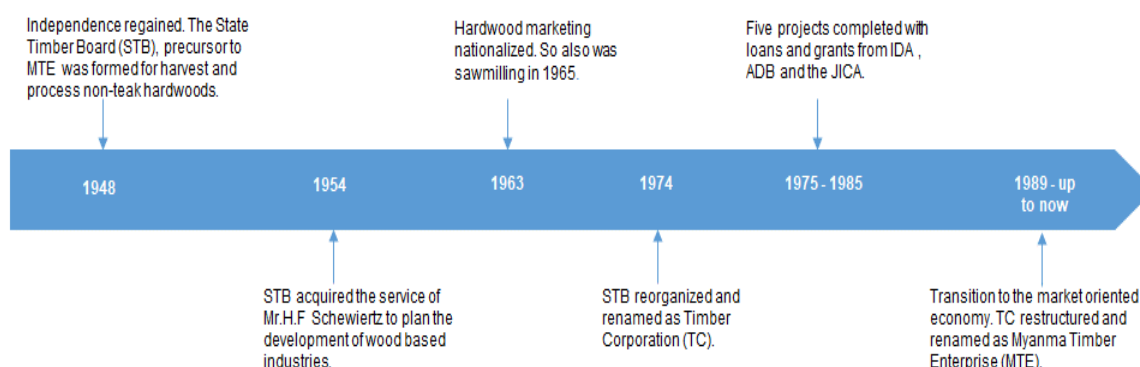
Myanmar Timber Enterprise (MTE) is the unique SOE operating in the forestry sector in Myanmar. Its responsibilities can be summarised as follows:

- timber harvesting;
- parcel preparation;
- milling and downstream processing; and
- marketing.

Brief History

Figure 6 below presents a brief history about how MTE was formed.

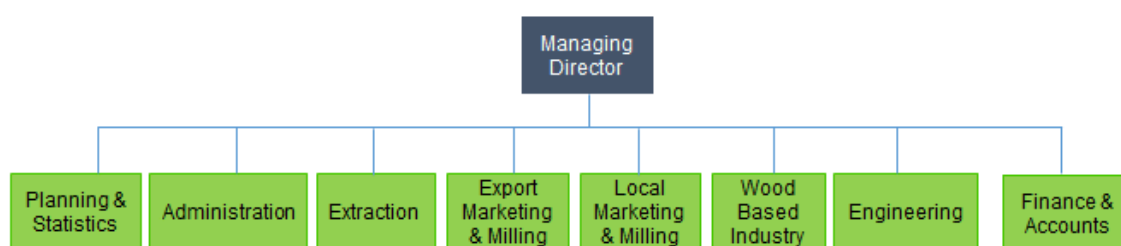
Figure 6: Brief history of MTE



Organisation

MTE comprises eight departments as detailed in Figure 7 below.

Figure 7: Organisation of MTE



Major Tree Species in Myanmar

The following table shows the Major Tree Species in Myanmar.

Table 35: Major Tree Species in Myanmar

No.	Local Name	Scientific Name
1	Teak	Tectona grandis
2	Pyinkado	Xylia dolarbriformis
3	Padauk	Pterocarpus Macrocarpus
4	In / Kanyin	Dipterocarpus tuberculus
5	Thinwin	Mellettia pendula
6	Yemane	Gmelina arborea

No.	Local Name	Scientific Name
7	Hnaw	Adina cordifolia
8	Thitya	Shorea oblongifolia
9	Taukkyant	Terminalia tomentosa
10	Thadi	Protium serratum

Source: MTE.

MTE's map

Figure 8: MTE's map

No.	Agency	Teak	Hardwood
1.	Myitkyina	A	A
2.	Bahmaw	B	B
3.	Loikaw	K☆	K☆
4.	Hpa-An	PN	PN
5.	Kalay	CD☆	CD☆
6.	East Mawlaik	E☆	E☆
7.	West Mawlaik	F☆	F☆
8.	East Katha	I☆	I☆
9.	West Katha	Cs	Cs
10.	Kawlin	D	D
11.	Shwebo	D☆	D☆
12.	Monywa	G	G
13.	Dawei	ED	ED
14.	Myeik	E☆	E☆
15.	North Taungoo	Y☆	Y☆
16.	South Taungoo	Δ	Δ
17.	North Bago	F☆	F☆
18.	South Bago	X☆	X☆
19.	Sittoung	FΔ	FΔ
20.	Pyl	Q	Q
21.	Zigon	U	U
22.	Thayarwady	V	V
23.	Gan Gaw	☆J	☆J
24.	Pakokku	J☆	J☆
25.	Taungdwingyi	Q☆	Q☆
26.	Thayet	P☆	P☆
27.	Minbu	M☆	M☆
28.	North Pyinmana	Y☆	Y☆
29.	South Pyinmana	K☆	K☆
30.	Pyin Oo Lwin	N	N
31.	Mawlamyine	H☆	H☆
32.	Thandwe	L☆	L☆
33.	Taunggyi	L☆	L☆
34.	Loi-lem	LL☆	LL☆
35.	Kyaing Tong	LK	LK
36.	Lashio	H	H
37.	Momeik	II☆	II☆
38.	Shweli/Mabein	II☆	II☆
39.	Hinthada	R	R
40.	North Pa Thein	NS	NS
41.	South Pa Thein	S	S
42.	West Pa Thein	N	N

★	State/Divisions D.G.M Offices
●	Extraction Agency Offices



Round Logs Process

Table 36 below shows the seven phases that comprises the round logs process:

Table 36: Round Logs Process

Phase	Description
1 - Transportation	Green teak logs and hardwood logs are carried CB, rail and trucks.
2 - Receiving	Counting / Measuring / Checking.
3 - Measuring	Line up / measuring tape in feet-inches / girth at mid-length of log in feet-inches / length of two extreme ends of log in feet / volume measurement in hoppus ton / measurement imperial system.
4 - Classification	<ul style="list-style-type: none"> teak veneer quality (Special, 1st, 2nd, 3rd, 4th Quality) teak sawing grade quality (SG-1, 2, 3, 4, 5, 6 and 7) padauk (Grade 1, 2, 3, 4, 5, and 6) hardwood (export quality and non-exportable quality)
5 - Grading	Prescribed export grading rules / based on defects of the log / teak veneer quality / teak sawing grades quality.
6 - Parcel Preparation	Species wise, quality wise, grade wise / piling, stacking / numbering / paint marking / pieces per lot.
7 - Preparation of specification	Prepared lot by lot / contract no. / merchandise / grade / measurement / pieces / hoppus ton / revenue no., royalty mark, standing tree no. / price, buyer, destination.

Sales Systems

MTE has three organised committees:

- Local and Export Sales Committee;
- Open Tender Sales Committee, and
- Pricing Committee.

Teak logs, hardwood logs, teak conversion and hardwood conversion are sold as follows:

Tender type	Open Tender	Special Open Tender
Product sold	Higher grade teak logs	Lower grade teak logs and hardwood logs / Teak and hardwood conversions
Frequency	Monthly	Monthly
Sales currency	US\$	US\$
Basis	Ex-depot	Ex-site

❖ Composition of tender groups

Table 37 below presents the composition of each tender group for the open tender n°02/2015-2016 made by MTE on 25 May 2015. Members were appointed on 12 May 2015.

Table 37: Composition of tender groups

Tender group	Name	Position
Base price group	Daw Myint Myint Thein	President
	U Maung Ngwe	Member
	U Man Win Tin	Member
	U Tin Oo	Secretary
Tender supporting group	Daw Aye Aye Mon	Group Leader
	U Maung Ko	Member
	U Kyaw Naing	Member
	U Aung Zaw Moe	Member
Timber checking group	U Tin Oo	Group Leader
	U Hla Moe Aung	Member
	Dr. Tin Tin Myint	Member
Tender opening group	U Aye Kyaw	Group Leader
	U Lwin Oo Maung	Member
	U Gyaw Thet Aung	Member

The Tender Base Price Group is responsible for:

- checking the type of tendering timbers and planting areas;
- calculating the price based on previous average prices, timber quality and market condition; and
- setting base price for tendering of timber and measurements as per demand.

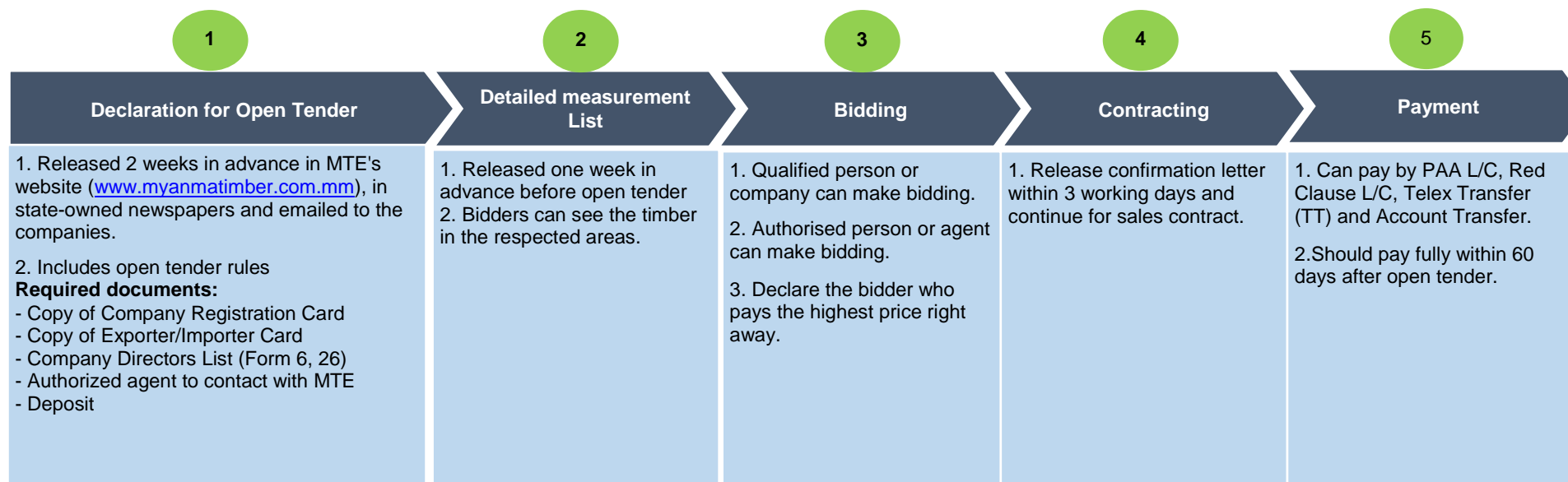
❖ **Open Tender rules**

1. Foreign companies need to make a deposit of US\$ 10,000 while local companies need to deposit US\$ 5,000 to participate in any monthly open tender process.
2. Deposit should be Bank Guarantees valid up to four months from the date of Open Tender Sale. Cash deposit or remittance are not accepted.
3. Sales system:
 - Monthly open tender (Yangon): Ex-Depot Basis in US\$).
 - Monthly open tender (Other townships): Ex-site Basis in US\$.
4. Payment and Payment Terms: Payment by PAA LC with TT reimbursement/ Red Clause L/C, Telex Transfer (TT) and Account Transfer are also acceptable.
5. Should pay within 60days after winning open tender by PAA L/C, Red Clause L/C, Telex Transfer (TT), Account Transfer.
6. If payment fails within 60 days from the date of Open Tender Sales, deposit will be seized, and the defaulting company will be suspended for future sales for a certain period.
7. Carrying of cargo must be made within (90) days of the successful tender being announced.
8. Delivery Order (DO) will be issued once payment made and can be transported freely within Myanmar except to some restricted regions.
9. Timber with DO can be sold locally or exported. However, they cannot be exported as logs, Baulk Square and Boule cut-logs.
10. Export of timber finished products is to be made as Private Shipper.
11. MTE assumes that the bidders have checked type of timbers, measurements and volume.

❖ Sales process

Figure 9 below summarises the timber sales process followed by MTE:

Figure 9: Sales process



Standing Orders for Extraction Staff

MTE's extraction department is responsible for timber harvesting for the supply of logs both for local and export demands. In order to run the process of extraction activities smoothly, the whole department comprises one head office located in Yangon and 45 extraction/ rafting agencies throughout the country. Several sections are sub-divided with regards to human resources, elephant, mechanical strength, management, budget, planning, and work.

All staff should abide by the rules, regulations, orders and instructions by his own department, in addition to Forests Laws and Rules. SOS are prescribed for the staff to facilitate office matters as well as the harvesting operations.

SOS includes the procedures for the general office matters, before, during and post-harvest plans, extraction of logs, aunging (straightening congested logs), neap counting (counting logs stranded along floating streams), raling of logs, rafting and management of main river depots, employment, store management, care and management of timber working elephants, maintenance of trucks, loaders, bulldozers, etc.¹

SOS includes twelve chapters listed as follows:²

No.	Chapter
1	General introduction
2	Disciplines and Procedures
3	Diaries
4	Preparation for Timber Extraction
5	Felling of Teak and Logging
6	Measurement of logs
7	Facilitating smooth flow of dry teak logs in the streams and counting logs stranded along floating streams
8	Extraction of Logs
9	Log deport and Log landings
10	Transportation of logs by railway and depots
11	General Instructions for Extraction
12	Instructions for Hardwood Extraction

SOS is publicly available on: <https://www.dropbox.com/s/82b5uwe8n9gd9rg/SOS.pdf>.

Harvesting practices

FD (district level) and MTE (agency level) agreed to exercise the Annual Contract System for Timber harvesting transparently. Harvesting is done using MTE's own resources without any sub-contractors. But due to its limited assets and resources, MTE contacts service providers who can hire and provide the equipment, elephants and transportation carriers of domestic private services for the following five types of services:

- felling;
- stumping;
- road construction;
- trucking; and
- loading and unloading.

For these services, MTE allocates the quota of timber strictly in cash.

Before 1 April 2016, MTE's sub-contractors were harvesting timber.

Further information on MTE are available on its website <http://www.myanmaritimer.com.mm/>

¹ Source: <http://myanmaritimer.com.mm/index.php/en/extraction-department/instruction/72-standing-orders-for-extraction-staff-sos>

² Unofficial brief translation from Myanmar Language to English made by the NCS.

c. Ministry of Commerce

The Ministry of Commerce (MOC) aims to:

- increase trade volume;
- encourage private sector development in accordance with the Market-Oriented Economic system;
- expand market shares for Myanmar Products in the world market; and
- provide support for trade facilitation.

As from 2015, MOC is organised as follows:

- Minister Office;
- Department of Trade;
- Department of Consumer Affair; and
- Myanmar Trade Promotion Organisation.

3.2.2. Laws and Regulations

The forestry sector in Myanmar is governed by the following legislations:

N° Management	N° Environment	N° Investment	N° National Plans
1 Forest Law, 1992	1 Protection of Wildlife and Conservation of Natural Areas Law, 1994	1 State-owned Economic Enterprises Law, 1989	1 National Forest Master Plan (2001-2002 to 2030-2031)
2 Forest Policy, 1995	2 National Environmental Conservation Rule, 1994	2 Investment Law, 2016	2 National Comprehensive Development Plan (2011-2012 to 2030-2031)
3 Community Forestry Instruction, 2016	3 Myanmar Agenda 21, 1997	3 Investment Guidebook of Forestry Sector in Myanmar, 2016	3 National Biodiversity Strategy and Action Plan (NBSAP) 2015-2020.
4 National Land Use Policy, 2016	4 Rules relating to the Protection of Wildlife and conservation of Natural Areas, 2002		
5 FD instruction	5 Environmental Conservation Law, 2012		

a. Management

❖ Forest Law n°8/92 (1992)

This Law highlights forest protection, environmental and biodiversity conservation. It also expands coverage of permanent forest estates and protected areas and encourages stronger community participation-based approach towards managing natural forests and plantations.¹

The law aims to:

- implement Government's forestry policies;
- implement Government's environmental conservation policies;
- promote public co-operation in implementing Government's forestry and environmental conservation policies;
- develop Myanmar's economy, satisfy public food, clothing, and shelter needs, and ensure enjoyment of the forests;

¹ Source: <http://www.forestlegality.org/risk-tool/country/myanmar>

- carry out policies relating to conservation of forests and of environment in accordance with international agreements;
- prevent the dangers of forest destruction and biodiversity loss, fire outbreaks, insect infestation, and plant diseases;
- simultaneously carry out natural forest conservation and forest plantations development; and
- contribute towards the fuel requirement of the country.

This law is publicly available on: <http://www.burmalibrary.org/docs11/Forest-Law-1992.pdf>.

❖ **Forest Policy (1995)**

Forest policy focuses on sustainable production, satisfying basic needs, institutional strengthening, and improvements in efficiency, forest and biodiversity protection, and participatory forestry. It also formalised the commitment and intent of the Government to ensure sustainable development of forestry resources while conserving wildlife, plants and ecosystems.¹

The rules deal with reserved forest, the declaration of areas as protected public forest, the management of forest lands, the establishment of forest plantations, and the procedures for obtaining permission to extract forestry products. They also cover procedures for:

- harvesting forest products;
- establishing and operating timber depots;
- establishment of wood-based industries;
- investigation of violations;
- administrative actions, such as imposing fines and confiscating the timber, to penalize violations; and
- offences and penalties.

This policy is publicly available on: http://www.burmalibrary.org/docs20/1995-Forest_Policy+1996-Forest_Policy_Statement-en-tu.pdf

❖ **Community Forestry Instruction (2016)**

In exercising the power conferred by Section 70 (b) of Forest Law 1992, MONREC has issued the Community Forestry Instructions (CFI).

FD issued CFI in 1995 to provide a regulatory framework to promote community forestry in the country as a policy response to the widespread forest degradation and increased demand of growing rural communities for forest products and services.

CFI has been repealed by a new instruction in 2016, which aims to:¹

- support basic forestry related needs such as wood and NTFP for local communities;
- reduce rural poverty through employment and income opportunities for local community;
- increase forest cover area and ensure sustainable utilisation of forestry products;
- promote forest management system with people participation; and
- enhance environmental services that can support climate change mitigation and adaption by protecting against deforestation and forest degradation.

Unofficial version of the CFI is publicly available on:
<http://www.share4dev.info/kb/documents/5360.pdf>.

¹ Source: Community Forestry Instructions, Notification N°84/2016, 16 August 2016.

❖ National Land Use Policy (2016)

This National Land Use Policy aims to implement, manage and carry out land use and tenure rights in the country systematically and successfully, including both urban and rural areas, in accordance with the objectives of the Policy and shall be the guide for the development and enactment of a National Land Law, including harmonisation and implementation of the existing laws related to land, and issues to be decided by all relevant departments and organisations relating to land use and tenure rights.

The objectives of the National Land Use Policy are to:

- promote sustainable land use management and protection of cultural heritage areas, environment, and natural resources for the interest of all people in the country;
- strengthen land tenure security for the livelihoods improvement and food security of all people in both urban and rural areas of the country;
- recognise and protect customary land tenure rights and procedures of the ethnic nationalities;
- develop transparent, fair, affordable and independent dispute resolution mechanisms in accordance with rule of law;
- promote people centred development, participatory decision making, responsible investment in land resources and accountable land use administration in order to support the equitable economic development of the country; and
- develop a National Land Law in order to implement the above objectives of National Land Use Policy.

This policy is publicly available on: <http://extwprlegs1.fao.org/docs/pdf/mya152783.pdf>.

❖ FD instruction on confiscated timber

This instruction to FD, dated on 9 October 2015, regulates the management of confiscated timber. FD should comply with the following procedure:

- determine the volume of damaged timber;
- inform MTE of the remaining balance within twenty days;
- transfer the balance to MTE within ten days; and
- make public sales if MTE refuse to accept it or in case of no response within the twenty days.

b. Environment

❖ Protection of Wildlife and Conservation of Natural Areas Law (1994)

This law aims to:

- implement Government policies for wildlife protection;
- implement Government policies for natural areas conservation;
- carry out the protection and conservation of wildlife, ecosystems and migratory birds in accordance with International Conventions;
- protect endangered species of wildlife and their natural habitats;
- contribute to the development of research on natural science; and
- protect wildlife by the setting up zoological and botanical gardens.

This law is publicly available on: <http://www.burmalibrary.org/docs15/1994-Protection-of-Wildlife-and-Conservation-of-Natural-Areas-Law-1994.pdf>

❖ National Environmental Policy (1994)

This Policy was drafted by the National Commission for Environmental Affairs (NCEA) in 1994 to ensure sound environment policies, utilisation of water, land, forests, mineral, marine resources and other natural resources, in order to conserve the environment and prevent its degradation.¹

❖ Myanmar Agenda 21 (1997)

Myanmar Agenda 21 was developed in 1997 and was a collaborative effort made by several government agencies including NCEA in order to form the National Land Commission (NLC) to steer a process of sustainable land use management. It is divided into four Parts and nineteen Chapters, and it reviews policies to be undertaken for improving environmental protection in Myanmar. It also aims at creating a national framework legislation on the environment to improve coordination and cooperation between ministries on issues related to the environment; and creating legislation that requires environmental impact assessments to be done before any development project is undertaken.

The objective of the Agenda 21 framework are as follows:¹

- strengthening protected area management;
- promoting international cooperation;
- developing a national database of biodiversity;
- strengthening laws and legislation for biodiversity conservation management;
- protecting threatened and endangered species of plants and animals;
- strengthening sustainable use of natural resources;
- enhancing institutional capacity for biodiversity conservation and management;
- promoting education awareness and involvement of local communities in biodiversity conservation and management; and
- studying the economic issues related to biodiversity.

❖ Rules relating to the Protection of Wildlife and conservation of Natural Areas (2002)

These rules were implemented in October 2002 to support the previous law published in 1994. The purposes of these rules are detailed as follows:²

- to define criteria of how determining natural areas;
- how to set up zoological gardens or botanical gardens;
- how determine the wildlife that should be protected; and
- to determine rights, prohibitions and duties relating to natural areas and wildlife protected.

❖ Environmental Conservation Law n°9 (2012)

The Law is designed to reclaim ecosystems as may be possible which are starting to degenerate and disappear and to ensure that the relevant Government Agencies and organisations shall, in accordance with the guidance of the Union Government and the Committee, carry out the conservation, management, beneficial use, sustainable use and enhancement of regional cooperation of forest resources.

The law is publicly available on:

<http://www.altsean.org/Docs/Laws/Environmental%20Conservation%20Law.pdf>.

c. Investment

❖ State-owned Economic Enterprises (SEE) Law (1989)

The SEE Law sets out twelve economic activities that can only be carried out by the GOUM:

1. extraction and sale of teak in Myanmar and abroad;
2. cultivation and conservation of forest plantations, with the exception of village-owned firewood plantations cultivated by the villagers for their personal use;

¹ Source: <http://www.forestlegality.org/risk-tool/country/myanmar#tab-laws>

² Source: Rules relating to the Protection of Wildlife and Conservation of Natural Areas, Notification n°37/2002, October 2002.

3. exploration, extraction and sale of petroleum and natural gas and production of products of the same;
4. exploration, extraction and exportation of pearls, jade and precious stones;
5. breeding and production of fish and prawns in fisheries that have been reserved for research by the GOUM;
6. postal and telecommunications services;
7. air and railway transport services;
8. banking and insurance services;
9. broadcasting and television services;
10. exploration, extraction and exportation of metals;
11. electricity generating services, other than those permitted by law to private and cooperative electricity generating services; and
12. manufacture of products relating to security and defence which the GOUM has, from time to time, prescribed by notification.

This law is publicly available on: <http://www.burmalibrary.org/docs12/SOEAct.pdf>

❖ Myanmar Investment Law (2016)¹

In October 2016, the Government passed a new Myanmar Investment Law (MIL),² which supersedes the previous 2012 Foreign Investment Law (MFIL)³ and the 2013 Myanmar Citizens Investment Law⁴ to create a single law for both foreign and domestic/citizen investors. In March 2017, the Myanmar Investment Rules (MIR) were adopted.⁵ The new Law introduces a number of changes to the previous 2012 Foreign Investment Law, including:

- The introduction of an 'endorsement' process, instead of a full Myanmar Investment Commission (MIC) permit:

There are now types of permit possible, one being a 'full' MIC Permit, and the other an approval or 'Endorsement' for permission to use land; the second process supposedly being a faster process. Full MIC Permits will be necessary for strategic, large or environmentally or socially impactful projects (Section 36 MIL, defined further in Article 3-11 of the MIR).

- The Law applies to all investors:

The previous 2012 MFIL applied only to those foreign investors holding an MIC permit. Under the new Law, everyone who invests in Myanmar is an investor subject to the 2016 MIL, irrespective of whether they hold an MIC permit or not.

- Tax incentives have changed:

The 5-year tax holiday which was previously automatically granted to foreign investors receiving an MIC permit has been removed. The granting of tax holidays is now at the discretion of MIC. A number of other tax incentives have also changed.

- Myanmar law has been brought in line with international investment laws:

The new law includes common international standards of protection for investors found in many bilateral investment treaties, including national treatment, most favoured nation, and fair and equitable treatment. This is in line with Myanmar's obligations in some of its existing bilateral investment treaties.

- New protections for workers:

The law includes a new set of employer obligations regarding workers: investors can only cease or close their business after compensating workers; workers need to be paid during a temporary closure; and investors must pay compensation for workplace injury, sickness, death or loss of limbs.

¹ Updates provided Myanmar Centre for Responsible Business (MCRB).

² VDB, [Client Briefing Note: What Changes in Practice Under the New Investment Law?](#), 8 October 2016.

³ [2012 Foreign Investment Law](#).

⁴ [2013 Myanmar Citizens Investment Law](#).

⁵ [Myanmar Investment Rules](#), MIC Notification 35/2017, 31 March 2017.

How these new provisions will play out in practice remains to be seen and there are a number of aspects that warrant further clarification/elaboration in subsequent regulation or notifications to the Law, including:

- defining what types of projects will fall under Article 36, i.e. be classified as types of projects that will require a full MIC permit because they inter alia have a large potential impact on the environment and the local community;
- defining how the provisions and definitions of the new Law relate to connected legal requirements; for example, how community consultation and consent provisions pursuant to Article 5 of the 2015 Law on Protection of the Rights of Ethnic Nationalities and Environmental Investigation Agency (EIA) requirements outlined in the 2012 Environmental Conservation Law and 2015 EIA Procedure are reflected in MIC decision-making processes regarding the granting of permits and approvals;
- clarifying what types of projects will trigger the Article 46 requirement for national parliamentary approval for projects;
- elaborating the role of state/region governments in permitting decision-making, including provisions for consultation with the local communities who are potentially impacted by a project early in the permitting decision-making, e.g. through a requirement that MIC must seek comments from regional/state governments who in turn are obliged to consult with the relevant local communities.

In April 2017, MIC issued an updated list of Restricted Investment Activities¹ under Chapter 10, which restated the previous approach and that in the 2015 Amended Mining Law.

The 2016 MIL and 2017 Rules include transparency and information disclosure provisions for projects seeking MIC permits but these have yet to be properly implemented. According to Rule 45 the Commission will, after screening a Proposal for a Permit (which should probably happen at Feasibility stage for the mine), publish a summary of this within 10 working days. Rule 196 requires the investor to publish online an annual report giving details on the investment.

The 2016 MIL does not contain requirements for local content or employment of Myanmar nationals.² The previous 2012 MFIL contained thresholds for minimum percentage appointments of Myanmar nationals and the requirement that foreign and Myanmar workers holding the same qualifications ought to be paid the same salary.

In most circumstances, land cannot be sold or transferred to a foreign individual or company by a private transaction. However, the Government may allow exemptions from these restrictions. Furthermore, private investors cannot acquire Vacant, Fallow and Virgin (VfV) land rights or farmland through private transactions without the permission of the Government. Under the 2016 MIL, foreign investors with a Permit or Endorsement can obtain leases for up to 50 years, extendable for 10 years twice.³ Foreign investors are prohibited from leasing religious lands or areas of cultural or natural heritage.⁴

❖ Investment Guidebook of Forestry Sector in Myanmar (2016)

The investment Guidebook of Forestry Sector was implemented to support foreign companies or investors wishing to invest in the forestry sector in Myanmar, such as the setting up plantation, management and trade with the existing laws, policies, rules and regulations by using as the reference book as a guide.

This guidebook aims at:⁵

- controlling illegal timber trade in Myanmar;

¹ MIC Notification 15/2017, [List of Restricted Investment Activities](#) 10 April 2017.

² VDB, [What Changes in Practice Under the New Investment Law](#), 8 October 2016, p. 7.

³ VDB, [What Changes in Practice Under the New Investment Law](#), 8 October 2016, p. 2.

⁴ Government of the Republic of the Union of Myanmar, Notification 11/2013, [Foreign Investment Rules](#), 31 January 2013, Chapter 15, paragraph 125.

⁵ Source: Investment Guidebook of Forestry Sector in Myanmar, June 2016.

- understanding existing laws, rules and regulations related to plantation, management, trade and investment for the foreign investment company or investors;
- guiding the investment company or investor on the utilisation of forest resources and in accordance with existing laws, rules and regulations, and to develop their investment;
- enhance the mutual understanding and goodwill between the host and investor, and
- get mutual benefits in technology and employment opportunities for both host and investor countries.

d. National Plans

The forestry sector is also governed by:

❖ National Forest Master Plan (2001/02 to 2030/31)

The National Forest Master Plan (NFMP) outlines the long-term plan for the sector development between 2001 and 2030. NFMP is comprehensive: it covers natural forest management, forest plantation development, forest protection, forest regeneration and rehabilitation, environmental conservation, and watershed management.

It sets out community forestry as an integral part of the strategy to achieve sustainable forest management and to obtain forestry products on a sustainable basis.

❖ National Comprehensive Development Plan (2011/12 to 2030/31)

The National Comprehensive Development Plan (NCDP) prepared by FD outlines the long-term plan for the sector development between 2011 and 2030 in order to maintain sustainable land management and implement environmentally sound policies and practices.

❖ National Biodiversity Strategy and Action Plan (2015/20)

The National Biodiversity Strategy and action plan (NBSAP) prepared by FD with the collaboration of the International Union for Conservation of Nature (IUCN) and published in October 2015.

The revised NBSAP takes advantage of a wealth of new data and information to set targets that preserve the species and habitats that are truly irreplaceable and influence decisions across multiple sectors that impact biodiversity conservation.

The targets were designed to be specific and realistic given the five-year timeframe and available human resources. Some of the key targets relate to:¹

- launching an initiative to restore millions of hectares of forest that are commercially exhausted and subject to conversion to plantations or agriculture;
- expanding the protected area network to cover 30% of the country's coral reefs and key gaps in the terrestrial system, including mangrove forests, through both government and community-based approaches;
- developing an ecosystem-based fisheries management plan with private sector and civil society participation and endorsement and developing an inter-agency system to control illegal and destructive fishing in the Myeik Archipelago; and
- ensuring that national law recognises customary tenure as a way to protect indigenous knowledge and genetic plant resources and provide a practical incentive for community participation in biodiversity conservation.

NBSAP is publicly available on: <https://www.cbd.int/doc/world/mm/mm-nbsap-v2-en.pdf>.

¹ Source: National Biodiversity Strategy and Action Plan 2015/2020, October 2015.

3.2.3. Ongoing reform

a. MTE

Under the guidance of MONREC, MTE has to restructure the corporate style. It will be assigned an autonomous status so that it runs as a business enterprise.

b. Myanmar Company Law

In 2013, the Directorate of Investment and Company Administration (DICA)¹ at the Ministry of National Planning and Economic Development (MNPED) started to draft the Myanmar Company Law (MCL). This new law is intended to be consistent with international best practice and replace the Myanmar Companies Act (MCA) of 1914.

The new law aims to improve transparency and corporate governance and alleviate the burdens on small and medium enterprises.

The official briefing seminar on the MCL (2017) was organised jointly by DICA and the Asian Development Bank (ADB) on 13 December 2017 in Yangon.

The briefing seminar provided an overview of the new MCL and implementation plans, including key reforms in the new law, the plans for the establishment of the new electronic registry and the timeline for implementation.²

MCL was enacted by the Pyidaungsu Hluttaw on 6 December 2017, replacing the MCA of 1914. It included the following eight chapters:

1. Preliminary;
2. Constitution, incorporation and powers of companies;
3. Shares and matters relating to a company's capital;
4. Management, administration and governance; offers of securities to the public; grant of security by a company; maintenance of company accounts;
5. Winding up;
6. The registrar, registration office, registration of documents, powers of inspection and fees; removal of companies from the register;
7. Proceedings; offences; regulations and transitional provisions; and
8. Miscellaneous.

¹ As per its website, DICA is in charge of handling company registrations for local and foreign businesses under the Companies Act. It also serves as a secretary to the Myanmar Investment Commission (MIC), which is the responsible body for investment applications.

² Source: <http://www.dica.gov.mm/en/news/holding-official-briefing-seminar-myanmar-companies-law>

VDB Loi¹ has examined some positive developments that MCL brought about regarding companies wishing to do business in Myanmar.²

N°	Point	Description
1	Nearly all sectors previously reserved for Myanmar nationals are now open to foreign minority ownership	<p>Perhaps the biggest change to be enacted by MCL is the fact that the definition of a Myanmar company has been liberalised extensively. The current legal framework has a restrictive definition attributed to a Myanmar company under the 1914 Act, which precluded even a minute possibility of having a foreign shareholder. This is all set to change with the redefinition of a Myanmar company as capable of accommodating a 35% foreign ownership interest.</p> <p>This position is certainly advantageous as much as it is a break from tradition. Types of investment that are off limits for foreigners (notably financial services, trade, and land ownership) will open up to joint venture companies with at least a foreign minority interest.</p>
2	Simplified group structuring and having only one shareholder	<p>MCL replaces the old requirement of having at least two shareholders. In practice, this meant that a company could not hold 100% and typically had to give at least 1% to a director or other companies. MCL now allows only one shareholder, thereby getting rid of the unnecessary complications caused by the former two shareholder requirement.</p> <p>Consequently, company structures can be simplified, allowing full (100%) ownership in companies, without having to give a minority interest.</p>
3	Dividend distribution	<p>The position under the 1914 Act was that no dividends could be paid, apart from the profits of the year or other undistributed profits of the company. Now, under MCL, dividends are not required to be paid out of company profits; instead, a statutory solvency test must be complied with. In other words, dividends can be paid out even if the company has accumulated losses, subject to satisfying the following requirements:</p> <ul style="list-style-type: none"> i. Satisfaction of the solvency test after the payment of the dividend; ii. The making of the dividend must be fair and reasonable; and iii. The dividend must not materially prejudice the ability of the company to pay its creditors. <p>It remains to be seen how the solvency test will operate in practice; nonetheless, this remains a positive development, as it recognises the commercial reality that companies may not be continuously making a profit.</p>
4	Small companies and administrative exemptions	<p>Small companies will appreciate the provision in MCL that will exempt companies with less than 30 employees and an aggregate annual revenue of less than MMK 50,000,000 from several administrative requirements. The effects of these exemptions are that a small company does not need to hold an annual general meeting: unless the Constitution includes otherwise; unless the members pass an ordinary resolution requiring it; or, unless the Registrar of companies, in his or her discretion, determines that the company should hold an annual general meeting.</p> <p>The same applies to various obligations such as maintaining records of all money received and expended, assets and liabilities, a directors' report, and appointment of an auditor. This is prefaced by the three exceptions listed above. It should be noted that the audit exemption is a controversial provision with a voice of dissent against its enactment in the lower house of Parliament. It is questionable at this juncture whether the audit exemption provision will make the final act or not.</p> <p>These exemptions provide simplicity and will reduce overhead costs, particularly for companies in the early stages of market penetration.</p>
5	Technology and holding company meetings	<p>MCL allows companies to integrate smart technology into their corporate governance such as:</p> <ul style="list-style-type: none"> • allowing directors' meetings to be held using any type of technology which the directors agree upon (including telephone or video conferences); and • the calling or holding of general meetings using technology available to its members. <p>By recognising the holding of key corporate meetings through video link, for example, conducting business in Myanmar will be more efficient, as doing business now no longer requires a 'boots on the ground' approach to holding meetings.</p>

¹ VDB Loi is a network of leading law and advisory member firms and affiliated companies that comprises 10 partners and over 100 lawyers and advisers, with offices in Cambodia, Indonesia, Laos, Myanmar and Vietnam, and representatives in Japan and Singapore. (<http://www.vdb-loi.com/>)

² www.vdb-loi.com/mlw/five-things-to-like-in-the-new-companies-law/

VDB Loi has also outlined five potential drawbacks regarding MCL and how they may affect companies in practice.¹

N°	Point	Description
1	Registration problems for overseas corporations	<p>MCL provides that an overseas corporation or any other body corporate must not carry on business in Myanmar unless it has registered under MCL. This could have onerous implications on a wide range of companies, such as drilling and other service companies, which may now need to register under MCL when they were not previously required to do so.</p> <p>However, MCL indicates several exceptions in the form of activities that are not deemed as 'carrying on business' in Myanmar. Accordingly, if a company engages, inter alia, in any of the following activities, registration is not required:</p> <ul style="list-style-type: none"> • Maintaining a bank account; • Conducting an isolated transaction which is completed within 30 days; or • Investing funds or holding property.
2	Uncertainty in Transitional Period	<p>The MCL implements a transitional phase of twelve months from the date of commencement of the act (the "Transition Period"). During the Transition Period, the objects clause in the current memorandum of association will remain in force unless the company decides to abolish it. Once the Transition Period has passed, the objects clause of the company will lapse by default.</p> <p>Other transitional issues, however, are less clear. For instance, although several provisions of the MCL refer to rules for clarification, such rules have yet to be issued. Until these rules are published by the authorities, companies will be lacking crucial guidance on how to interpret and apply the new law.</p>
3	Increased risk of shareholder interference	<p>The MCL adds two causes of action that shareholders of the company may take; the first is a cause of action to address oppressive conduct by the company against the applicant shareholder's interest. The second cause of action is one allowing, for the first time in Myanmar, intervention in proceedings to which the company is a party.</p> <p>The right to sue is vested in any member of the company (i.e., any person who holds a share in the company) who has received a share either by operation of law or by will. This means that holding just one share entitles a member to bring the above causes of action.</p> <p>At best, these tools are an effective means of protection for minority shareholders; however, at worst, they will provide opportunities for obstruction and petty account settling.</p> <p>MCL contains a certain number of provisions that may protect the company against frivolous lawsuits, e.g., requiring the claimant to act in good faith or in the interest of the company. However, these provisions are still abstract and it will be up to the courts to make them effective. In the short term, companies are well advised to keep the circle of shareholders as small and controlled as possible.</p>
4	The conversion of incorporation documents into a singular constitution	<p>MCL indicates that the memorandum and articles of association in existence under the previous MCA 1914 shall automatically be converted into one 'constitution'. This is meant to avoid unnecessary costs for existing companies.</p> <p>However, a big majority of companies refer to the default provisions contained in Table A of the MCA 1914. MCL provides no guidance as to how such references should be treated. Are they void because they refer to an abolished law? If so, then an important number of corporate issues would be regulated by the default provisions of the MCL. On the other hand, is the reference to Table A valid because its provisions can still be consulted and applied? Then the company's constitution would deviate from the MCL on certain issues. It should be noted that both interpretations appear plausible.</p> <p>The question is not merely academic. Take pre-emptive rights as an example: the 1914 Act and Table A grant the existing shareholders a right to acquire newly issued shares to avoid dilution of their participation in the company. Under the MCL, such right is not granted by default but must be contained in the constitution. Depending on the interpretation of the reference to Table A, a shareholder may or may not enjoy a pre-emptive right.</p> <p>Unless the rules to be issued after the enactment of the MCL provide clear and authoritative guidance, companies should consider amending their constitution and removing the reference to Table A. They may then replace their existing articles of association with the new template if and when this template is available.</p>
5	The resident director	<p>MCL provides that a company registered pursuant to MCL must have "at least one director who must be ordinarily resident" in Myanmar. MCL requires that in order for a director to be considered a resident director in the proper sense, such "person", which may extend to legal persons, must be resident in Myanmar for at least 183 days during every calendar year.</p> <p>Companies might find this requirement unduly burdensome in practice, as it means that companies would need to arrange for a full-time resident director in Myanmar. According to the MCL, companies established under the MCA 1914 will have until the end of the Transition Period to appoint a resident director.</p>

¹ <http://www.vdb-loi.com/mlw/five-potential-pitfalls-in-the-myanmar-companies-law/>

3.2.4. International Processes and Agreements

a. Myanmar REDD+ process, including the Roadmap

In 2011, Myanmar joined the UN-REDD Programme (United Nations collaborative initiative on Reducing Emissions from Deforestation and Forest Degradation in developing countries). The REDD+ Core Unit was set up at the Ministry of Environmental Conservation and Forestry. A REDD + Readiness Roadmap has been prepared.

The REDD+ Readiness phase is putting in place capacities, infrastructure and systems necessary to conduct accurate national forest inventories, monitoring of forest cover and cover change, and measurement, reporting and verification (MRV) of forest-based greenhouse gas (GHG) emissions. Myanmar is taking actions in line with the REDD+ Roadmap. Preparatory studies have been completed or initiated.

In 2015, Myanmar submitted at the twelfth session of the Conference of the Parties to the United Nations Convention to Combat Desertification (UNCCD COP12) the Intended Nationally Determined Contribution (INDC), that identified mitigation actions and policies in the primary areas of forestry and energy they will deliver both reductions in GHG emissions and significant development co-benefits, and based the 2030 target on the National Forestry Master Plan targets summarized above.

b. EU FLEGT and its VPA

Myanmar is committed to the FLEGT process. It joined the programme in 2014, and officially entered the preparation stage in the beginning of 2015. The purpose of the preparation phase is to prepare and establish strong foundations for a successful negotiation should Myanmar actually pursue the VPA.

A FLEGT Interim Task Force (ITF) has been set up and is currently transitioning towards a multi-stakeholder group (MSG). It has taken some steps to develop a negotiation roadmap but a clearer understanding of the commitments is still being worked out. Work has also started to develop the Timber Legality Assurance System (TLAS), which will assure the legality of timber exports from Myanmar. The first legality definition workshop took place in December 2017 and the existing chain of custody for timber in Myanmar is being mapped out, which are all important steps towards the development of the TLAS. The future TLAS will be expected to cover elements and controls related to compliance with legislation on taxation, royalties, duties, etc. As part of the preparation phase, the ITF (future MSG) is also discussing institutional reform needs and synergies with the peace process.

There are significant synergies between VPAs and the EITI. Transparency is a key objective of VPAs, which include a specific annex on transparency and disclosure of information. The inclusion of Myanmar's timber sector into EITI reporting and the FLEGT process reinforce each other because they strengthen stakeholders' understanding on the need for greater transparency and expand multi-stakeholder engagement. Work on transparency as part of EITI reporting is expected to improve the understanding of transparency needs, which will facilitate and focus discussions once the VPA transparency annex is developed.¹

c. Forest Certification

Currently, Myanmar does not have any internationally recognised forest certification standard, such as Forest Stewardship Council (FSC) of the Programme for the Endorsement of Forest Certification (PEFC).

Myanmar Forest Certification Committee (MFCC) has been formed and is currently formulating the Myanmar Forest Certification Scheme, which will include independent Timber Certification Bodies or Auditors. PEFC International has recently announced a joint initiative with MFCC to work on sustainable forest management in the country. The ongoing revision of the Forest Law will also likely offer lead to improved chain-of-custody (CoC) systems and verification of timber legality.

¹ Source: European Union, Myanmar.

3.2.5. Latest Analysis

a. Stakeholder Mapping Report (2016)

Table 38 below sets out the main key findings raised in the Stakeholder Mapping Report (2016) with regards to the forestry sector in Myanmar.

Table 38: Key findings of the Stakeholder Mapping Report (2016)

N°	Key findings	Description
1	Unseen and disguised players	There are players such as brokers, agents, catalysts, international buyers behind local names, big buyers of informal sectors from border trade, etc., are found out. While there are some players obviously identified and visible in the market, there are other unnoticed players behind the scenes.
2	Informal sector is not separate but intertwined with the formal one	<p>The complex links between the formal and informal sectors can be seen in the Timber Flow Chart (Figure 5). The informal sector is parallel to the formal and in places intertwined with the formal sector. These are the main factors that contributed to informal timber flows:</p> <ol style="list-style-type: none"> 1. Large demand by buyers from neighboring countries, using the power of advanced payments which allow the informal suppliers to be able to invest and compete to get the quality products; 2. Huge domestic demand for timber and wood-based products from basic household needs to industrial demand and construction; 3. Livelihoods and socio-economic situation of communities in forest areas who mainly depending on timber and other forest products due to the lack of alternative options for their scarcity of other job opportunity, capital, technical know-how, education and awareness, etc.; 4. Easy access of equipment, supplies and informal supporting industry; 5. Incomplete system of legislation, rules and regulations for the industry; 6. Failure in rule of law, corruption, and mismanagement; and 7. Less/No control in the remote areas due to the security situation. (It is how the whole situation has been considered currently from the side of Union Government. On the other hand, to see the situation from the other side, it is rather political and it is based on the improvement of the peace building process which hopefully would be able to lead to a clearer decision of allocation and management of natural resource in those areas).
3	The Government sector has many players	Many players who can influence the process are in the Government sector. Myanmar military and people's police forces are also counted in many roles significantly. Some of the Government players have primary roles in formal supply chains: i.e., in policy formulation, regulation and actual management while some of them are in the secondary roles such as law enforcement and security. However, some also have secondary roles, with a high level of influencing power and interest in the process. The likely reason is their role in regulation and management and the incomplete system of legislation, rules and regulations for the industry, as well as weak rule of law, corruption, and mismanagement.
4	Crony players remain in the High-Power – High-Interest group	The group recognised as “Cronies” remain in the system, despite policy having recently been changed to end sub-contracting by MTE for timber extraction. These players fall in the High-Power – High-Interest group due to their possession of financial, technical, material and human resources, as well as their access and relationship to power actors in the formal sector. One more interesting finding in this mapping is their involvement which used to be with formal system in the timber flow.

b. EU FLEGT in Myanmar: A conflict-sensitivity analysis

International Alert¹ has published this Conflict-Sensitivity Analysis² in October 2017, it provided an overview analysis of forest governance in Myanmar to inform the process of negotiating the VPA.³

The main key forest governance issues identified in this analysis are listed as follows:

- Political economy of the timber trade;
- Illegal logging and timber legality system challenges;
- Community-driven action against illegal logging; and
- Land rights governance.

¹ International Alert is a non-profit organisation focusing on peacebuilding activities.

² According to International Alert, “Conflict sensitivity” is a term that refers to recognising the two-way dynamics of the impact of an intervention on the context in which is undertaken, as well as the impact of context on interventions, such as governance reform.

³ http://www.international-alert.org/sites/default/files/Myanmar_ForestGovernanceTrade_EN_2017.pdf.

3.2.6. Types of permits

a. Permits for Timber Extraction

According to MTE, there is no specific procedure for the selection of sub-contractors for timber extraction. Both individuals and companies can apply to MTE with the indication of the volume of teak and hardwood to be extracted.

The Extraction Department of MTE will then examine the application according to the Department Instruction n°39 dated on 5 June 1958 that states the following criteria:

- priority will be given to sub-contractors that have undertaken timber extraction as main business and have already showed in the past a good performance;
- extraction permit shall be awarded based on the sub-contractor's working capacity within one or two operational seasons;
- sub-contractors shall not be assigned as individuals rather than combined with existing experienced contractors observing proven performance as reliable sub-contractor, then that sub-contractors shall be permitted individually;
- sub-contractors shall be assigned based on their working capacity which can be increased depending on the performance achieved.

After that, the application will be submitted to MONREC for decision stipulating:

- the extraction area;
- the product type (teak and hardwood); and
- the allowed quantity.

The list of sub-contractors operating during FY 2015/16 is presented in Annex 8 to this Report.

A more detailed register of permits is included in a separate document to be published on MEITI website (www.myanmar-eiti.org).

b. Permits for Extraction of Forest Produce

Forest produce may only be extracted after obtaining a permit. However, if it is for domestic or agricultural or piscatorial use not on a commercial scale, forest produce may be extracted in an amount not exceeding the stipulated quantity, without obtaining a permit.

In permitting the extraction of forest produce, FD shall use the competitive bidding system if the extraction is on a commercial scale. However, extraction for the following purposes may be permitted without using the competitive bidding system:

- where extraction of forest produces and sales in and outside the country are carried out as a SEE;
- where the Minister is empowered by the GOUM in respect of the extraction of forest produce;
- where minor forest produce is permitted to be extracted on a commercial scale; and
- where forest produce to be used in the following works not on a commercial scale is permitted to be extracted:
 - research and education work; and
 - work beneficial to the public or religious work.

In respect of permission for extraction of forest produce on a commercial scale:

- the Minister may grant permission for a period of **five years and above**;
- DG may grant permission for a term extending from **over two years to four years**; and
- the State/Divisional Forest Officer may grant permission for a term which may extend to **one year**.

The person granting permission for extraction of forest produce may, for sufficient reason, extend the term of the permit for not more than **six months** at a time and not more than twice.¹

c. Permits for household use²

A citizen has the right to produce and use the woods which are not prohibited to produce and grown naturally outside of reserved forest within 20 miles from their residing place in accordance with the Forest Law.

The types of wood that are prohibited to produce are:

- Teak, Pyinkado or Iron wood (*Xylia xylocarpa*);
- Thitya or yellow balau (*Shorea oblongifolia*);
- Ingyin (*Pentacme Siamensis*);
- Thingan (*Hopea odorata*);
- Padauk or Rose wood (*Pterocarpus macrocarpus*);
- Tamalan or Rose wood (*Dalbergia oliveri*);
- Thitka or Melunak (*Pentace Burmanica*);
- Thitsho (*Pentace griffithii*);
- Shar;
- Thayaw (*Grewia tiliaefolia*); and
- Pine.

After the applications are verified and checked by the FD, a maximum of 10 Hoppus tons of wood logs may be permitted to produce for household use per year in compliance with the directives. The provisions in the forest law and by laws shall be complied exactly for household use of woods.

d. Establishment of Forest Plantation

The Director General (DG) of FD may, with the approval of the Minister, set up the following plantations on a forest land or land at the disposal of GOUM:

- commercial plantation;
- industrial plantation;
- environmental conservation plantation;
- local supply plantation;
- village firewood plantations; and
- other plantations.

If permission is obtained from GOUM:

- any person or any organisation has the right to carry out plantation activities in joint venture; and
- any person or any organisation has the right to carry out in accordance with the stipulation, cultivation and maintenance of forest plantations with the exception of village-owned firewood plantations cultivated by the villagers for their use.

DG may grant permission to set up with stipulation the following village-owned firewood plantations in a reserved forest or protected public forest or on land at the disposal of the government in the vicinity of the village:

- firewood plantation set up by FD for one year and then transferred to be maintained and used as village-owned; and

¹ Source: Forest Law, Chapter VI.

² Source: Notification N°31/88 issued by the Ministry of Agriculture and Forestry.

- village-owned firewood plantation set up, maintained and used by the villages by collective labour.

An individual holding the rights to extract forest produce on a commercial scale who has the responsibility of setting up forest plantations or carrying out natural regeneration under a permit for the State shall carry out the same at his own expense and in accordance with stipulation.¹

e. Establishment of Wood-based Industry

A private entrepreneur who is desirous of establishing a sawpit, sawmill, tongue-and groove mill, plywood mill, veneer mill or a wood-based industry with the exception of wood-based cottage industries and furniture industries has to seek a permit from the Forest Officer empowered for this purpose.

DG may, with the approval of the Minister, determine the rates of royalties, and terms and conditions of the permit.²

3.2.7. Policy on disclosure of contracts

We understood, that there is no legislation in Myanmar that prevent or require MTE to make contracts with its sub-contracts publicly available.

Upon our request, MTE has shared with us and the NCS the following two contracts:

N°	Sub-contractor	Contract number	Date
1	Tin Win Tun international Trading Co. Ltd	46/AD-AE/2015-2016	1 March 2016
2	Forest Joint Venture Co. Ltd	56/AD-AE/2015-2016	3 February 2016

3.2.8. Local content and social payments

We understand that currently, there is no specific law relating to CSR for the forestry companies in Myanmar.

3.3. Fiscal Regime

3.3.1. Tax administration

a. Taxable period

The taxable period of a company is the same as its financial year, which starts on 1 April and ends on 31 March.

b. Tax returns

In general, annual income tax returns must be filed within **three months** from the end of the financial year, i.e. by 30 June of the financial year.

c. Payment of tax

Advance corporate tax payments are made in quarterly instalments within **ten days** from the end of the relevant quarter throughout the income tax year based on the estimated total income for the year. The advance payments and any taxes withheld are creditable against the final tax liability. The date for settling the final tax liability is specified in the notice of demand issued by IRD.

¹ Source: Forest Law, Chapter V.

² Source: Forest Law, Chapter IX.

3.3.2. Common taxes

Table 39 below sets out the list of common taxes applicable in Myanmar:

Table 39: Definition of common taxes

N°	Taxes	Description
1	Income Tax	<p>Income tax rates depend on whether the joint venture company is a 'resident' (i.e. formed under Myanmar law) or a non-resident formed under a law other than Myanmar law, such as a 'branch office'. For resident companies, the income tax rate is 25% of profits. For non-resident companies, the income tax rate has been 25% since April 2015.</p> <p>For enterprises or individuals permitted and operating under the Myanmar Investment Law (MIL), and foreign organisations engaged by special permission in a state-sponsored project, enterprise or undertaking, the income tax is 25%.</p>
2	Capital Gains Tax (CGT)	<p>The sale, exchange or transfer of capital assets are levied for income tax purposes on gains calculated based on the difference between gross sales and the purchase cost of assets plus any additions less depreciation.</p> <p>Capital assets for income tax purposes are defined as lands, buildings, vehicles, or any other asset owned by an entity including shares, bonds and intangibles.</p> <p>CGT is levied at 10% on the capital gain and payments are required to be made within thirty days from the date of disposal of the capital assets.</p>
3	Commercial Tax (CT)	<p>Notification N°117/2012, last amended in April 2015, prescribes commercial taxes of between 5 and 100% depending upon the different goods and services businesses concerned. The application for registration must be in the prescribed form and filed one month before the commencement of business.</p>
4	Stamp Duty	<p>Stamp duties collected from the sale of judicial and non-judicial stamps. Judicial stamps represent fees payable under the Court Fees Act. Non-judicial stamp duty is levied on various types of instruments required to be stamped under the Myanmar Stamp Act.</p>
5	Import duties	<p>Goods imported in Myanmar are subject to Customs Duties and are required to be declared to MCD accordingly. Currently, Customs Duties levied on the import of machinery, spare parts, and inputs generally range from 0% to 40% of the value of the goods imported. For exports of goods, export duty is levied on certain commodities but not on timber.</p>
6	Withholding Tax	<p>Withholding tax (WHT) is a tax where any person or company making certain payments is required to deduct from such payments and remit to the Government Agencies.</p> <p>The tax withheld must be paid to IRD within seven days from the date of withholding.</p> <p>Tax withheld from payments to residents will be set off against the tax due on their final tax assessments. Tax withheld from payments to non-resident companies (except the branches registered in Myanmar) is a final tax.</p> <p><u>Latest updates:</u></p> <p>Notification 51/2017 dated on 22 May 2017</p> <p>WHT will not apply to payments in local currency of less than MMK 500,000 within a financial year.</p> <p>WHT will not apply to payments among Government organisations, SEE or interest payments made to branches of foreign banks.</p> <p>Notification 47/2018 dated on 18 June 2018</p> <p>Notification N°41/2017 has been replaced by Notification N°47/2018 starting from 1 July 2018.</p> <p>The main change is the removal of withholding tax on payments for goods and services to residents. However, payments made by the Government are still subject to a 2% withholding tax.</p> <p>In the new notification, for payment made by the government under paragraph (c) of the withholding tax rates table below, the MoPF states the payment exemption threshold of MMK 1 million in a year. It is also stated that no withholding tax is required for payments made between the government agencies.</p>

The table below sets out the changes to the rates of WHT:

Payment	Payer	Percentage to be withheld from payments to:						
		Resident citizens and Resident foreigners	Residents			Non-resident foreigners	Non-residents	
			Starting from 1 July 2018	Between 1 April 2017 and 30 June 2018	Until 31 March 2017		Starting from 1 July 2018	Between 1 April 2017 and 30 June 2018
Interest.	(a) All	0%	0%	0%	15%	15%	15%	
Royalties.	(b) All	10%	10%	15%	15%	15%	20%	
Payment for the purchase of goods, work performed or supply of services, and hiring arrangements within the country under a tender, contract, quotation or other modes.	(c) Union level organisations - Union Ministries - Naypyitaw Council - Regional or State Government - SOEs - Municipal organisations.	2%	2%	2%	2.50%	2.50%	3.50%	
	(d) Businesses which are performed in the form of JV with the Govt - The Partnership - JV - Company - Association of individuals - Organisation or association - Cooperative society and foreign companies - Foreigner owned enterprises.	0%						

3.3.3. Specific tax

The main specific tax paid by MTE is royalty on extraction paid to FD. Table 40 below sets out the latest update of royalties' tariffs issued by the FD on 27 April 2015.

Table 40: Royalties' tariffs

				MMK
No.	Product	Unit	Rates up to 30 April 2015	Rates starting from 1 May 2015
1	Teak	Hoppus Ton	3,750	15,000
2	Hardwood (Group 1)			
	Padauk/Tamalan	Hoppus Ton	1,875	15,000
	Except Padauk/Tamalan	Hoppus Ton	1,875	8,000
3	Hardwood (Group 2)	Hoppus Ton	938	4,000
4	Hardwood (Group 3)	Hoppus Ton	625	3,000
5	Teak Post	Hoppus Ton	200	500
6	Hardwood Log	Hoppus Ton	100	300
7	Pole (100)	Hoppus Ton	200	500

Source: FD.

Royalties collected during FY 2015/16 are detailed in Annex 13 to this Report.

3.3.4. Other payments

a. MTE

As other SEEs, MTE has to allocate its profit as follows:

- Income Tax (25%) to be paid to IRD;
- State contribution (20%) to be paid to MoPF; and
- the residual profit (55%) to be put on other accounts.¹

The template of Profit and Loss Statement used by SEEs is presented in Annex 14 of this Report.

b. Forest Products Joint Venture Corporation Ltd (FPJVC)

MTE and FD hold 45% and 10% respectively of the FPJVC's capital. The latter regularly distributes dividends.

FD has confirmed that dividends received from FPJVC are deposited annually to the Government Budget (the Union Fund).

c. FD

FD collects other forestry revenues as follows:

- Rubber Tax;
- Land rental fees;
- Fees: Sawmill license fees, elephant registration fees and premium fees for land;
- Fines: Fines from forest offences, compensation fees for clearing of trees by development projects; and
- Confiscation: Income from selling of seized forest products other than timber.

3.4. Budget Process

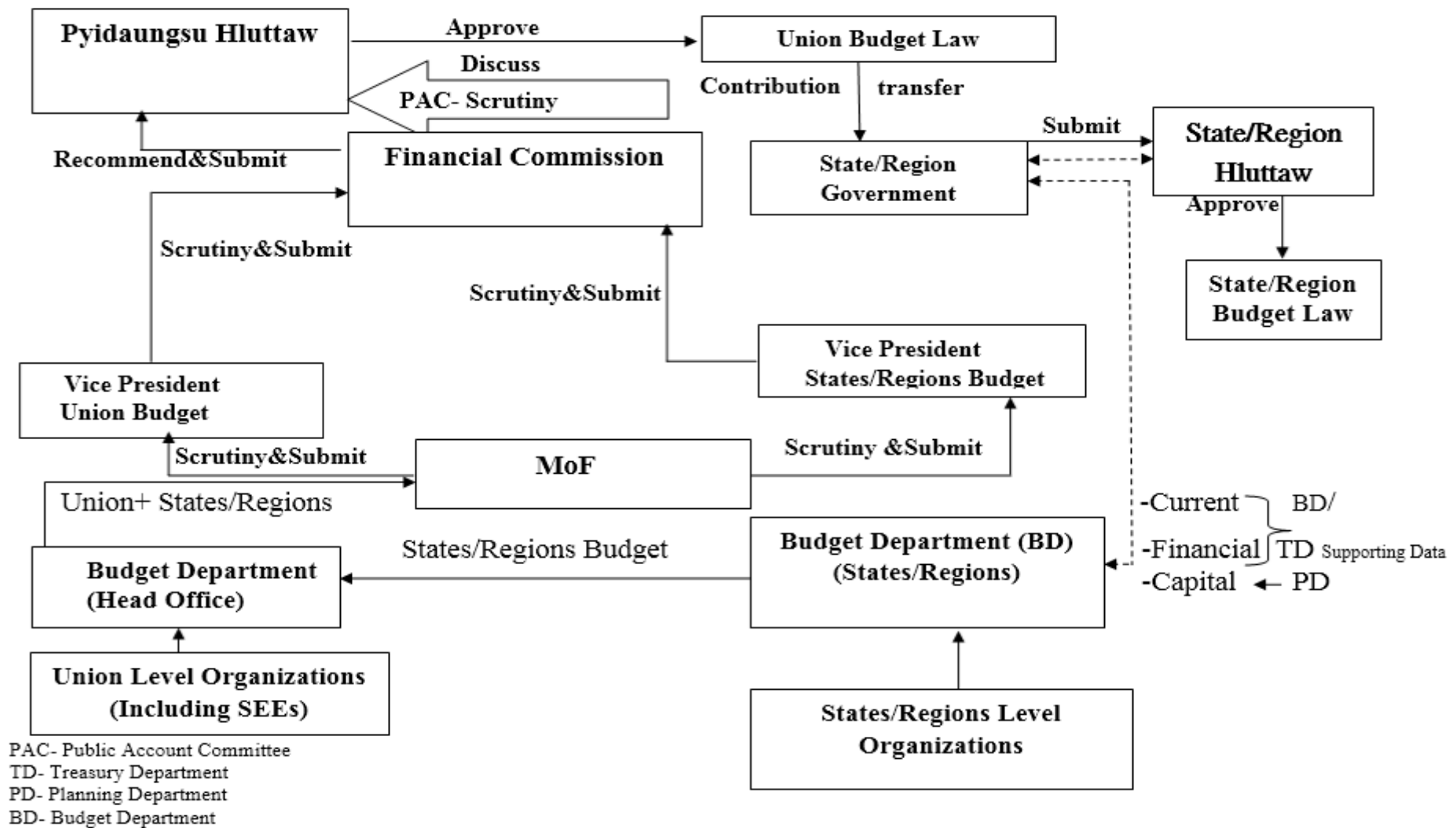
In Myanmar, the fiscal year is from 1 April to 31 March. MoPF issues the Budget Calendar to the Government Agencies. The Union level Organisations (including SEEs) submit their budget proposal to the BD (Head Office). BD is responsible for current expenditure. Planning Department (PD) is responsible for capital expenditures and TD is responsible for financial expenditures. After that BD compiles the current, capital and financial expenditures and submits to Deputy Minister of Planning and Finance. The Deputy Minister reviews the budget for each department after preliminary reviews. Then, Minister of Planning and Finance reviews and submits to Vice Presidents for his review. After the reviews by Vice Presidents, the proposed budget is submitted to the Financial Commission for further reviews and discussion. MoPF on behalf of the Union Government submits the Union Budget Bill and Budget Proposal to Pyidaungsu Hluttaw² with the recommendations of the Financial Commission. After discussing and approving by the Pyidaungsu Hluttaw, the President signs the Union Budget Law (UBL) and it is enacted. It is published in newspapers and MoPF website (www.mof.gov.mm). BD issues the Budget sanction to Government Agencies according to UBL. UBL includes the funds transfer from Union to States/Regions. Parliamentary discussions on Budget sanction can be found on TV channels and local Newspapers.

The budget preparation process can be presented as follows:

¹ Other Accounts are used by SEEs to manage their own-source revenue under the supervision of Parliament.

² Assembly of the Union.

Figure 10: Budget Preparing Process



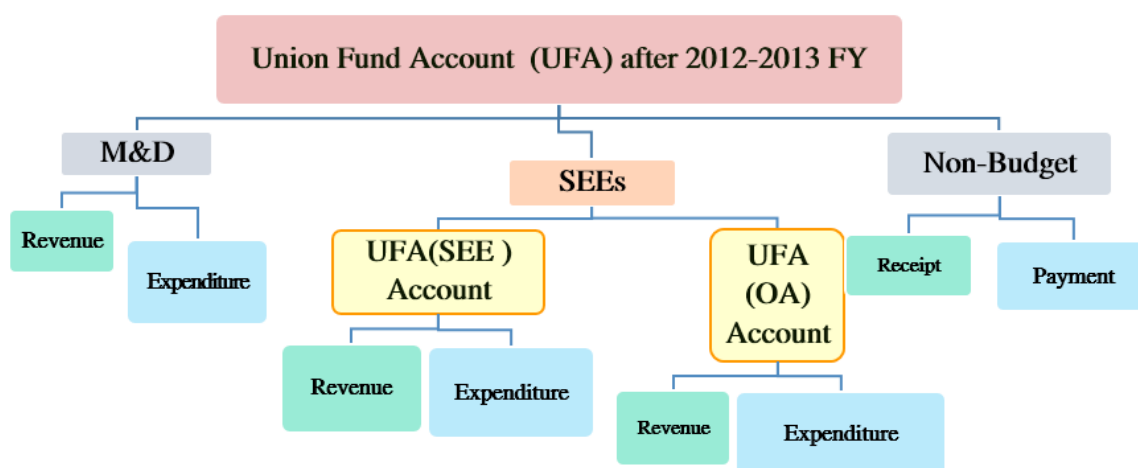
In Myanmar, Government accounting is on a cash basis, following the single-entry system. The budget of Myanmar is financed by funds from four primary sources:

- tax revenues;
- revenues from natural resources;
- income from SEEs; and
- other non-tax revenue (various government fees and charges).

As from FY 2012/13, there have been significant budgetary developments in Myanmar which include changes in the ways in which SEEs are financed and how they contribute to the budget. SEEs are required to find their own funding to finance raw materials, fuel and other direct costs of production, and they can borrow the money at an interest rate of 4% from MEB when needed. This is expected to increase overall fiscal space, as well as fiscal space of the social sector.

Although SEEs budget is included in State Budget, some portions of their budgets run with their own funds. Financing of the budget deficit of SEEs will be provided or loaned from Union Fund which approved by cabinet of Union Government.¹ According to our interviews with BD representatives, the structure of the Union Fund for FY 2012/13 can be presented in Figure 11 below.

Figure 11: Structure of the Union Fund Account (UFA) for FY 2012/13



In 2015/16, if SEEs get profit, 100% of the purchase of raw materials, Commercial Tax, Income Tax and State Contribution under the current expenditure shall be carried out their own fund and the rest of current expenditure, capital expenditure and financial expenditure shall be carried out the Union Fund. If SEEs get loss, 100% of the purchase of raw materials and commercial tax under the current expenditure shall be carried out their own fund and the rest of current expenditure, capital expenditure and financial expenditure shall be carried out the Union Fund.

Moreover, according to the UBL 2015, Section 16 (a) *“the State-owned Economic Organizations shall, with their own budget programmes, carry out the expenditure for the purchase of raw materials, income tax, contribution to the State and commercial tax under the required current expenditure for production of goods, services and trading according to the organizations as the working capital for carrying out their functions in accord with the stipulation of the Ministry of Finance in carrying out commercially and in accord with the principle of subsistence on their own fund. If the working capital for carrying out their functions is not sufficient to carry out with their own budget programmes, it may be taken loan from the State-owned banks established under the Myanmar Financial Institutions Law”*.²

¹ <http://www.mof.gov.mm/en/content/budget-department>

² http://www.mof.gov.mm/sites/default/files/Budget%20Law%20English%20PDF_0.pdf

Section 16 (b) of UBL 2015 stipulates that “*The State-owned Economic organizations shall carry out other current expenditure other than the expenditure contained in section 16 (a), the expenditure for repayment of loans to abroad and capital expenditure with the Union Budget Programme*”.

The Section 17 of UBL 2015 stipulates that “*For the purpose of compiling the debit and credit of the State-owned Economic Organizations, it shall be shown in the accounts of the Union Fund*”.

From the above section of UBL and following our interviews with BD representatives, we understand that all the receipts and expenditure of the SEEs, including those carried from their Other Accounts are consolidated under the Union Budget.

Since 2011, the Parliament has set up two specialised committees for the purpose of providing oversight of the Government’s public finances:

- The Public Accounts Committee (PAC) has a bipartisan membership and vets the budget bill and the audit report; and
- The Planning and Finance Development Committee is responsible for reviewing the national development plan and legislative matters relating to the financial sector.

Since 2012/13 these committees have reviewed and rationalised the executive budget proposal significantly and have been instrumental in having the approved Budget Law published in the local press.

In order to coordinate and integrate state and regional budgets with the Union Budget, the Government has also set up the Financial Commission and the National Planning Commission. Since 2011, the new planning and budgeting practices has resulted in a decentralization of Public Financial Management (PFM) policy functions from the President's Office to the Ministry of Finance and the Ministry of National Planning and Economic Development (MNPED) respectively.

When it comes to the account of the Union Government, Union Fund Account (UFA) is opened and kept at MEB and Union Government Deposit Account (UGDA) is opened and maintained at CBM.

All the branch offices of MEB have to consolidate the balance of the accounts of the Government. Thus, the Head Office of MEB has to consolidate the UFA surplus or deficit balances, prepare a total consolidated balance of UFA surplus and deficits and go through the accounts with CBM weekly and monthly.

The funds that are deposited or drawn from UGDA at CBM are:

- Net surplus or deficit of UFAs;
- State Contributions or refunds of SEEs;
- Sales and redeemable of Treasury Bills;
- Sales and redeemable of Treasury Bonds;
- Financing the budget deficits of Regions and States; and
- Accounts opened at CBM to process the net surplus and deficits of the sub-national vaults.

Figures 12, 13 and 14 below set out the operation of UFA and UGDA.

Figure 12: Operation of UFA

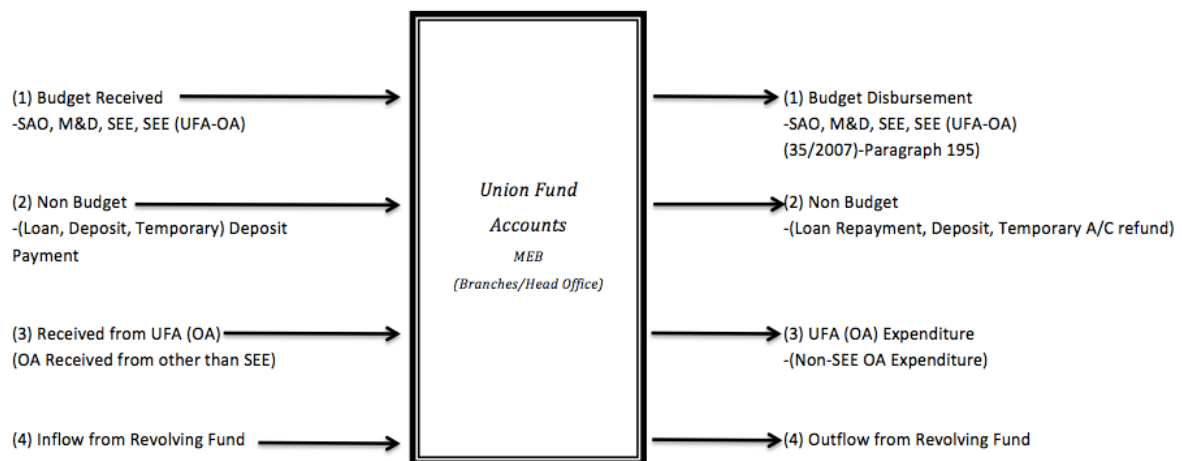


Figure 13: Operation of UFA and UGDA

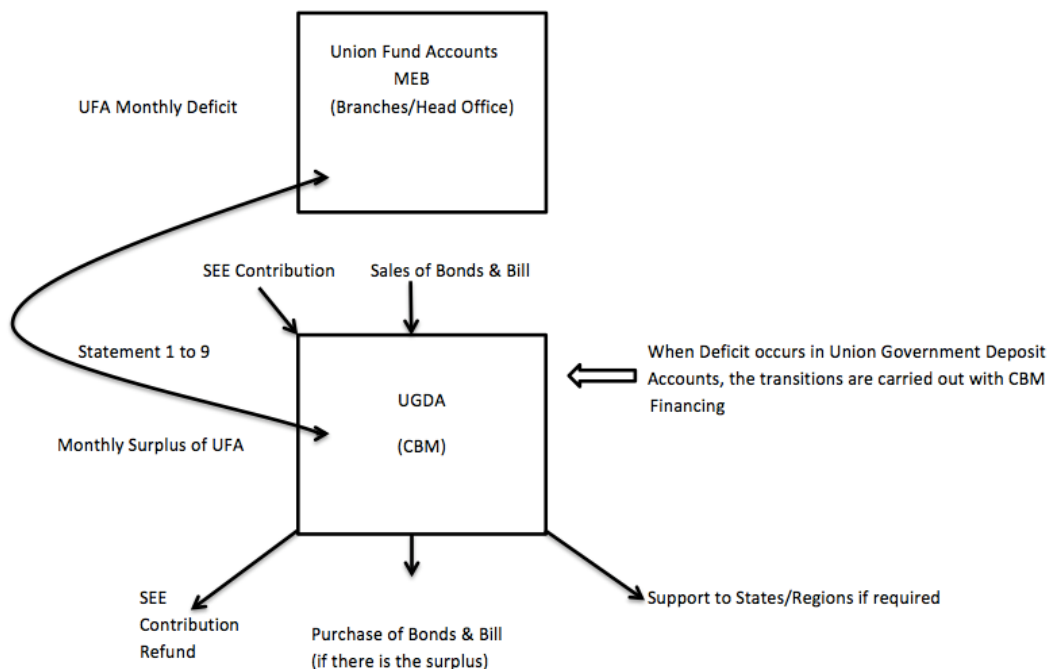
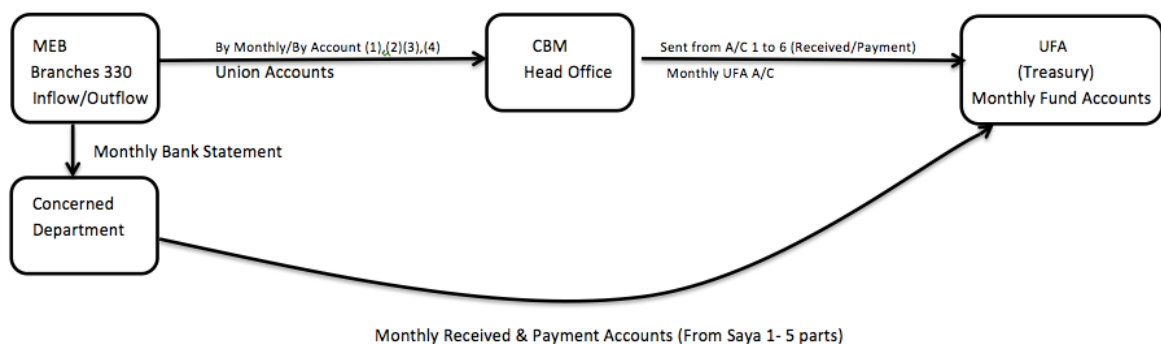


Figure 14: Monthly consolidated A/C of UFA



Further information on the Budget process are available on the MoPF's website <http://www.mof.gov.mm/en/content/budget-department>

3.5. Public Finance and Revenues Management Reforms

3.5.1. Public Finance Management reform in Myanmar

The World Bank's Board of Executive Directors approved a US\$ 30 million credit from the International Development Association (IDA) for Myanmar's Modernisation of Public Finance Management Project in 2014. The Australian Government (US\$ 8.5 million) and the UK's Department for International Development (DfID) (US\$ 16.5 million) co-financed the project through a multi-donor trust fund for Myanmar.

The project aims to support efficient, accountable and responsive delivery of public services through the modernisation of Myanmar's Public Finance Management Systems. The project will also help strengthen revenue administration, which will increase the effectiveness of tax and non-tax revenue mobilisation. Increased revenues in turn will create fiscal space for increasing expenditure on public services that will help reduce poverty and promote shared prosperity.

The main steps achieved can be summarised as follows:

- assessment on Public Expenditure and Financial Accountability in Myanmar and publication of Public Financial Management Performance Report in 2013 with collaboration of the World Bank;
- set up of PFM Strategy (2013) for PFM reform;
- setting-up a Public Expenditure Review (PER) in order to analyse the resulting expenditure patterns and related sector outcomes from PFM System with the aim of assessing public resources achieving the desired development objective. There are six areas in PER's first phase: Macro Fiscal Context, Broad Revenue and Expenditure, Intergovernmental Fiscal Relation, Electric Power and Energy, Health and Education.
- setting-up a PFM Sub-Sector Working Group (SWG) under Public Administration Working Group among seventeen SWGs (Nay Pyi Taw Accord);
- setting-up Myanmar Modernisation of Public Finance Management Project (MMPFMP), a five-year project from 2014 to 2019.

The PFM modernisation project has five components:

1. Revenue Mobilisation;
2. Budget Preparation and Planning;
3. Budget Execution;
4. External Oversight; and
5. Capacity Building.

Revenue Mobilisation

The following reforms are in progress:

- Conducting Tax Policy and Tax Administration Reform;
- Set up Large Taxpayer Office (LTO) and Medium Taxpayer Office (MTO 1, 2 & 3);
- Transformed Official Assessment System (OAS) into Self-Assessment System (SAS) and started to practice at LTO and MTO;
- Identified Specific Goods Tax and Enacted Specific Goods Tax Law in 2015;
- Changed Commercial Tax to Value added tax and special commercial tax;
- Updated information technology system;
- Installing IT Equipment; and
- Increased Tax to GDP ratio year by year.

Budget Preparation and Planning

The following reforms are being implemented in the budget preparation and planning:

- Separated the consolidated State Fund into the Union Fund and States/ Regions Fund since 2011;
- Practiced Medium Term Fiscal Framework (MTFF) since FY 2015/16 in order to improve the budget formulation process year by year and to support macroeconomic stability and development;
- Allocated more expenditure to Social Sector such as Education & Health by setting up the top point in Expenditure Policies with respect to prioritized areas of the country;
- Provided subsidies and fiscal transfers to the States/Regions by practicing MTFF (six indicators: total population, poverty index, area, per capita GDP, urban population as percent of total state population and per capita tax collection);
- Developed a system of top-down budgeting and bottom-up planning;
- The Budget Department is the implementer of MTFF process;
- Improved fiscal decentralization;
- Improved fiscal transparency (Enacted Budget Law has been publishing in newspapers and MoPF's website, Citizen's Budget has been publishing starting from FY 2015/16); and
- Updated Financial Rules and Regulation.

3.5.2.IRD Strategic plan 2014-2020

Table 41 sets out the objectives of IRD strategic plan 2014/20.

Table 41: Objectives of IRD strategic plan (2014/20)

No.	Objectives	Description
1	Develop a robust legal Framework within which the IRD can operate effectively	Legislation will be reviewed and updated to support the new administrative approaches such as self-assessment. A tax administrations procedures code will be developed and the revenue acts will be re-written. Value-Added Tax (VAT) legislation system will be introduced.
2	Re-organise IRD to fit with the new administrative approaches	The organisation will be restructured based on functions (taxpayer service, return and payment processing, return filing compliance and arrears, Audit, Disputes resolution, Legal and tax rulings) with a strong taxpayer segment (LTO, MTO and STO) orientation. Headquarters will be reorganized to better guide and direct the organisation.
3	Modernize the process for assessing taxation	Move from an official assessment system (OAS) where the IRD calculates the tax to a self-assessment system (SAS) where the taxpayer calculates the tax payable within strict guidelines. Introduce a VAT system of indirect taxation.
4	Streamline and simplify all business process and procedures and make full use of technology	All business processes will be reviewed and technology will be utilized throughout the tax administration functions.
5	Balance services and enforcement approaches to address revenue risk	Develop capacity to focus on the management of systemic and segment-related risks. A range of taxpayer services will be developed based on the needs of taxpayers and the revenue. Enhance enforcement activity to ensure those who do not comply will be identified and dealt with.
6	Develop our people and maximise their potential	All human resource systems, processes and procedures will be reviewed and modified to support the new administrative approaches. Development programs will be established for segments, functions and individuals to bring skill levels in line with the changes.
7	Develop and implement leadership and governance arrangements to manage the changes	Capacity will be developed and put procedures in place to manage these significant changes as they impact on our systems, our people and stakeholders. Processes will be put in place to ensure engagement occurs with our people and key stakeholders in particular.
8	Build transparency and accountability into all aspects of the administration	External and internal transparency and accountability structures will be built. These structures will help create an environment of public trust in the integrity of the tax system.

IRD use the following approaches to manage the reforms:

- reforms will be managed and led by the Republic of the Union of Myanmar Revenue Department;
- new approaches will be implemented progressively;
- all reforms will be implemented in LTO initially before being applied to the rest of IRD;
- headquarters will be re-organised to better support the new approaches, and guide and direct the organisation;
- international best practices adjusted for Myanmar environment will be applied to the reforms;
- all projects and activities will be planned;
- project management disciplines will be applied to all activities; and
- all projects when completed will have a post implementation review undertaken so lessons can be learned.

3.5.3. IRD reform journey – a plan to mobilise domestic revenues 2017/18 to 2021/22

IRD commenced the process of transforming to a modern tax administration in 2012. The main changes are as follows:

- the national headquarters have been restructured along functional lines;
- a reform program governance mechanism has been introduced;
- the Large Taxpayer Office has been established to manage high value taxpayers under a system of self-assessment;
- preparations have commenced for the first of Medium Taxpayer Offices to expand the self-assessment system to more taxpayers
- changes have been made to the tax policy and legislation framework with: an excise tax (known as specific goods tax (SGT)); a unified Tax Administration and Procedures Law (TAPL) has been drafted; and proposals are underway to modernize the Income Tax law;
- an interim IT system has been developed (Tax Revenue Management System) to support the LTO;
- implementation of a data center to network key IRD offices and provide email, desktop applications and document sharing is nearing completion;
- improvements in service to taxpayers;
- improvements in enforcement activity; and
- steps taken to combat corruption.

Table 42 below sets out the strategic outcomes of the IRD reform journey.

Table 42: IRD reform journey's strategic outcomes

No.	Outcomes	Description
1	Maximise revenue	Maximize revenue collection over time and within the law.
2	Broaden the tax base	All those who should be in the system, are in the system. Indirect taxes in the form of VAT will be a feature of the tax system.
3	Maintain and improve compliance	Taxpayers will understand their obligations and comply voluntarily. Enforcement activity is targeted at those who choose not to comply. Systems and processes are aligned to ensure all taxpayers are treated equally and information is available.
4	Modernise Tax administration	Tax administration is modernized and based on international best practice tailored for the needs of Myanmar.

Integrity, transparency and accountability

Integrity, transparency and accountability will be achieved through a number of programs such as modern tax laws, human resource management, technology and streamlined processes and procedures. The work outlined will build on the work done to date within IRD to address integrity issues. However, expanding the focus of Internal Audit and establishing the Internal Affairs Unit are tangible steps IRD will take to ensure the integrity of its operations.

The outcomes expected by 2022 are as follows:

- Internal Audit Directorate established and focused on ensuring integrity of accounting and operational procedures and manage enterprise risks;
- Internal Affairs unit established to identify and take action against corrupt behaviour;
- Separation of duties to minimize opportunities for corrupt behaviour;
- Public perceptions of integrity have improved;
- the operational activities are monitored against an agreed set key performance indicator;
- Extensive use of data to monitor IRD's core tax functions; and
- A taxpayer charter and staff code of conduct in place.

Modern Tax Laws

The tax laws need to be updated to meet good practice in tax administration and to support a system of self-assessment. The laws need to help taxpayers understand their obligations and compliance responsibilities. They must also ensure that we have the authority to collect taxes due under the law. Enacting a uniform tax procedure law, an updated income tax law and in time a new value added tax law will position Myanmar as a truly modern tax regime.

The outcomes expected by 2022 are as follows:

- Tax Administration and Procedures Law enacted;
- Income Tax Law rewritten; and
- VAT policy developed.

Functional based organisation with segmentation

Modern tax administrations have strong direction and management from the central headquarter group. IRD has made some important changes to organize our headquarters along functional lines. New directorates are building their capacity and capability. Further units/directorates will be added to our headquarters and we will enhance our management of both the delivery of our current operations, but also delivery of the changes detailed in this plan.

The outcomes expected by 2022 are as follows:

- Headquarters structure and governance mechanisms strengthened;
- New headquarters units will be established: DDG Reform, Internal Affairs, Communications, Office of the Director General, Risk and Intelligence Unit;
- Taxpayer segments accurately identified; and
- Proposal for expansion of self-assessment to small and micro taxpayers developed.

Large Taxpayer Office

IRD established a LTO based in Yangon. This group has paved the way for implementing a system of self-assessment for a selected group of large companies. They have also developed new processes and procedures for administering the tax laws. These processes and procedures will form the basis for the MTOs. However, over time the LTO needs to evolve to be the group responsible for all aspects of tax liabilities for the highest value taxpayers in Myanmar.

The outcome expected by 2022 is to strengthen LTO to be able to manage all large taxpayers for all key tax types.

Medium Taxpayer Office

Building on the success of the Large Taxpayer operations IRD is establishing the MTOs. The first of the MTOs will start assessing returns based on the same approach as the LTO for the 2017/18 processing year (2016/17 income year).

The outcome expected by 2022 is to make MTOs operating on functional basis in Yangon, Mandalay and other key sites.

Effective change management

Delivering the changes set out in a systematic and timely manner is crucial for the integrity of IRD going forward.

The outcomes expected by 2022 are as follows:

- Reform strategy, operational plans and key performance indicators reflect changes needed;
- Progress is monitored and used to help decision making; and
- Staff and key stakeholders (members of parliament, tax agents and taxpayers).

People and Human Resources

A key focus is the development of human resources. As IRD become a more modern tax administration so too does the needs and capabilities of staff change. Recruiting new staff, developing existing staff and providing clear statements of our expectations of the roles and responsibilities of the staff of IRD are critical aspects for our next phase of reform.

The outcomes expected by 2022 are as follows:

- HR strategy for recruitment and retention of skilled staff, appropriate remuneration policies and practices to reduce corrupt behaviour will be developed and implemented; and
- Workforce planning and training programs will be in place.

Streamlined processes and procedures

IRD need to move away from paper-based processes and leverage the opportunities that technology provides for the IRD. Streamlining processes will allow IRD to work in more rewarding jobs and ensure that its services and operations are effective and efficient.

The outcomes expected by 2022 are as follows:

- Efficiencies in key areas: taxpayer services unit established, centralized data capture team, and telephone services especially for LTO and MTO taxpayers;
- Processes and procedures reflect good international practice and leverage technology; and
- Headquarters monitoring compliance across IRD with mandated processes.

Risk based service and enforcement

A self-assessment tax regime is supported by education of taxpayers who want to do the right thing and strict enforcement of the law where taxpayers do not comply with their legal obligations. To encourage compliance, IRD need to have a balance between service and enforcement, a key characteristic of self-assessment systems. A Compliance Improvement Strategy based on analysis of data received directly by the IRD and sourced from third parties will guide our service and enforcement strategies.

The outcome expected by 2022 is to use Risk based compliance (based on accurate data) to improve on-time filing, on-time payment and accurate reporting of tax liabilities for self-assessed taxpayers.

Technology

Technology improvements will be a key feature of this phase of the reform journey. Implementation of a data centre and networking the computers will enable staff to use an internal email domain (name@ird.gov.mm), share documents and communicate electronically. The implementation of the new core IT system (ITAS) will provide the platform for registration, processing, accounting, and case work.

The outcomes expected by 2022 are as follows:

- Integrated tax administration system operating in key sites headquarters, Yangon, and Mandalay; and
- New and updated e-services: IRD intranet and email domain, website, telephone services, e-file and e-pay mandated for large and medium taxpayers.

System of Self-Assessment

A key feature of modern tax administrations is the shift to self-assessment. IRD commenced this with its LTO and is in the process of expanding this to the first of its MTOs. A future VAT will depend on its ability to manage a system of self-assessment couple with a good information technology system.

The outcomes expected by 2022 are as follows:

- self-assessment taxpayers account for 80-90 percent of revenue collection; and
- more public information material is available in a variety of media (brochures and website).

3.5.4. Custom Reform and Modernisation Strategy 2017/21

Custom Reform and Modernisation Strategy (CRMS) is intended to guide the MCD towards fulfilling its vision and mission, and thus to contribute to Government outcomes. CRMS promotes the progressive development of organisational capability in all the functions for which the Department is responsible, supported by the modernisation of systems, resources, and working practices. This will be achieved through a well-trained, flexible workforce that meets the highest standards of integrity and public service. CRMS reflects the reform objectives of the GOUM and is aligned with all relevant legislative frameworks.

Both the strategy and the strategic action plan will enable the MCD to:

- enhance revenue collection, and prevent evasion and loss of revenue, by implementing effective fiscal control measures on the one hand, whilst introducing a range of measures to facilitate trade on the other;
- protect society and the environment by implementing effective control measures to prevent smuggling of prohibited and restricted goods;
- modernise and standardise Customs procedures to bring them in line with international standards and best practices;
- collect data for compilation of statistics on foreign trade;
- co-operate with other customs administrations and law enforcement agencies; and
- promote public trust by enhancing the integrity of Customs personnel.

Table 43 below sets out the focus areas and strategic objectives of the CRMS:

Table 43: Focus areas and strategic objectives of the CRMS

No.	Focus areas	Strategic objectives
1	Implementation of modern international customs practices	<ul style="list-style-type: none"> - Achieve compliance with the Standards of the Revised Kyoto Convention; - Introduce an authorised economic operator scheme; - Introduce a post clearance audit; - To develop and apply a comprehensive and coherent system of risk management in all areas of customs control; - To introduce an effective system of prevention, deterrence, investigation and enforcement; - To implement controls over the value of imported goods which are fully and consistently compliant with the World Trade Organization's Valuation Agreement; - To meet the customs standards in the WTO Trade Facilitation Agreement; and - To develop and introduce a modern system of customs warehousing.
2	Establishment of a Modern IT Environment	<ul style="list-style-type: none"> - Establish, Staffs and Equip a New IT Division within the Department; - Continue the Rollout of MACCS and MCIS; - Contribute to the Development of a National Single Window; - Upgrade the Myanmar Customs Department Website; - Develop and Introduce a range of New IT Systems and Applications; and - Develop a Myanmar Customs Intranet.
3	Reforming the Organisation, and Developing its Human Resources	<ul style="list-style-type: none"> - To introduce and progressively allocate staff to a new organisation structure; - To develop and introduce Human Resource Management (HRM) Systems and Procedures which win support the implementation of the strategy and organisation structure; and - To develop and introduce Human Resource Development (HRD) Systems and Procedures which will support the implementation of the strategy and organisation structure.
4	Creating and Nurturing Effective Partnerships	<ul style="list-style-type: none"> - To develop effective relationship with the private sector; - To develop effective cooperation arrangements with Other Government Departments and Customs Administrations.

3.5.5. Myanmar Sustainable Development Plan

The draft of Myanmar Sustainable Development Plan (MSDP) has been issued in February 2018. MSDP is conceived as an overarching national development policy framework for the Government that localizes the global SDG agenda along with Myanmar's other regional and global commitments. It is also strategically linked to the development of general project screening and prioritization framework for national development projects under the rubric of the new initiative known as Public Investment Program (PIP).

MSDP is founded upon the objective of giving coherence to the policies and institutions necessary to achieve genuine, inclusive and transformational economic growth. The product of the work of multiple agencies and individuals in Myanmar, and the active consultation of a myriad of stakeholders.

MoPF will serve as the focal entity responsible for overseeing implementation of the MSDP, and for housing the MSDP Implementation Unit (MSDP-IU), which shall oversee the creation of necessary implementation structures, coordination frameworks and monitoring mechanisms.

The MSDP sets out an action plan for improving land governance and sustainably managing resource-based industries. Speeding up the compliance with the EITI requirements was defined as one of the actions to be implemented.

Myanmar Development Assistant Policy (MDAP), which is available online - Ministry of Information (MOI) web portal, has been prepared by the Development Assistance Coordination Unit together with the Foreign Economic Relations Department of MOPF. MDAP is the policy to implement the Sustainable Developments Goals, which are stated in the MSDP.

3.6. Fiscal Devolution

Under the current system, as Union government spending is recorded in the budget by sector ministry rather than by location, the total levels of Union government expenditure in each state or region are not available.¹

State and regional Governments in Myanmar were created by the 2008 Constitution and set up in March 2011. Myanmar today comprises seven states and seven regions, five self-administered zones, one self-administered division, and Nay Pyi Taw as a Union territory. State and regional Governments are led by chief ministers who are appointed by the President from among members of the state/region Hluttaw (parliament).

Under the 2008 Constitution, state and regional Governments are empowered to enact laws and collect taxes from the extractive sector, but only for marginally significant types of operation. In each state or region, there is a unicameral Hluttaw (with two elected members per township, and 25% of the parliament sourced from the Defense Services), as well a Chief Minister and a Cabinet. The Chief Minister is selected by the President and confirmed by the Hluttaw. The sub-national Hluttaw is entitled to set its own budgets (under Article 252), based on the threshold set by the annual Union budget.

Below regions and states there are several layers of subnational authorities, including districts, townships, towns, villages and urban wards. These lower layers of administration have vague mandates and are controlled by the central government's General Administration Department (GAD) of the Ministry of Home Affairs (MOHA).²

¹ The deconcentrated channel of funds for states and region departments of union ministries are not presented in national budget documents; the parent union ministry is the primary budget unit, and there is not currently a secondary budget classification that clearly breaks out state/region spending at union level. Together, these factors mean that it is currently very difficult to answer the most basic question about fiscal decentralization: how much of Myanmar's public spending is decentralized, and to what levels? (Nixon and Joelene, 2014).

² World Bank (2015) Myanmar Public Expenditure Review 2015. World Bank Group, September 2015.

Under the 2008 Constitution, subnational involvement in natural resource management and revenue collection is limited. The legislative areas and administrative responsibilities of state and region Governments are listed in Schedule Two of the 2008 Constitution.

Schedule Five of the 2008 Constitution stipulates the taxes collected by states and regions. These include taxes on allowed timber species and forest products collected by the FD.

State and regional Governments may levy excise taxes, land taxes, water taxes, road tolls and taxes, and royalties on fisheries. They may also sell or lease state or regional government property and make profits on state or regional government-owned enterprises.

Self-administered zones and divisions function differently according to Schedule Three of the 2008 Constitution. Revenues for self-administered zones and division are drawn from Union, regional and state budgets.

In addition to the formal decentralization process initiated by the 2008 Constitution, since 2011 the GOUM has undertaken several reforms in the direction of fiscal decentralization. For instance, state and regional budgets for public services and development projects have increased substantially. In FY 2013/14, the Union allocated 3.4 percent of the national budget to state and region loans and grants. The budgeted amount increased to 7.6 percent of the budget in the FY 2014/15 and 8.7 percent of the budget, or MMK 1.8 trillion, in FY 2015/16.¹

Natural resource-related payments to Union ministries or the IRD are not generally reported to the MoPF according to their region of derivation. A company, for example, would pay profit tax from its company headquarters to the township officer of the IRD, not at the site of resource extraction.

Actually, the transfers made to the regions are not based on a revenue sharing formula. The only exception to this principle has been the 5% of fiscal transfers allocated to 'development funds' which are divided on the basis of poverty incidence rates.²

3.7. Revenues Collection

3.7.1. Public financial management

The Assembly of the Union (Parliament) and the Union Government are the main entities that oversee the management of the state financial system. The GOUM prepares the projection of revenues and expenditures in the annual budget proposal and presents it to Parliament.

According to the UBL, the national budget revenue consists of tax and non-tax revenues. Non-tax revenues include:

- Receipts from the State-owned Economic Organisations;
- Current receipts;
- Interest receipts;
- Grant receipt;
- Capital receipts;
- Receipts from foreign aids;
- Receipts from investment in organisations; and
- Receipts from saving.

In Myanmar, there is no single system for public financial management (PFM). Instead, Government Agencies and institutions each maintain separate systems, generating redundancy. For example, there is no internal audit system in most ministries, meaning that in many cases there is no way to verify compliance of applied process and transaction. Subnational Governments are not informed of the size of fiscal transfers in a timely manner, meaning they cannot plan their budgets.

¹ <https://www.mmtimes.com/national-news/13864-u-thein-sein-govt-s-last-budget-approved.html>

² <https://asiafoundation.org/publication/local-development-funds-in-myanmar/>

According to the World Bank's Public Expenditure and Financial Accountability (PEFA) assessment and the International Budget Partnership's Open Budget Survey, Myanmar's budgeting process has traditionally been one of the World's most opaque. Basic information regarding revenues and expenditures, debt stocks, financial assets and budget outcomes has not been disclosed to the public. Audits and contracts on large capital projects have generally remained secret.

The ongoing Modernization of Public Financial Management project supported by the World Bank and the Australian and UK Governments is working to address many of these issues. Among the initiatives underway are:

- Establishing a Large Taxpayers' Office;
- Implementing a medium-term fiscal framework that includes the subnational level;
- Establishing a single computerized financial management system to store and organise information;
- Establishing common procurement rules and practices;
- Establishing a Public Account Committee Office to undertake independent analysis of the budget; and
- Enhancing the capacity of OAG.

3.7.2. Revenues collection

Currently, Myanmar employs a range of tax instruments. The most important are the Commercial Tax and the Income Tax. Together, these instruments generated around 95% of total tax revenues.

Some of the revenues from forestry sector are passed on to the Union Government and some are retained by MTE as shown in graphic below.

MTE contributes to the Union's budget through two main fiscal instruments. The first is the profit tax applicable to all enterprises (both public and private) at a 25% rate. The second instrument is a form of Union Dividend, consisting in a direct transfer of 20% of its profit to the Government budget. The remaining share is either used to self-finance investment or is transferred to the Union.

a. Revenues Collected by Regions or States

According to article 254 (a) of the Constitution of the Republic of the Union of Myanmar, 2008, the Region or State shall collect the taxes and revenues listed in schedule five in accordance with the law and deposit them in the Region or State fund.¹

The Region or State has the right to expend the Region or State fund in accordance with the law.

The list of taxes collected by regions or States as stated in schedule five is detailed in Annex 15 to this Report.

b. Revenues Collected by the Union

According to article 231 of the Constitution, the Union shall, with the exception of the taxes and revenues listed in schedule five to be collected by Regions or States, collect all other taxes and revenues in accord with the law and deposit them in the Union Fund.

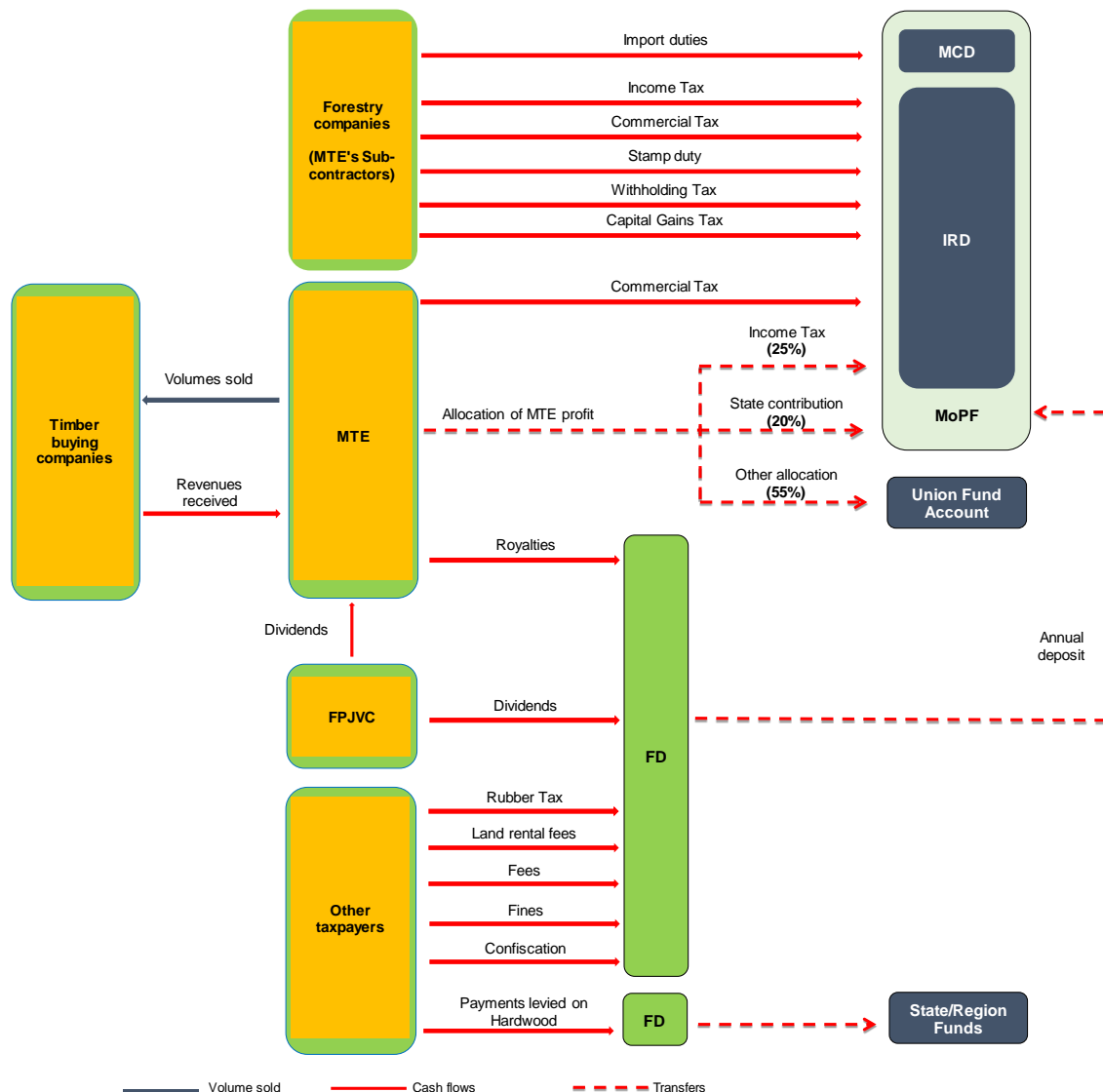
The Union has the right to expend the Union Fund in accordance with the law.

Pursuant to the notification n°17/2013 from MONREC dated on 14 February 2013, some revenue levied for Teak and Hardwood total are to be deposited in the Union Fund while others will be deposited in the State/Region Funds starting from 1 April 2013.

¹ Source: http://www.burmalibrary.org/docs5/Myanmar_Constitution-2008-en.pdf.

Figure 15 below sets out the revenues flow chart from the forestry sector.

Figure 15: Revenue flow chart



3.7.3. Revenues allocation

In the diagrams above, the Budget and Treasury Departments within MoPF coordinate the receipt of information on the types on tax and non-taxes received from MTE and its sub-contractors.

Meanwhile, IRD and MCD within MoPF collect taxes such as income tax (including withholding taxes), commercial tax, capital gains tax, stamp duties and customs duties either in local or foreign currency.

MTE is required to submit reports about their revenue sources and expenditure in cash and in kind at the time of the budget review on an annual basis.

Forestry revenue payments in cash are transferred by the taxpayer or the contractually responsible entity to the Myanmar Economic Bank (MEB) when the payment is in national currency and to the Myanmar Foreign Trade Bank (MFTB) when it is in foreign currency. Both MEB and MFTB are state owned commercial banks and are controlled by the Central Bank of Myanmar as well as by the MoPF through its reporting line process.

Allocation of SOE other accounts

According to the EITI data, over 62% of forestry revenues, are collected by MTE through “Other Accounts”.

Pursuant to the notification No. 547/2012 of MoPF, SEE has been allowed to open SEE Accounts and Other Accounts (OA). It was mainly based on two policies. One policy is to operate their business activities more commercially and the other is to be stand financially on their own. These policies were established and implemented so that SEEs will act more commercially in line with the market economic system and not be a financial burden on the State. It differs in the fact that SEE account has strict regulations for transactions and SEE OA can facilitate transactions quickly.

The SEE OA is opened at MEB and it should include all the incomes including the revenues generated and all the incurred expenditures.

We understand that all expenditures debited on the SEE OA are submitted to the prior approval of the Union Government to Pyidaungsu Hluttaw (Union Parliament). If SEEs need modifying their expenditures estimates as required by their operations, they can make modifications after submitting them with the agreement of the Union Government to Pyidaungsu Hluttaw (Union Parliament) for approval. We also understand that SEEs OA are used under the supervision of the MoPF.

After paying income tax according to the Income Tax Law, State contribution, the remaining balance of SEE OA can be carried forward to the next FY. If SEEs have surplus and if they want to make these funds as financial investment, they can only invest in Treasury Bills. But they can only invest after they have already paid in full the working capital or any revolving funds borrowed from MEB, State contribution and taxes. An Economic Enterprise cannot lend the funds to another.

According to the MoPF, SEEs OA are part of the Union Fund and therefore are part of the Union Budget. Thus, SEEs OA are consolidated with the budget accounts and are used for the budget deficit financing which means that OA surplus are in fact spent for SEEs as well as the expenditures of non-revenue making ministries such as Education, Health and Sport, Social Welfare, Relief and Resettlement.

3.8. Beneficial Ownership

3.8.1. Legal and regulatory framework governing companies

According to the 2017 Myanmar Companies Law S1.c (xxii) “**ownership interest**” means a legal, equitable or prescribed interest in a company which may arise through means including:

- a direct shareholding in the company;
- a direct or indirect shareholding in another company which itself holds a direct shareholding, or an indirect shareholding, in the first company; or
- through an agreement which provides the holder with a direct or indirect right to exercise control over the voting rights which may be cast on any resolution of the company.

The reference to ‘ownership interest’ is mentioned in the important definition of “foreign company” (S1.c (xiv) which ‘means a company incorporated in the Union in which an overseas corporation or other foreign person (or combination of them) owns or controls, directly or indirectly, an ownership interest of more than thirty-five per cent’. It is also referenced in 83.c.2 concerning transfer requirements.

Furthermore, Myanmar’s 2014 Anti-Money Laundering Law sets out the following relevant definitions:

- Article 3 (j) defines: “**Beneficial owner**” as “a person who principally owns or controls a customer or delegates to conduct transaction with other person on his behalf. In this expression, a person who exercises effective control over any company or arrangement;”
- Article 3 (l) defines: “**Domestic and foreign politically exposed person**” as “a person who is prominent or has been entrusted with public functions within the country or in any foreign country and family members or close associates of such persons.”

- Article 3 (m) defines “**international politically exposed person**” as “a director, a deputy director, a member of the board of directors and a senior member of an international organization, a member who has the similar position or a person who has been entrusted with such function and family members or close associates of such persons.”

3.8.2. Beneficial ownership in Myanmar’s legal and regulatory framework

a. Disclosure requirements for private companies

The definition of “beneficial ownership” should not necessarily be linked to share ownership. Owning more than a certain percentage of shares certainly gives a meaningful indication of beneficial ownership. However, in identifying the real beneficial owner, the focus should also be on contractual and informal arrangements.

The notion of control or beneficial ownership has not been treated by the Companies Legislation and there is no requirement to disclose information about the ultimate beneficial owners.

b. Disclosure requirements for companies

There are no obligations or restrictions on the disclosure of beneficial ownership information by the Government, SEE and private companies under the forestry legislation. MONREC and companies do not currently disclose such information publicly.

It should be noted that beneficial ownership details can be fairly sensitive information for private companies to disclose, and the forestry industry in Myanmar is dominated by smaller privately-owned companies with limited experience in transparency standards.

c. Disclosure requirements for Government officials

Currently, there are no specific rules for government officials to disclose their interests, incomes or assets in/from the forestry sector.

According to the 2013 Anti-Corruption Law and subsequent amendments in 2018, as well as the 2015 Anti-Corruption Rules (Rule 37 onwards), which are under revision, the Commission shall determine the level of ‘**competent authorities**’ who must file details of their assets with the Anti-Corruption Commission (competent authorities means senior office-holders).

3.8.3. Proposed Definition of Beneficial Ownership

Based on the review of Myanmar’s legal framework which does not include provisions relating to the beneficial ownership definition or disclosure and considering EITI Requirement 2.5, MSG has agreed on the following definition of Beneficial Ownership:

Proposal for a definition of beneficial ownership

A beneficial owner is a natural person(s) who, directly or indirectly, ultimately owns or controls a public or private company or corporate entity. A person is automatically considered to be a beneficial owner if they own or control **5%** or more of the public or private company or corporate entity.

- the individual holds, directly or indirectly, **5%** and above of the shares within reporting period in the public or private company or corporate entity.
- the individual holds, directly or indirectly, **5%** and above within reporting period of the voting rights in the public or private company or corporate entity. Voting rights held by the public or private company or corporate entity, itself are disregarded for this purpose.
- the individual holds, directly or indirectly, the voting rights in the public or private company or corporate entity. Voting rights held by the public or private company or corporate entity, itself are disregarded for this purpose.
- the individual holds the right, directly or indirectly, to appoint or remove a majority of the board of directors of the public or private company or corporate entity.
- the individual has the right to exercise, or actually exercises, significant influence or control over the public or private company or corporate entity.

Reference to “ultimately owns or controls” refer to situations in which ownership/control is exercised through a chain of ownership or by means of control other than direct control. This definition should also apply to a beneficiary under a life or other investment.”

MSG has agreed on the following definition of Politically Exposed Persons (PEPs):

Politically Exposed Persons (PEPs)

PEPs are defined as individuals belong to one of the following categories:

- **Domestic PEPs:** individuals who are or have been entrusted domestically with prominent public functions, for example, Cabinet Members at Union level & State and regional level, Members of Parliament both Union level and state and regional level, senior government (Deputy Ministers, Permanent secretaries, DGs, DDGs, Directors, Auditor General, Central Bank, etc..) , judicial or military officials including Ethnic Armed Organisations' senior leaders and officials, senior executives of state owned corporations, important political party central committee members and key influencers.
- **Foreign PEPs:** individuals who are or have been entrusted with prominent public functions by a foreign country, for example Heads of State or of government, senior politicians, senior government Officials, judicial or military officials, senior executives of state-owned corporations, important political party officials and diplomats.
- **International organisation PEPs:** persons who are or have been entrusted with a prominent function by an international organisation, refers to members of senior management or individuals who have been entrusted with equivalent functions, i.e. directors, deputy directors and members of the board or equivalent functions, International Financial institution's leaders and senior staffs.

PEPs shall also be defined to include:

- **Family members** who are related to a PEP in one of the categories above either directly (consanguinity) or through marriage or similar (civil) forms of partnership, to the second degree of relation.
- **Close associates** who are closely connected to a PEP in one of the categories above, either socially or professionally.

As the country moves towards compliance for this EITI requirement, a roadmap was developed by the MSG that would address the definition of beneficial ownership and the threshold or percentage of ownership to be considered material. Details of the roadmap can be found in the following link: https://eiti.org/sites/default/files/documents/bo_roadmap_-_myanmar.pdf.

3.8.4. Beneficial ownership declaration

According to the above proposed definition, the companies selected for reporting information on their beneficial ownership were required to submit a beneficial ownership declaration. Accordingly, the following information should be made available:

- **Name of beneficial owner.** full name(s) of the company's beneficial owner(s) and information on their identity (ies) including:
 - **Name of any politically exposed person**, where any owner is also a 'politically involved person', this should be mentioned.
 - **Identifying details.** Additional details are required in order to narrow down a beneficial owner to one individual.
- **Contact.** Means of contacting the beneficial owner such as business address.
- **Means of control.** A description of how the beneficial owner and any politically engaged persons exercise control over the company. If there is a chain of companies between the beneficial owner and the natural resource asset, for example, this would mean the name of every company within the chain. In some cases, there may be an additional link, such as a private agreement between the beneficial owner and the owner of the last company in the chain, in which case this additional link should also be declared. Third parties should then be in a position to verify some, if not all, information declared in the shareholder registers.
- **Signed statement of accuracy:** a senior official from the company should sign a statement to confirm that the information provided is accurate.

All the selected companies have submitted their beneficial ownership declaration. No Politically Exposed Persons (PEPs) were disclosed.

3.9. Audit and Assurance Practices

3.9.1. Private companies

Under the Myanmar Companies Act (MCA), companies must keep proper books of accounts at their registered office. Financial statements must be prepared in accordance with Myanmar Accounting Standards (MAS).

Accounting practices in Myanmar have been historically based on British accounting standards and Generally Accepted Accounting Principles (GAAPs). For several years, Myanmar adopted International Accounting Standards (IAS) for reporting purposes, while the Myanmar Accountancy Council (MAC), through the Myanmar Institute of Certified Accountants (MICPA) has adopted the majority of International Accounting Standards that existed in 2003 and 2004. In 2010, MAC withdrew all thirty International Accounting Standards and replaced them with twenty-nine new Myanmar Accounting Standards and eight new Myanmar Financial Reporting Standards (MFRS) that were identical to the 2010 International Financial Reporting Standards (IFRS). Such standards were published in the Official Gazette and became effective on 4 January 2011.

The Yangon Stock Exchange (YSX) was established under Chapter 8 of the 2015 Securities Exchange Rules and is supervised by the Securities and Exchange Commission of Myanmar (SECM). It was launched in March 2016 as a partnership between Japanese investment bank Daiwa Securities Group and majority-owner Myanmar Economic Bank (MEB). Yangon Stock Exchange.

Five companies are currently listed on YSX, none of them directly involved in the forestry sector (First Myanmar Investment Co, Myanmar Thilawa SEZ Holdings Public Ltd, Myanmar Citizens Bank Ltd, First Private Bank Ltd, TMH Telecom Public Co Ltd). However a company linked to TMH Telecom Public Co Ltd, and sharing directors, Tar Moe Ngel Chantha, is a subcontractor for MTE (see Annex 8).

Additionally, the SECM is responsible for oversight of 'public companies' which are able to trade shares 'over the counter' OTC, and to whom disclosure requirements also apply.

According to Pwint Thit Sa 2018 report published by MCRB¹, most public companies are failing to meet their legal requirements.

Public companies and financial institutions are required to apply MFRS (which are a word-for-word equivalent of IFRS). Small and Medium Enterprises (SMEs) must apply MFRS for SMEs (word-for-word equivalent of IFRS for SMEs).

The tax assessment year runs from 1 April to 31 March. This is mandatory even for branches of foreign companies which may have a different financial year-end.

MCA requires companies to appoint an auditor and companies are required to submit audited financial statements to the tax authorities annually by 30 June.

Following the enactment of the new MCL, the requirements of Financial Reports and Audit are prescribed in Division 24 of the Law. The requirement of Repeal of certain existing Regulations and continued effect of others is prescribed in Article 471,472 of the Law.

The companies selected in the EITI reconciliation scope were asked to confirm whether their financial statements for the FY 2015/16 had been audited. Details on the confirmations received can be found in Annexes 16 and 17 to this Report.

3.9.2. Public sector and SEEs

In Myanmar there is an oversight body – Office of the Auditor General of the Union (OAGM) – the supreme audit institution of Myanmar, which is accountable to the President and the Parliament

¹ http://www.myanmar-responsiblebusiness.org/pdf/TiME/2018-Pwint-Thit-Sa_en.pdf

simultaneously. This body carries out controls over the execution of the State's budget and payment of taxes and other mandatory payments, including payments from SEEs and partners.

OAGM was set up under the 2008 Constitution as an independent agency, for the appointment of the Auditor General. This was made by the President with the approval of the Parliament.

OAGM performs audits consistent with Generally Accepted Auditing standards comparable with International Standards of Supreme Audit Institution (ISSAIs).

According to OAGM, the annual audit includes all tax and non-tax payments made by all partners to the extractive industries sector project. Other Accounts, held by the SEEs, are state fund accounts that are audited by the OAGM, as are all the state accounts held at MEB.

We received MTE audit reports for the period from April to September 2014 and from October 2014 to March 2015.

However, we note that these audit reports are not publicly available.

Union Auditor General has the authority to audit Government ministries, SEEs and to give their opinion on the appointment of their Joint Venture auditors. According to the amendment of Union Auditor General Law (2018), the Union Auditor General has a duty to audit, if necessary:

- the books and records of the government and joint ventures which benefited from utilisation of state-owned water, land, air and resources through different types of contracts and procedures (Sub-section V of Section 11); and
- the books and records of the State and Region governments and joint ventures which benefited from utilisation of state-owned water, land, air and resources through different types of contracts and procedures (Sub-section H of Section 25).

The Union Auditor General also has a duty to re audit the accounts of private companies which have been already audited by a certified public accountant and practising accountant relating to taxes and revenues to be paid to the Union if necessary, but currently lacks the resources to do so. OAG's effectiveness and capacity to hold government ministries, SEEs and the Parliament to account has yet to be determined, and its reports are not disclosed to the public.

OAGM submits report on Audit findings to the President of the Union of Myanmar and Pyidaungsu Hluttaw (Union Parliament) simultaneously. However, there are no penalties for delayed submissions.

The Union Auditor General is also Chairman of the Myanmar Accountancy Council which deals with accounting standards in Myanmar. Accounting standards have been developed for the commercial sector which is also applicable to SEEs in the "commercial" form of their accounts.

Government departments maintain their accounting system on cash basis and SEEs maintain their accounting system in accrual basis, however, the current form of the financial statements does not fully reflect the IPSAS requirements.

4. DETERMINATION OF THE RECONCILIATION SCOPE

The payment flows to be included in the reconciliation and the Government Agencies and companies which were required to report were determined by MSG based on the scoping study we performed before the reconciliation exercise.

4.1. Selection of Payment Flows

4.1.1. MTE

MSG agreed to reconcile all payments made by MTE during the FY 2015/16.

4.1.2. Companies

MSG agreed to include companies which paid taxes of more than MMK 100 million with individual revenue streams above MMK 20 million in the reconciliation scope for the FY 2015/16.

All sub-contractors paying taxes not exceeding MMK 100 million and all individual revenues streams not exceeding MMK 20 million were considered in the 2015/16 EITI Report through unilateral disclosure from Government Agencies.

According to the above, seven revenues streams were included in the 2015/16 reconciliation scope detailed by taxpayer as follows:

No.	Revenue stream	Paid by		
		MTE	Sub-contractors	FPJVC
1	Royalty	✓		
2	Commercial tax	✓	✓	
3	Income tax	✓	✓	
4	State contribution	✓		
5	Other accounts	✓		
6	Customs duties		✓	
7	Dividends			✓

The description of each payment flow detailed as follows, are set out in Annex 18 to this Report.

4.1.3. Other consideration

To avoid omissions that may be considered significant, a line entitled "Other significant payments flows" has been included in the RT for companies to report any significant payment not already included in the scope which is above MMK 20 million.

4.1.4. Production data

MSG decided to reconcile the production data. Both MTE and its sub-contractors were requested to report quantities of timber logged during FY 2015/16.

4.1.5. Sale of the State's Share of production

For the sale of the State's Share of production, MSG decided to disclose the revenues received by MTE without reconciling with the trading companies.

The latter was requested to report details of timber sales during FY 2015/16 including the breakdown by:

- product type,
- buying company,
- volume,
- price, and
- market.

4.1.6. Transfers from MTE to the MoPF

Following MSG's decision, the revenue streams selected in the reconciliation scope include all transfers made or reported by MTE and revenues received by or reported to the Government Agencies during the FY 2015/16, accordingly the payments below have been selected in the reconciliation scope:

N° Transfers from MTE	
Transfers to budget accounts	
1	Income Tax (IT)
2	Commercial Tax
3	Customs duties
4	Withholding tax
5	Royalties
6	State contribution
7	Other material transfers (> MMK 20 million)
Other accounts - MTE Other Accounts	
8	Transfers to MTE Other Accounts

4.2. Selection of Companies

In addition to the payment criteria, MSG agreed to include companies producing 10,000 Hoppus Tons of timber or more in the reconciliation scope regardless their payments made during FY 2015/16.

4.2.1. Results of the agreed approach

Based on the agreed approach, seventeen companies were included in the reconciliation scope and formed part of the reconciliation exercise for the EITI Report for FY 2015/16. These companies are presented as follows:

No.	Name
Selected based on payments > MMK 100 million and production > 10,000 Hoppus Tons	
1	Myanma Timber Enterprise (MTE)
2	Myat Noe Thu Co., Ltd.
3	FPJVC
4	Nature Timber Trading Co., Ltd.
5	Pacific Timber Enterprise Company Ltd.
6	Lucre Wood Company Ltd.
7	Kaung Myat Company Ltd.
8	Tin Myint Yee Trading Company Ltd.
9	Green Hardwood Enterprise Ltd.
Selected based on payments > MMK 100 million	
10	Wood World Trading Enterprise Ltd.
11	Golden Flower Company Ltd.
12	Manaw Phyu Company Ltd.
Selected based on production > 10,000 Hoppus Tons	
13	Htun Myat Aung Company Ltd.
14	Tin Win Tun International Trading Company Ltd.
15	Myanmar Rice Trading Co., Ltd.
16	Global Star Co., Ltd.
17	Century Dragon Ltd.

4.2.2. Companies below the materiality threshold

Based on the agreed approach, sixteen companies were included in the EITI Report through unilateral disclosure by Government Agencies in FY 2015/16. Individual payments made by these companies are presented in Annex 19 to this Report. IRD did not identify any payments made by other sub-contractors.

4.3. Selection of Government Agencies

Based on the proposed approach of companies and payments flows selected for 2015/16 EITI Report, **5** Government Agencies and **1** SEE were required to report the revenues collected from forestry sector as follows:

No.	Name
State Economic Enterprise (SEE)	
1	Myanma Timber Enterprise (MTE)
Government Agencies	
2	Forest Department (FD)
3	Internal Revenue Department (IRD)
4	Treasury Department (TD)
5	Budget Department (BD)
6	Myanmar Customs Department (MCD)

4.4. Fiscal Year

The period covered by the second EITI Report for Myanmar is the FY 2015/16. Therefore, payment flows made between 1 April 2015 and 31 March 2016 should be reported by companies and Government Agencies in the 2015/16 EITI Report.

The dates to be considered are those mentioned on the flag receipts or the dates of the cheques/bank transfers.

4.5. Level of Disaggregation

MSG agreed that RTs and the data are submitted:

- by company;
- by Government Agency; or SEE for each company selected in the reconciliation scope; and
- by tax and by type of payment flows as detailed in the RT.

For each payment flow reported, companies and Government Agencies should produce details by receipt payment, by date and by beneficiary.

The companies were also requested to provide:

- information on their beneficial ownership; and
- the audited financial statements for FY 2015/16.

All data and the level of detail that would be required as part of the reconciliation period are presented in Annex 5 to this Report.

4.6. Other Considerations

4.6.1. Revenue levied on Hardwood in State/Region Funds

We understand that some payments levied on hardwood were paid to state/region funds during FY 2015/16. As those payments were not material, MSG decided to consider them in the EITI Report through unilateral disclosure.

These payments are detailed by state/region in Annex 20 to this Report.

4.6.2. Companies operating in both forestry and non-forestry activities

During the scoping phase we have identified some companies making material payments to IRD despite their relatively low volume of production.

We understand that these companies operate in both forestry and non-forestry activities, and as a result their payments are not related exclusively to the extractive sector.

MSG has decided to include these payments in the reconciliation scope.

4.6.3. Sub-national payments

Based on the information collected and meetings held with Government focal points no revenue stream was paid by companies directly to subnational Government Agencies (EITI Requirement 4.6).

As a result, sub-national payments are not applicable in the context of forestry sector in Myanmar.

4.6.4. Sub-national transfer

We understand that 5% of income tax are transferred to the regional states.

MSG agreed to reconcile this sub-national transfer (EITI Requirement 5.2).

We were informed on 6 March 2018, that the 5% of income tax transferred by IRD to the fund of Township Development Council¹ related to income taxes paid by individuals only, hence falling outside the reconciliation scope.

4.6.5. Social expenditures

Based on the information received and meetings held with Government focal points no social expenditure was made by companies (EITI Requirement 6.1).

As a result, social expenditure is not applicable in the context of the forestry sector in Myanmar.

4.6.6. Infrastructure provisions and barter arrangements

Based on the data collected and meetings held with Government focal points, no infrastructure provisions and barter arrangements (including loans, grants and infrastructure works) took place or were ongoing during the FY 2015/16 (EITI Requirement 4.3).

As a result, infrastructure provisions and barter arrangements are not applicable in the context of the forestry sector in Myanmar.

4.6.7. Quasi fiscal expenditures

Quasi-fiscal expenditure includes arrangements whereby SEE(s) undertake public social expenditure such as payments for social services, public infrastructure, fuel subsidies and national debt servicing, etc. outside of the national budgetary process (EITI Requirement 6.2).

The MSG decided that MTE discloses unilaterally any quasi fiscal expenditure made during FY 2015/16 despite the fact no such expenditures appear as per its Consolidated Income Statement.

¹ Source: Income Tax Law, Article 59, Notification No. (49/2012), Nay Pyi Taw, dated on 22 June 2012.

5. RECONCILIATION RESULTS

We present below detailed results of the reconciliation exercise, as well as differences noted between amounts paid by companies and amounts received by Government Agencies. We have highlighted the amounts initially reported and the adjustments made following our reconciliation work, as well as the final amounts and unreconciled differences.

Individual reconciliation sheets are presented in Annex 21 to this Report.

5.1. Payments of Companies

5.1.1. Cash flows reconciliation by company

The table below summarises the differences between the payments reported by companies and receipts reported by Government Agencies.

Table 44: Reconciliation results by company (FY 2015/16)

in MMK million

N°	Company	Per Company			Per Government			Final difference	
		Original	Adjust	Final	Original	Adjust	Final	Amount	%
1	Golden Flower	1,233.57	0.00	1,233.57	1,232.14	0.00	1,232.14	1.44	0.12%
2	Myat Noe Thu	266.04	569.69	835.73	835.28	0.45	835.73	0.00	0.00%
3	FPJVC	1,152.22	-547.49	604.73	593.68	11.05	604.73	0.00	0.00%
4	Nature Timber	459.73	0.00	459.73	350.07	109.66	459.73	0.00	0.00%
5	Green Hardwood	39.44	333.41	372.85	365.33	7.52	372.85	0.00	0.00%
6	Tin Myint Yee	772.16	-404.01	368.15	30.21	337.94	368.15	0.00	0.00%
7	Kaung Myat	189.63	33.38	223.01	287.96	9.62	297.59	-74.57	-25.06%
8	Tin Win Tun	195.79	0.00	195.79	195.79	0.00	195.79	0.00	0.00%
9	Pacific Timber	180.87	0.00	180.87	180.87	0.00	180.87	0.00	0.00%
10	Lucre Wood	214.16	-103.38	110.78	94.62	16.16	110.78	0.00	0.00%
11	Myanmar Rice	102.92	1.81	104.73	0.00	104.73	104.73	0.00	0.00%
12	Manaw Phyu	98.94	0.00	98.94	98.56	0.00	98.56	0.38	0.38%
13	Global Star	52.61	30.00	82.61	82.70	-0.09	82.61	0.00	0.00%
14	Century Dragon	23.57	32.07	55.65	71.17	-15.52	55.65	0.00	0.00%
15	Wood World	31.61	0.00	31.61	31.61	0.00	31.61	0.00	0.00%
16	Htun Myat Aung	50.89	-27.29	23.60	0.00	23.60	23.60	0.00	0.00%
Payments made by companies		5,064.16	-81.80	4,982.36	4,450.00	605.11	5,055.11	-72.76	-1.44%
Payments made by MTE		149,024.61	56,039.59	205,064.21	208,723.52	65.76	208,789.27	-3,725.06	-1.78%
Total payments		154,088.77	55,957.79	210,046.56	213,173.52	670.87	213,844.38	-3,797.82	-1.78%

Source: EITI Data reported by forestry companies and Government Agencies after reconciliation adjustments.

5.1.2. Cash flows reconciliation by revenue stream

The table below shows the total payments reported by companies and Government Agencies, taking into account all adjustments and detailed by revenue stream:

Table 45: Reconciliation results by Revenue stream (FY 2015/16)

in MMK million

N°	Revenue stream	Per Company			Per Government			Final difference	
		Original	Adjust	Final	Original	Adjust	Final	Amount	%
1	Income Tax	3,394.20	67.20	3,461.40	2,937.57	523.00	3,460.57	0.83	0.02%
2	Commercial Tax	1,513.55	-178.01	1,335.54	1,246.20	88.36	1,334.56	0.99	0.07%
3	Customs Duties	5.78	33.38	39.16	119.98	-6.25	113.73	-74.57	-65.57%
4	Dividends	150.63	-4.38	146.25	146.25	0.00	146.25	0.00	0.00%
	Payments made by companies	5,064.16	-81.80	4,982.36	4,450.00	605.11	5,055.11	-72.76	-1.44%
5	Income Tax	57,550.81	54,968.89	112,519.70	112,602.09	-82.39	112,519.70	0.00	0.00%
6	Commercial Tax	87,313.99	1,070.70	88,384.70	92,100.75	0.00	92,100.75	-3,716.05	-4.03%
7	Royalties	4,159.81	-0.00	4,159.81	4,020.68	148.15	4,168.82	-9.01	-0.22%
	Payments made by MTE	149,024.61	56,039.59	205,064.21	208,723.52	65.76	208,789.27	-3,725.06	-1.78%
	Total payments	154,088.77	55,957.79	210,046.56	213,173.52	670.87	213,844.38	-3,797.82	-1.78%

Source: EITI Data reported by forestry companies and Government Agencies after reconciliation adjustments.

5.1.3. Unreconciled discrepancies

a. Companies

Following adjustments made (see Annex 6 to this Report), the total unreconciled discrepancies amounted to MMK 72,755,868 representing (1.44%) of total payments reported by Government Agencies. This is the sum of positive differences of MMK 1,816,704 and negative differences amounting to MMK (74,572,572). All these unreconciled differences are below a materiality threshold of MMK 8 million set for the reconciliation work as described in the Section 2.3.2 above, except for Kaung Myat Company Limited.

b. MTE

This difference comes from MTE and related essentially to commercial tax. In fact, MTE reported a total of MMK 88,385 million while IRD reported MMK 92,101 million, hence a discrepancy of MMK (3,716) million.

Following our meetings with MTE and FD, we understood that this difference was because MTE pays commercial tax before the end of March (i.e. FY 2014/15) and flag receipts are issued in April due to the lengthy process between the transfer date and the date of the receipt.

5.2. Transfers from MTE to MoPF

According to MSG's decision, transfers made by MTE to MoPF and other Government Agencies were also reconciled.

The main difference was, as stated above, related to commercial tax transferred to IRD. No differences were noted with regards to the State's contribution transferred to TD and amount transferred to MTE other accounts. The table below shows the reconciliation results of transfers.

Table 46: Reconciliation results of transfers made by MTE

in MMK million

	MTE	Government Agency	Difference
Transfers to IRD	200,904.39	204,620.45	-3,716.05
Transfers to TD	90,015.16	90,015.16	0.00
Other accounts - MTE own Accounts	407,152.61	407,152.61	0.00
Total	698,072.16	701,788.22	-3,716.05

Source: EITI Data.

The RT of MTE showing the reconciliation work is set out in Annex 4 to this Report.

5.3. Production

5.3.1. Hardwood

The table below shows the differences in hardwood production reported by companies and MTE.

Table 47: Reconciliation of hardwood production (FY 2015/16)

in Hoppus Tons

N°	Company	Per Company			Per MTE			Final difference
		Original	Adjust	Final	Original	Adjust	Final	
1	Myat Noe Thu	89,499.00	0.00	89,499.00	89,499.00	0.00	89,499.00	0.00
2	Tin Win Tun	53,597.00	0.00	53,597.00	53,597.00	0.00	53,597.00	0.00
3	Pacific Timber	37,697.00	0.00	37,697.00	37,697.00	0.00	37,697.00	0.00
4	Nature Timber	29,154.00	0.00	29,154.00	29,154.00	0.00	29,154.00	0.00
5	Myanmar Rice	27,067.00	0.00	27,067.00	27,067.00	0.00	27,067.00	0.00
6	FPJVC	20,233.47	0.00	20,233.47	20,233.00	0.00	20,233.00	0.47
7	Green Hardwood	15,006.00	0.00	15,006.00	15,018.00	0.00	15,018.00	-12.00
8	Htun Myat Aung	14,013.00	0.00	14,013.00	13,002.00	1,000.00	14,002.00	11.00
9	Century Dragon	13,021.00	0.00	13,021.00	13,021.00	0.00	13,021.00	0.00
10	Kaung Myat	10,822.49	0.00	10,822.49	10,823.00	0.00	10,823.00	-0.51
11	Global Star	0.00	10,025.34	10,025.34	10,025.00	0.00	10,025.00	0.34
12	Lucre Wood	10,000.00	0.00	10,000.00	10,000.00	0.00	10,000.00	0.00
13	Wood World	9,100.00	0.00	9,100.00	9,100.00	0.00	9,100.00	0.00
14	Manaw Phyu	3,804.00	0.00	3,804.00	3,804.00	0.00	3,804.00	0.00
15	Tin Myint Yee	3,492.00	0.00	3,492.00	3,492.00	0.00	3,492.00	0.00
16	Golden Flower	500.06	0.00	500.06	500.00	0.00	500.00	0.06
Total		337,006.03	10,025.34	347,031.37	346,032.00	1,000.00	347,032.00	-0.63

Source: EITI Data reported by forestry companies and Government Agencies after reconciliation adjustments.

5.3.2. Teak

The table below shows the differences between teak production reported by companies and MTE.

Table 48: Reconciliation of teak production (FY 2015/16)

in Hoppus Tons

N°	Company	Per Company			Per MTE			Final difference
		Original	Adjust	Final	Original	Adjust	Final	
1	Tin Myint Yee	13,672.00	6.00	13,678.00	13,678.00	0.00	13,678.00	0.00
2	Pacific Timber	5,102.00	0.00	5,102.00	5,102.00	0.00	5,102.00	0.00
3	Tin Win Tun	3,008.00	0.00	3,008.00	3,008.00	0.00	3,008.00	0.00
4	FPJVC	2,968.52	0.00	2,968.52	2,968.00	0.00	2,968.00	0.52
5	Myat Noe Thu	2,628.00	0.00	2,628.00	2,628.00	0.00	2,628.00	0.00
6	Myanmar Rice	2,613.00	0.00	2,613.00	2,613.00	0.00	2,613.00	0.00
7	Manaw Phyu	2,495.00	0.00	2,495.00	2,495.00	0.00	2,495.00	0.00
Total		32,486.52	6.00	32,492.52	32,492.00	0.00	32,492.00	0.52

Source: EITI Data reported by forestry companies and Government Agencies after reconciliation adjustments.

5.4. Reconciliation of EITI Data with data from Other Sources

5.4.1. Timber production data

According to ITTO (2015),¹ Myanmar's timber sector produced about 6 million m³ (or about 4.2 million cubic tons)² of logs in 2014.³

Although we cannot compare data for calendar year with data for fiscal year, we note here a significant discrepancy with Government Agencies data, as both MTE and FD reported figures of less than one million cubic tons.

It therefore appears that there are material discrepancies between the various information sources published and a need for greater detail and consistency with regards to definitions and presentations. These material differences represent a risk with regards to the accuracy of the data reported. These differences must be analysed and reconciled in a bid to resolve them.

5.4.2. Timber exports data

According to China Customs statistics compiled by Forest Trends,⁴ Chinese Imports of Logs from Myanmar exceeded US\$ 100 million during FY 2015/16 while MCD data indicate US\$ 15 million for the same period.

There are material discrepancies between the various sources of information published and a need for greater detail and consistency of definition and presentation. These material differences emphasise a risk regarding the accuracy of the reported data. These differences must be analysed and reconciled in order to identify their causes and resolve them.

5.5. Companies Profile and Legal Ownership

Annexes 16 and 17 to this Report present companies' profile and their legal ownership.

¹ The International Tropical Timber Organization (ITTO) is an intergovernmental organisation promoting the conservation and sustainable management, use and trade of tropical forest resources. Further information on the ITTO are available on its website: <http://www.itto.int/>.

² One cubic ton is equal to 1.415 cubic meter for teak and other hardwoods.

³ Source: <http://www.timbertradeportal.com/countries/myanmar/>

⁴ Source: Myanmar – China Forest Products Trade 2014-2017, Forest Trends, February 2018.

6. OTHER INFORMATION

6.1. Payments made by Companies not Selected in the Reconciliation Scope

According to MSG's decisions, SOEs were required to disclose aggregated revenues received from companies not selected in the reconciliation scope. Unilateral revenues received by Government Agencies amounted to MMK 516.03 million and are summarised in Annex 19 to this Report.

6.2. Quasi-Fiscal Expenditures

MTE was requested to disclose the quasi-fiscal contributions made to Government. Nothing has been reported for FY 2015/16.

7. RECOMMENDATIONS

The recommendations below are based on the findings and weaknesses that we noted during the scoping and reconciliation phases for the preparation of the 2014/15 MEITI report.

7.1. Governance of the Forestry Revenues

7.1.1. Lack of Unique Taxpayer Identification Number

During the scoping phase, we noted that the statements of revenues received from IRD and MCD do not include the Taxpayer Identification Number (TIN) of the companies. The names of some companies have been spelt differently from one Government Agency to another. These differences may be also due to the translation of these statements from Burmese to English.

Moreover, we noted that IRD and MCD do not hold a comprehensive list of the extractive companies neither do they have any specific identification number for the forestry companies.

IRD and MCD identified the revenues based on the list of forestry companies provided by MTE only, which emphasises the risk regarding the comprehensiveness of their statements of revenues.

Recommendation

We recommend that all Government Agencies use a unique TIN to record the payments received from the extractive companies. This will require a perpetual and close cooperation among all Government Agencies in order to address the situation of the existing companies.

For the new companies, the TIN should be allocated at the time they are incorporated and their TIN should be communicated to all Government Agencies. Their use should be mandatory for EITI reporting.

IRD Comments

IRD has started using the TIN at Large Taxpayer Office (LTO) using the computerised system since FY 2014/15 and the use of TIN is being expanded phase by phase at Medium Taxpayer Office (MTO). It is intended that the new tax management system will be applied comprehensively across IRD on 1 April 2019 during the FY 2019/20. On the other hand, not only the extractive industries but also other Government Agencies related to IRD should use the same TIN number used by IRD.

In order to use the same TIN and develop the system, the network system must be installed as well as the new law needs to be enacted in compliance with the EITI Standard.

7.1.2. Lack of Resource Revenue Sharing System for Forestry Revenues

Forestry revenues are generated in nearly every state and region in Myanmar and mainly in the regions of Sagaing, Bago, Tanintharyi, Magway, Ayeyarwady, and states of: Shan, Kayah and Chin.

In these areas and others, forestry activities have significantly impacted livelihoods of local inhabitants as well as the environment.

Although there are some payments made to these Region/State funds, the largest share is deposited in the Union Fund.

Recommendation

Given that local communities are the ones who are directly affected by forestry activities, we recommend that the Government should consider setting up a special fund arising from revenues earned from forestry companies or revenue sharing mechanisms so that these may be allocated towards projects that would contribute to:

- the rehabilitation and development of communities impacted by forestry operations;
- mitigate or prevent violent conflicts;
- respond to local claims for benefits, based on ideas of local ownership; and

- promote regional income equality between resource and non-resource rich regions.

For better transparency and efficiency, the revenue sharing system would require stakeholder consensus on any revenue sharing formula.

Comments of the Technical and Reporting Sub-committee meeting held on 31 July 2018 and the 15th MSG Meeting held on 3 August 2018

Revenues of FD are remitted to the Union Fund as well as State/Region funds.

Further IA comment

We take note of your comments, but we maintain our recommendation. It is encouraged to set up a revenue sharing system with a clear revenue sharing formula.

7.1.3. Lack of distinction between Forestry and Non-Forestry Revenues

During the scoping phase we identified some companies making material payments to IRD despite their relatively low volume of production.

We understand that these companies operate in both forestry and non-forestry activities, thus their payments are not entirely related to the extractive sector.

It is therefore not currently possible for IRD to determine how much of each payment relates to forestry activities and how much relates to non-forestry at the time the payment is made.

Recommendation

When making payments to IRD, companies are highly encouraged to segregate forestry from non-forestry payments so that the payments can be allocated to the appropriate tax stream.

It is also highly recommended that IRD seeks to make amendments to its data recording systems to enable this distinction and include the information about the company activity(ies).

IRD Comments

Based on total sale proceeds and receipts from services as well as total income received by the taxpayer within the income year, an assessment for income and commercial taxes is made in accordance with the tax rate defined in the Union Taxation Law. If the taxpayer carries out more than one activity, the tax is chargeable on the total amount generated from all activities that the taxpayer is operating within the income year. The tax chargeable cannot be identified for each activity and therefore it is not possible for IRD to distinguish how much of each payment relates to the extractive sector.

IRD does not currently distinguish between forestry income and other income for individual taxpayers participating in the forestry sector. Income is reported on an aggregate basis and as such there is no practical way of reporting the forestry income from existing records.

It would not be practical to change our processes to collect this information as it would involve the commitment of substantial resources in redesigning tax return forms and IT systems.

The best method would be to collect the data using an industry code and accept that there will be some element of non-forestry income (which could be eliminated by applying a discount, ie assume that 5% or 10% of the total income reported is forestry income).

Further IA comment

The elimination of a certain percentage for non-forestry incomes without clear basis will not ensure an exact assessment of forestry revenues. Accordingly, we maintain our recommendation.

7.2. Management of the Forestry Sector

7.2.1. Need to improve Timber Trade and Traceability

The complexity relating to the transfer of logs from harvest sites to the export site is considered to be a challenge for the Myanmar forestry sector. Although a log tracking system is in place, the actual log transport and ownership transfers are complex and involve multiple transactions where the risks for human errors and weak compliance of procedures can take place. Additionally, the current data collection system does not provide sufficient details of the origin of the wood. The current log tracking and reporting system does not separate timber from sustainably managed natural forests and tree plantations (both Government and private) properly. The system is unable to distinguish between the timber flows and as a result confiscated timber and timber originating from illegal conversion of forest lands could easily be mixed with timber from sustainably managed natural forests.

Recommendation

We therefore recommend, that the efforts towards improved chain-of-custody, data collection and reporting systems are strengthened. This includes investments in modern log-tracking systems as well as capacity building of relevant FD staff, MTE and Companies.

Over the past decade, several major timber product consumer regions and countries have put into place new regulations aimed at curtailing the import of illegally sourced wood products (e.g. the Lacey Act in the US, EU Timber Regulation (EUTR), the Australian Illegal Logging Prohibition Act). Illegal logging, as defined in these three regulations, is the harvesting of timber in contravention of the laws and regulations of the country of harvest. The main requirements of these regulations can be summarised as follows:

- illegal timber should not be placed on the international market; and
- due diligence is required, including calls for importers to:
 - provide access to information about the origin and legality of the material;
 - conduct risk assessment that timber originates from illegal sources; and
 - mitigate any significant risks.¹

These new regulations have changed the timber markets, providing challenges to timber exporting countries such as Myanmar.²

In order to remain abreast of developments in the international timber markets and to ensure market access for the export industry, we recommend that the Government of Myanmar adopts these new regulations. Some initiatives already exist to ensure compliance with the relevant standards (e.g. the development of Myanmar's Timber Legality Assurance System, MTLAS), but more effort is still required to the practical implementation of the standards (i.e. capacity building and reporting systems).

FD and MTE Comments

Myanmar Timber Legality Assurance System (MTLAS) has been in place in timber extraction and marketing process for FD and MTE. FLEGT Programme has been implemented with the support of FAO and funded by EU and DFID, participating with FD, MTE and private sector.

Log tracking and reporting system will be improved.

MTE admits that it has many issues that have affected its supply chain process. Accordingly, a publication has been released in August 2017 to draw attention of its customers about the new National Export Strategy. The main objectives were to improve timber chain-of-custody and its legality. This publication publicly available on: <http://www.marineteakwood.com/2017/MTE.pdf>.

¹ Tackling Timber Regulations: A Guide for Myanmar, Forest Trends, 2013.

² <http://www.flegt.org/news/content/viewItem/swedish-court-rules-myanmar-timber-documentation-inadequate-for-eu-importers/15-11-2016/57>

7.2.2. Regulatory Framework and Law Enforcement

a. Forest Law

In paper, the current legislation and regulations for harvesting and transportation of forest products seem to form a relatively solid framework for the sustainable utilisation of Myanmar's forest resources. However, in practice it has been acknowledged that the framework governing forest resources appears inadequate to fully ensure legal and sustainable forest management. Therefore, the Forestry Law is currently being revised. It is important to ensure that the new law is in line with international best practices and promotes all aspects of sustainable forest management.

Recommendation

To ensure this, we recommend that the Government of the Union of Myanmar (GOUM) follows an international consultation process in the law's revision which involves international and non-governmental organisations as well as the private sector including EITI MSG Members.

FD Comments

The revision of 1992 Forest Law was scrutinised by the Pyithu Hluttaw (Lower House). Currently the Amyothar Hluttaw (Upper House) is reviewing the Forest Law with the consultation with relevant Government Agencies and Civil Service Organisations.

b. Law enforcement

Forest Law enforcement in Myanmar is weak. FD is continuously making efforts to improve law enforcement and fight illegal timber trade, but its resources are extremely limited. Although the theoretical framework for sustained yield forest management exists, the policies, laws and rules do not appear to be followed in practice. FD does not have a presence in many areas where illicit timber trafficking occurs (especially along the border with China¹), and there is a general lack of resources to investigate possible crimes. This allows organised crime, as well as low/mid-level players, to continue trafficking timber with minimal fear of prosecution.

Recommendation

We recommend that the Government of Myanmar allocates more resources to FD and focuses on building its institutional capacity to improve forest law compliance. Guidance for this can be found, for example, from the FAO, which has gathered best practices to improve legal compliance in the forestry sector, based on the experiences of countries in Asia, Latin America and Africa, and supports countries in the efforts through the FAO-EU FLEGT Programme.

FD Comments

The new forest law was already submitted to the parliament for approval. The draft version provided for the:

- intensification of penalties for forest offences particularly for illegal logging and trade;
- setting up of a community-based information system for illegal logging; and
- setting up of forest police force at the FD to improve law enforcement.

FD carries out systematically the following forest law enforcement operations:

1. special operations along the two major rivers;
2. special operations on the adjacent boundaries between the Naypyitaw, Bago and Magawe Divisions;
3. special operations on wood smuggling routes to neighboring countries;
4. special operations with the cooperation of the armed forces; and
5. routine operations.

¹ Analysis of the China-Myanmar Timber Trade, Forest Trends, 2014.

FD also carries out other forest law enforcement operations in strategic potential area such as border, water way, junction, etc. in cooperation with Police, Military and other line agencies and actions are taken accordingly.

Moreover, FD is initiating the community monitoring and reporting system to get the information for the control of the illegal activities.

As a consequence of these efforts, 51,725 Hoppus tons and 46,153 Hoppus tons of illegal timbers were seized during FY 2014/15 and FY 2015/16 respectively.

On the other hand, Myanmar is involved in the EU-FLEGT VPA process to eradicate the illegal timber and trade to EU, to get the good forest governance and manage the forest sustainably and to export Myanmar legal timber to EU.

7.2.3. Improving Governance of MTE

We understand that MTE has to restructure to become a business enterprise. This will avoid conflicts of interests, improve its governance and will lead to better and longer-term regulations in the forestry sector.

Recommendation

We recommend that this restructuring is completed as soon as possible. It is also recommended that MTE publishes regular statistical reports including key financial indicators including revenues collected, profit margins, cash flow from forestry activities, gross investment, as well as transfers to the Government.

Comments

MTE can provide statistical report and it will be available on MTE's website (<http://myanmatimber.com.mm/>).

With reference to the recommendations on statistics reports including financial indicators, that would be concerned with the policies of the government not only MTE but also other SOEs.

MTE is initiating the plan of reform process.

7.3. EITI Implementation

7.3.1. Completeness of the data reported on License Register

The EITI Standard requires implementing countries to maintain publicly available registers or cadastral systems including comprehensive information regarding each of the licenses relating to companies selected in the EITI Report (EITI Requirement 2.3-b).

This register should include the following information:

- i. license holder(s);
- ii. coordinates of the license area;
- iii. date of application, date of award and duration of the license; and
- iv. in the case of production licenses, the commodity being produced.

We note that license registers do not include all information about application dates, award dates, duration and coordinates of the licensed areas.

Recommendation

We recommend that MTE and FD systematically update these data in the register and that the register is made accessible to the public via their websites.

Comments

MTE has contracts for timber extraction and timber transportation. The data can be available on MTE's website covering state/region wise, reserved forests, compartment, application date, graded date and expiry date.

MTE has already provided an example of contract. MTE does not have any information on the coordinates.

Further IA comments

We take note of your comments, but we maintain our recommendation. It is encouraged to publicly disclose all contracts.

7.3.2. Award of contracts

The information we received from MTE on the licensing process for timber does not disclose clearly the technical and financial criteria used to evaluate the license application.

Even though MTE follows an internal instruction for selecting sub-contractors for timber extraction, we note that this instruction has not been updated for approximately 60 years.

Permits have been awarded to sub-contractors based mainly on their production capacities and experience without clear technical and financial criteria.

Although, MTE no longer uses sub-contractors for timber extraction, it nevertheless uses external providers for equipment, elephants and transportation.

Recommendation

We recommend that these contracts are awarded following open and competitive processes. The evaluation of the bidders should be based on clear technical and financial criteria. MTE must disclose the identity of all the candidates and should investigate and record the beneficial owners of the licenses.

We also recommend that these contracts are made publicly available given that there is no legislation that prevents their publication.

MTE Comments

MTE has to hire the required resources from outside as the capacity of timber extraction is not sufficient.

When hiring sub-contractors, MTE has been performing in line with the background of the contractors and other restrictions, and in accordance with the departmental directives and rules and regulations. Technical criteria, candidate's requirements, facilities and experiences, work efficiency are also considered.

There is no similarity with the selection of sub-contractors for other works in the selection of sub-contractors for timber extraction. As the work is done on the basis of the land topography which is annually not similar, permits are awarded to those (i) who are experienced, (ii) who are not black list persons, (iii) who are not violating the forest law and (iv) who are performing their works stage by stage in their relevant areas.

Consequently, sub-contractors are not selected only based on volume of capital, number of elephants and number of heavy machineries.

Money and extracted timber may be lost and/or timber cannot be timely extracted if permits are awarded otherwise.

For example, Tin Win Tun Company has 40 years of experience on timber extraction. For several years, there have been elephant owners, buffalo owners and sub-contractors. The names of these persons were even stated in the Extraction Manual for the staff of the Extraction Department.

The appraisal of sub-contractors and the award of contracts are then performed regardless the existence of a legal elephant grant issued by the FD and heavy machineries which comply with the required standards.

Furthermore; the Departmental Instruction (DI) N°39 states clearly that there are two types of sub-contractors for timber extraction that can operate with the extraction department.

Those types are listed as follows:

- **First class:** It includes those who have worked for seven years with this department; and
- **Second class:** It includes others who have not yet worked for seven years with this department.

By differentiating the two classes, it is not assumed that the selection will be based on the length of experience only. It is also prescribed that other facts should be considered such as competence, integrity, satisfactory performing of the works given annually and repayment of debt.

Further IA comment

We take note of your comments, but we maintain our recommendation. It is appropriate to set up clear technical and financial criteria and specify conditions of exemptions from these criteria.

Further MTE comment

MTE does not have technical and financial criteria. It needs to formulate check list or technical and financial criteria rather than machinery and financial investment. It was already provided after the Technical and Reporting Sub-committee meeting on 18 May 2018.

7.3.3. Lack of Reporting System for Employment data

The EITI Standard stipulates that implementing countries must disclose information about employment in the forestry sector in absolute terms and as a percentage of the total employment (EITI Requirement 6.3 (e)).

We note that neither FD nor MTE has a system providing data on the direct impact of employment in the forestry sector. Thus, employment data collected and stated in this Report is partial and does not reflect the comprehensive forestry sector contribution to the country's total workforce.

Recommendation

In order to improve the accuracy and accessibility of contextual information, we recommend that FD and MTE periodically (at least annually) update their system with data on employment in the forestry sector.

MTE Comments

A reporting system for employment data in the forestry sector will be set up at FD and MTE.

For the current report, companies have reported their employment data. This represents approximately 80%.

7.3.4. Lack of reporting at project level

In accordance with EITI Requirement 4.7, reporting at project level is required in certain circumstances.

The MEITI Report does not contain this level of disaggregation because Government Agencies, MTE and companies do not allocate revenue streams between projects.

Recommendation

We recommend that Government Agencies, MTE as well as companies assess how to disaggregate revenue streams between projects wherever possible, in order to report these revenue streams at project level.

Comments

MTE has a system covering 64 financial accounts for production and financial data for each state/region and industry. These data were already provided to the IA.

Further IA comments:

We take note of your comments, but we maintain our recommendation. Other Government Agencies have to allocate revenue streams between projects.

7.3.5. Lack of EITI Reporting Regulations

EITI has been adopted by Presidential Decree n°99/2012 of December 2012 in Myanmar, which formally states the Government's intention and commitment to implement EITI.

However, we understand that the EITI reporting obligations are not covered by any existing law in the country aimed at organising the process of collection. This can lead to delays in submitting EITI RTs by some companies and also the lack of contextual information covering the forestry sector in Myanmar.

Recommendation

We recommend the strengthening of the legal framework for EITI in Myanmar, by enacting an EITI act that can be harmonised with existing legislations. The EITI act can include provisions relating to:

- reporting obligations for companies and Government Agencies, while specifying the level of disaggregation of the data to be submitted; and
- a time schedule for updating and publishing RTs and instructions as well as the selection of the reporting entities to be included within the scope and submission of declarations and completion of the reconciliation exercise.

Comments

The MEITI Work Plan includes the following two activities:

- Research to recommend legal options to EITI institutionalisation; and
- Developing a draft EITI Law or amendments to Sectoral Laws.

The 11th MSG meeting held on 14 and 15 February 2018 decided to conduct a review of the existing policies and legislation to explore formulation of EITI policy and legislation. The draft TOR for this project was prepared and discussed at the 12th MSG meeting held on 16 March 2018 and sub-committee meetings. There are more than 30 policies and legislations related to Extractive Industries. The reviewing of existing policies and legislation will be organised in last quarter of 2018.

The amendment for existing laws as well as promulgation of new law is being undertaken at the Parliament. Recently amendment for Environmental Conservation Law was initiated at the Phyithu Hluttaw (Lower House). The developing a draft EITI Law or amendments to Sectoral Laws will be undertaken after reviewing the existing policies and legislation.

In addition, the Cabinet of the Government of the Union of Myanmar issued a notification dated on 29 June 2018 to support the implementation of MEITI process.

It states that "MEITI is a process that supports the country economic policy to raise financial resources with strong and transparent public financial management system. Furthermore, respective ministries, State and Regional Governments, private sectors and civil society organisations were being urged to participate deeply in MEITI process as a mainstreaming because MEITI is implementing practical, beneficial and sustainable forwarding reform actions for the country and public.

Therefore, respective Union Ministries, State and Regional Governments, union level government organisations were being urged to cooperate with MEITI Leading Committee, Working Committee, MEITI Multi-stakeholder Group and National Coordination Secretariat office in order to implement MEITI process and activities for sustainable development of Myanmar."

ANNEXES

Annex 1: Breakdown of Timber Sales (FY 2015/16)

N°	Name of Buying company	Product type	Volumes sold		Revenues received (US\$)	
			Total	Unit	Unit price	Amount
1	GREEN HW	Teak Log	33,384.9	Hoppus Tons	1,208	40,341,155
2	TIN MYINT YEE	Teak Log	14,476.3	Hoppus Tons	790	11,435,219
3	CONCORDE	Teak Log	8,598.1	Hoppus Tons	1,325	11,390,782
4	PACIFIC TIMBER	Teak Log	6,990.9	Hoppus Tons	1,372	9,594,446
5	F J V	Teak Log	6,399.6	Hoppus Tons	1,320	8,447,149
6	MA NAW PHYU	Teak Log	5,506.3	Hoppus Tons	1,351	7,441,498
7	MYAT NOE THU	Teak Log	4,939.5	Hoppus Tons	1,250	6,173,189
8	THARAPHU DÉCOR	Teak Log	2,883.5	Hoppus Tons	1,720	4,959,352
9	NORTH WOOD	Teak Log	3,572.5	Hoppus Tons	1,324	4,729,111
10	CHEUNG HING CO.	Teak Log	3,019.9	Hoppus Tons	1,476	4,458,108
11	TERRESTRIAL	Teak Log	4,081.0	Hoppus Tons	895	3,652,626
12	NATIONAL WOOD	Teak Log	2,588.3	Hoppus Tons	1,403	3,630,786
13	K K N	Teak Log	992.8	Hoppus Tons	1,850	1,836,238
14	N T C	Teak Log	990.6	Hoppus Tons	1,694	1,677,670
15	TROPICAL WOODS	Teak Log	1,278.9	Hoppus Tons	1,261	1,612,807
16	GOLDEN POLLEN	Teak Log	1,267.7	Hoppus Tons	1,202	1,523,784
17	SAI KHAM NAW	Teak Log	1,311.0	Hoppus Tons	1,078	1,413,519
18	WIN ENT;	Teak Log	612.1	Hoppus Tons	2,175	1,331,063
19	MT WOOD	Teak Log	774.4	Hoppus Tons	1,716	1,328,771
20	ZABU HLWAN	Teak Log	1,086.2	Hoppus Tons	1,046	1,136,596
21	M T I	Teak Log	367.6	Hoppus Tons	2,559	940,677
22	SAN MAY	Teak Log	412.9	Hoppus Tons	2,119	874,940
23	MYANMAR MAY KAUNG	Teak Log	564.0	Hoppus Tons	1,360	767,218
24	I G E	Teak Log	577.1	Hoppus Tons	1,277	737,125
25	MOGOK PRIDE	Teak Log	508.8	Hoppus Tons	1,315	669,018
26	C I F G	Teak Log	506.3	Hoppus Tons	1,161	587,903
27	MGP TDG;	Teak Log	416.4	Hoppus Tons	1,269	528,323
28	UNITED WOOD	Teak Log	477.6	Hoppus Tons	1,010	482,389
29	GREEN LAUREL	Teak Log	347.0	Hoppus Tons	1,389	481,923
30	PACIFIC WOOD	Teak Log	255.4	Hoppus Tons	1,779	454,370
31	KAYAH HTAR NI	Teak Log	608.7	Hoppus Tons	735	447,375
32	NAGANI GROUP	Teak Log	361.3	Hoppus Tons	1,179	425,925
33	TOE TET DANA	Teak Log	377.1	Hoppus Tons	1,068	402,867
34	VENTURE MYANMAR	Teak Log	185.2	Hoppus Tons	1,931	357,585
35	ZABU YADANA	Teak Log	200.3	Hoppus Tons	1,525	305,409
36	UNILITE IND;	Teak Log	209.4	Hoppus Tons	1,417	296,767
37	ASIA WOOD	Teak Log	141.7	Hoppus Tons	1,923	272,504
38	BA OH FAMILY	Teak Log	190.3	Hoppus Tons	1,357	258,297
39	LIN WIN	Teak Log	53.7	Hoppus Tons	4,114	221,015
40	THAI SAWAT	Teak Log	159.7	Hoppus Tons	1,290	206,010
41	CHIN SU MYANMAR	Teak Log	41.9	Hoppus Tons	4,563	191,226
42	M R T	Teak Log	195.4	Hoppus Tons	860	167,944
43	MOE HAN OO	Teak Log	86.9	Hoppus Tons	1,782	154,831
44	MYANMAR PELTIER BOIS	Teak Log	101.0	Hoppus Tons	1,482	149,639
45	ORCHID	Teak Log	115.2	Hoppus Tons	1,250	144,003
46	WIN & WIN	Teak Log	171.6	Hoppus Tons	837	143,588
47	KHINE SU THU	Teak Log	70.7	Hoppus Tons	1,860	131,517
48	YANGON TOUCH WOOD	Teak Log	104.7	Hoppus Tons	1,178	123,280
49	FAMILY WIN	Teak Log	118.4	Hoppus Tons	1,008	119,302
50	WIN MARLAR AUNG	Teak Log	52.9	Hoppus Tons	2,059	108,971
51	NAN HAN	Teak Log	25.6	Hoppus Tons	3,852	98,496
52	KAUNG MYINT MO	Teak Log	36.2	Hoppus Tons	2,405	87,038
53	PRAISE INT'L MINING CO	Teak Log	116.0	Hoppus Tons	735	85,247
54	AH SHAE THAN LWIN	Teak Log	105.3	Hoppus Tons	735	77,384
55	NEW WAVE	Teak Log	61.9	Hoppus Tons	1,188	73,506
56	KANBAWZA THITSAR HLAING	Teak Log	52.2	Hoppus Tons	1,370	71,509

N°	Name of Buying company	Product type	Volumes sold		Revenues received (US\$)	
			Total	Unit	Unit price	Amount
57	DIAMOND MERCURY	Teak Log	60.3	Hoppus Tons	1,103	66,531
58	ALKEMAL	Teak Log	55.0	Hoppus Tons	1,141	62,708
59	GOLDEN VENEER	Teak Log	47.8	Hoppus Tons	1,250	59,695
60	CENTRAL LUCK	Teak Log	30.3	Hoppus Tons	1,733	52,520
61	YN WOOD	Teak Log	31.7	Hoppus Tons	1,216	38,584
62	SHWE THAN LWIN	Teak Log	17.5	Hoppus Tons	735	12,895
63	HTEE PWINT KAN GOLD & MINING	Teak Log	20.9	Hoppus Tons	207	4,320
64	TOSEVA	Teak Log	0.6	Hoppus Tons	1,325	798
Sub-Total - Teak Log			113,395.2			140,057,043
65	CENTURY PLY MYANMAR	Hardwood Log	23,670.3	Hoppus Tons	496	11,738,698
66	M R T	Hardwood Log	12,456.3	Hoppus Tons	519	6,466,052
67	GREEN HW	Hardwood Log	11,297.0	Hoppus Tons	518	5,852,644
68	MT WOOD	Hardwood Log	12,447.9	Hoppus Tons	461	5,741,081
69	WORLD BEST	Hardwood Log	9,545.9	Hoppus Tons	590	5,635,333
70	MYAT NOE THU	Hardwood Log	8,763.0	Hoppus Tons	509	4,459,623
71	GREEN PLY	Hardwood Log	9,379.7	Hoppus Tons	467	4,381,666
72	WIN & WIN	Hardwood Log	9,509.5	Hoppus Tons	447	4,246,762
73	C I F G	Hardwood Log	1,740.6	Hoppus Tons	2,159	3,758,229
74	FINE PLY MYANMAR	Hardwood Log	8,042.3	Hoppus Tons	454	3,652,054
75	MYANMAR VENEER & PLYWOOD	Hardwood Log	7,851.0	Hoppus Tons	447	3,509,081
76	F J V	Hardwood Log	7,322.2	Hoppus Tons	474	3,468,245
77	GLOBAL WOOD CRAFT	Hardwood Log	8,015.3	Hoppus Tons	408	3,272,442
78	CHIN SU MYANMAR	Hardwood Log	7,372.2	Hoppus Tons	437	3,223,946
79	BAMAW VENEER	Hardwood Log	6,111.7	Hoppus Tons	523	3,194,932
80	MAK(M) PLYWOOD	Hardwood Log	6,476.3	Hoppus Tons	482	3,118,641
81	MA NAW PHYU	Hardwood Log	3,760.5	Hoppus Tons	811	3,049,581
82	WIN SHWE SIN	Hardwood Log	5,586.5	Hoppus Tons	522	2,914,330
83	PRIME VENEER	Hardwood Log	7,261.7	Hoppus Tons	396	2,872,547
84	MOMENTUM TDG;	Hardwood Log	3,715.1	Hoppus Tons	652	2,420,381
85	HORIZON STAR	Hardwood Log	4,969.1	Hoppus Tons	485	2,411,935
86	RUBY LION	Hardwood Log	4,585.8	Hoppus Tons	499	2,289,321
87	GOLDEN NOBEL	Hardwood Log	5,959.4	Hoppus Tons	345	2,056,782
88	HLAING MYITTAR	Hardwood Log	4,555.6	Hoppus Tons	432	1,965,777
89	NORTH WOOD	Hardwood Log	3,753.2	Hoppus Tons	470	1,763,005
90	WOOD LAND	Hardwood Log	4,069.1	Hoppus Tons	422	1,717,697
91	ZABU HLWAN	Hardwood Log	4,894.8	Hoppus Tons	343	1,678,295
92	PACIFIC TIMBER	Hardwood Log	3,083.1	Hoppus Tons	508	1,564,983
93	CHAN MYA SHWE YEE	Hardwood Log	7,431.2	Hoppus Tons	209	1,555,052
94	THIT MIN YADANAR	Hardwood Log	5,818.9	Hoppus Tons	249	1,449,594
95	CENTRAL LUCK	Hardwood Log	683.2	Hoppus Tons	2,117	1,446,380
96	GOLDEN VENEER	Hardwood Log	3,195.3	Hoppus Tons	410	1,311,172
97	MKTI	Hardwood Log	3,572.8	Hoppus Tons	356	1,270,329
98	MYANMAR BEANS & TIMBER	Hardwood Log	3,445.4	Hoppus Tons	360	1,240,811
99	PYI PHYO TUN	Hardwood Log	2,599.8	Hoppus Tons	469	1,218,793
100	LOTUS WOOD	Hardwood Log	2,347.8	Hoppus Tons	514	1,206,481
101	MYEIK PLY WOOD	Hardwood Log	2,286.5	Hoppus Tons	473	1,082,582
102	SAW TDG;	Hardwood Log	4,027.0	Hoppus Tons	258	1,040,043
103	N T C	Hardwood Log	1,480.2	Hoppus Tons	684	1,012,156
104	FARLIN	Hardwood Log	1,646.9	Hoppus Tons	595	979,527
105	CONCORDE	Hardwood Log	2,067.0	Hoppus Tons	455	940,726
106	NATIONAL EXPORT IMPORT CO., LTD.	Hardwood Log	2,100.0	Hoppus Tons	379	795,871
107	B T W IND;	Hardwood Log	1,724.4	Hoppus Tons	394	678,859
108	ROYAL KYI KYI	Hardwood Log	2,887.0	Hoppus Tons	229	659,772
109	T P S W	Hardwood Log	2,504.2	Hoppus Tons	257	643,920
110	SHWE WOOD	Hardwood Log	1,085.3	Hoppus Tons	546	593,018
111	ORCHID	Hardwood Log	1,837.2	Hoppus Tons	316	580,362
112	FURTURE WIN	Hardwood Log	1,889.6	Hoppus Tons	294	555,927
113	SHWE PYIUNI	Hardwood Log	907.2	Hoppus Tons	597	541,583

N°	Name of Buying company	Product type	Volumes sold		Revenues received (US\$)	
			Total	Unit	Unit price	Amount
114	WIN MARLAR AUNG	Hardwood Log	1,890.2	Hoppus Tons	268	507,208
115	MOE HTET MYINT MOH	Hardwood Log	808.6	Hoppus Tons	603	487,625
116	MYANMAR MAY KAUNG	Hardwood Log	677.1	Hoppus Tons	693	469,252
117	WIRASON	Hardwood Log	2,597.3	Hoppus Tons	180	467,516
118	AUSTIN PLY	Hardwood Log	762.7	Hoppus Tons	566	431,991
119	N T T	Hardwood Log	1,062.0	Hoppus Tons	400	424,989
120	T P S	Hardwood Log	1,500.0	Hoppus Tons	270	404,551
121	PRAISE INT'L MINING CO	Hardwood Log	932.3	Hoppus Tons	418	389,347
122	NATURE TIMBER	Hardwood Log	700.8	Hoppus Tons	493	345,802
123	U MAUNG SEIN	Hardwood Log	1,040.1	Hoppus Tons	332	345,197
124	KAUNG MYAT	Hardwood Log	719.3	Hoppus Tons	450	323,700
125	HANUMAN INT'L	Hardwood Log	547.4	Hoppus Tons	572	313,203
126	RED DRAGON ASIA GROUP	Hardwood Log	267.2	Hoppus Tons	1,131	302,220
127	YADANAR WORLD MINING	Hardwood Log	144.6	Hoppus Tons	2,080	300,689
128	AYEYAR PHOENIX	Hardwood Log	1,262.8	Hoppus Tons	230	289,825
129	MAHA NADI	Hardwood Log	518.3	Hoppus Tons	520	269,547
130	HTET MYAT HLAING	Hardwood Log	341.7	Hoppus Tons	741	253,312
131	MYAT MEKIN	Hardwood Log	830.5	Hoppus Tons	305	253,165
132	NEW WAVE	Hardwood Log	642.0	Hoppus Tons	385	247,103
133	AUNG KYAW THEIN	Hardwood Log	819.2	Hoppus Tons	301	246,273
134	BA OH FAMILY	Hardwood Log	500.4	Hoppus Tons	475	237,701
135	THEIN THAN HTUN	Hardwood Log	1,490.9	Hoppus Tons	157	233,823
136	NATIONAL WOOD	Hardwood Log	651.5	Hoppus Tons	341	222,320
137	KANBAWZA THITSAR HLAING	Hardwood Log	574.5	Hoppus Tons	363	208,583
138	N W S	Hardwood Log	513.6	Hoppus Tons	399	204,794
139	HTET AYE YAR	Hardwood Log	98.1	Hoppus Tons	1,987	194,810
140	ZABU YADANA	Hardwood Log	467.2	Hoppus Tons	407	190,314
141	DAUNG NYI NAUNG	Hardwood Log	649.2	Hoppus Tons	284	184,288
142	FUJITOMO	Hardwood Log	800.0	Hoppus Tons	230	183,998
143	PRO MYANMAR	Hardwood Log	542.3	Hoppus Tons	330	179,007
144	MYIT MA KHA	Hardwood Log	520.5	Hoppus Tons	320	166,584
145	GREAT APEX	Hardwood Log	439.3	Hoppus Tons	378	165,928
146	UNILITE IND;	Hardwood Log	940.2	Hoppus Tons	169	158,880
147	ASIA WOOD	Hardwood Log	632.2	Hoppus Tons	235	148,738
148	PURI TIMBER	Hardwood Log	505.8	Hoppus Tons	292	147,886
149	ASIA WIN	Hardwood Log	250.0	Hoppus Tons	569	142,306
150	BEAUTIFUL WOOD	Hardwood Log	60.2	Hoppus Tons	2,158	129,820
151	LABH PHYO THIT	Hardwood Log	354.2	Hoppus Tons	365	129,299
152	GOLDEN ONE STAR	Hardwood Log	1,384.2	Hoppus Tons	93	129,245
153	MC COY	Hardwood Log	468.5	Hoppus Tons	265	124,248
154	WIN ENT;	Hardwood Log	334.9	Hoppus Tons	369	123,540
155	WOOD WORLD	Hardwood Log	240.8	Hoppus Tons	501	120,645
156	WARTAYAR VENEER	Hardwood Log	280.3	Hoppus Tons	428	119,990
157	HLAING PAUNG INT'L	Hardwood Log	60.6	Hoppus Tons	1,759	106,572
158	NEW BROTHERS	Hardwood Log	275.5	Hoppus Tons	320	88,302
159	YE TUN	Hardwood Log	462.2	Hoppus Tons	177	81,851
160	HTAY KYAW	Hardwood Log	211.9	Hoppus Tons	364	77,177
161	FAMILY WIN	Hardwood Log	260.2	Hoppus Tons	277	72,044
162	M T I	Hardwood Log	199.8	Hoppus Tons	333	66,519
163	LUCKY STAR	Hardwood Log	245.3	Hoppus Tons	271	66,346
164	CROWN VENEER	Hardwood Log	248.7	Hoppus Tons	236	58,685
165	OAK THAR KYAW	Hardwood Log	115.4	Hoppus Tons	427	49,250
166	NAGANI GROUP	Hardwood Log	133.5	Hoppus Tons	354	47,212
167	UNITED WOOD	Hardwood Log	214.7	Hoppus Tons	217	46,619
168	TROPICAL WOODS	Hardwood Log	232.3	Hoppus Tons	198	46,079
169	KAUNG MYANMAR AUNG	Hardwood Log	300.1	Hoppus Tons	150	45,015
170	GOLDEN POLLEN	Hardwood Log	134.4	Hoppus Tons	330	44,359
171	REHMONNYA UNITED	Hardwood Log	130.9	Hoppus Tons	304	39,795

N°	Name of Buying company	Product type	Volumes sold		Revenues received (US\$)	
			Total	Unit	Unit price	Amount
172	SHWE PYI THIT	Hardwood Log	121.7	Hoppus Tons	316	38,442
173	WAJILAM	Hardwood Log	335.3	Hoppus Tons	111	37,256
174	MYAT KYAW KYAW	Hardwood Log	119.2	Hoppus Tons	275	32,811
175	ROYAL RIVER	Hardwood Log	59.2	Hoppus Tons	450	26,661
176	SK WOOD	Hardwood Log	91.5	Hoppus Tons	208	19,061
177	MOGOK PRIDE	Hardwood Log	55.5	Hoppus Tons	295	16,371
178	HLA TUN	Hardwood Log	33.3	Hoppus Tons	258	8,588
179	LIM LIGHT	Hardwood Log	49.0	Hoppus Tons	168	8,255
180	S C K	Hardwood Log	43.1	Hoppus Tons	136	5,856
181	ALKEMAL	Hardwood Log	14.5	Hoppus Tons	335	4,847
182	SIMLA AGENCIES	Hardwood Log	13.7	Hoppus Tons	238	3,272
183	SHANG XING DA	Hardwood Log	1.0	Hoppus Tons	1,620	1,562
Sub-Total - Hardwood Log			296,657.2			135,285,090
Total Local Sales			410,052.3			275,342,133
184	HANA	Teak Conversion	1,144.9	Cubic tons	1,122	1,284,387
185	PACIFIC TIMBER	Teak Conversion	331.0	Cubic tons	2,541	841,027
186	THEIN THAN HTUN	Teak Conversion	821.7	Cubic tons	958	787,132
187	THAI SAWAT	Teak Conversion	774.8	Cubic tons	961	744,743
188	N E C	Teak Conversion	372.8	Cubic tons	1,997	744,395
189	K K N	Teak Conversion	760.5	Cubic tons	956	727,199
190	T P S	Teak Conversion	429.4	Cubic tons	1,685	723,462
191	PS GROUP	Teak Conversion	362.2	Cubic tons	1,560	565,162
192	SIMLA AGENCIES	Teak Conversion	444.6	Cubic tons	1,022	454,172
193	CONCORDE	Teak Conversion	247.9	Cubic tons	1,744	432,299
194	M T I	Teak Conversion	145.2	Cubic tons	2,316	336,284
195	SMART EXP &IMP	Teak Conversion	242.2	Cubic tons	1,312	317,829
196	SANTI FORESTRY	Teak Conversion	334.0	Cubic tons	906	302,468
197	DOWLET	Teak Conversion	339.6	Cubic tons	801	272,141
198	WANIBE	Teak Conversion	170.8	Cubic tons	1,460	249,274
199	HTET MYAT HLAING	Teak Conversion	131.5	Cubic tons	1,872	246,177
200	LIN WIN	Teak Conversion	207.9	Cubic tons	1,068	222,046
201	NATIONAL WOOD	Teak Conversion	144.0	Cubic tons	1,370	197,318
202	KUDUSONS	Teak Conversion	58.0	Cubic tons	2,798	162,338
203	WORLD BEST	Teak Conversion	255.9	Cubic tons	575	147,101
204	SHWE ZALAT	Teak Conversion	154.1	Cubic tons	921	141,975
205	UNITED WOOD	Teak Conversion	105.1	Cubic tons	1,202	126,308
206	SAKTEIED SM & FURNITURE	Teak Conversion	79.9	Cubic tons	1,405	112,359
207	THARAPHU DÉCOR	Teak Conversion	19.8	Cubic tons	4,839	95,870
208	EVERGREEN TEAK	Teak Conversion	91.6	Cubic tons	826	75,615
209	PACIFIC WOOD	Teak Conversion	39.9	Cubic tons	1,721	68,748
210	MGP TDG;	Teak Conversion	63.2	Cubic tons	1,046	66,052
211	GREEN HW	Teak Conversion	52.6	Cubic tons	978	51,492
212	ROYAL RIVER	Teak Conversion	71.8	Cubic tons	661	47,495
213	CHOON BOK	Teak Conversion	15.8	Cubic tons	1,873	29,526
214	OPAL INT'L	Teak Conversion	12.1	Cubic tons	1,685	20,352
215	MA NAW PHYU	Teak Conversion	10.0	Cubic tons	1,927	19,219
216	SEIN & SAN	Teak Conversion	42.8	Cubic tons	418	17,889
217	SHWE PYI THIT	Teak Conversion	15.7	Cubic tons	1,119	17,540
218	CHAN MYA SHWE YEE	Teak Conversion	18.0	Cubic tons	952	17,101
219	N Y T	Teak Conversion	14.3	Cubic tons	1,134	16,261
220	FRIENDS VENEER & PLY	Teak Conversion	12.6	Cubic tons	1,061	13,394
221	SHWE WOOD	Teak Conversion	8.2	Cubic tons	1,539	12,666
222	DIAMOND MERCURY	Teak Conversion	7.6	Cubic tons	572	4,348
223	PYAE MOE THOUT	Teak Conversion	4.9	Cubic tons	731	3,568
224	GREEN LAUREL	Teak Conversion	2.0	Cubic tons	860	1,712
225	MYANMAR MAY KAUNG	Teak Conversion	0.9	Cubic tons	960	898
Sub-Total - Teak Conversion			8,561.7			10,717,341

N°	Name of Buying company	Product type	Volumes sold		Revenues received (US\$)	
			Total	Unit	Unit price	Amount
226	MT WOOD	Woodbase	735.2	Cubic tons	1,424	1,047,268
227	WIN & WIN	Woodbase	1,779.4	Cubic tons	394	701,811
228	SHRI KRISHNA	Woodbase	259.8	Cubic tons	1,107	287,714
229	KUDUSONS	Woodbase	41.0	Cubic tons	3,940	161,588
230	NATIONAL WOOD	Woodbase	63.9	Cubic tons	1,676	107,143
231	ZABU HLWAN	Woodbase	84.5	Cubic tons	1,025	86,619
232	WORLD BEST	Woodbase	21.4	Cubic tons	2,210	47,325
233	CHOON BOK	Woodbase	9.1	Cubic tons	4,233	38,683
234	CHAROEN KITTIKARN	Woodbase	13.3	Cubic tons	2,759	36,611
235	NATURE WOOD	Woodbase	19.4	Cubic tons	1,769	34,369
236	U E C	Woodbase	10.7	Cubic tons	2,721	29,118
237	BA OH FAMILY	Woodbase	40.1	Cubic tons	470	18,842
238	CONCORDE	Woodbase	4.4	Cubic tons	3,650	15,919
239	HLAING MYITTAR	Woodbase	22.2	Cubic tons	616	13,703
240	INDRA THAN	Woodbase	23.1	Cubic tons	408	9,433
241	SHWE THA PYAY	Woodbase	2.1	Cubic tons	4,276	8,921
242	CHAMPACA	Woodbase	1.9	Cubic tons	2,206	4,264
243	LUMBER MART	Woodbase	9.2	Cubic tons	400	3,673
244	MOGOK PRIDE	Woodbase	21.3	Cubic tons	88	1,865
245	ORCHID	Woodbase	0.8	Cubic tons	251	209
246	TONG SHIN	Woodbase	0.4	Cubic tons	269	101
Sub-Total - Woodbase			3,163.3			2,655,177
247	GALAXY STAR	Hardwood Conversion	474.7	Cubic tons	2,607	1,237,704
248	BOSTON CO.	Hardwood Conversion	600.6	Cubic tons	1,709	1,026,093
249	HTET AYE YAR	Hardwood Conversion	355.3	Cubic tons	2,506	890,546
250	MYANMAR WIN STAR	Hardwood Conversion	317.4	Cubic tons	2,340	742,699
251	HLAING PAUNG INT'L	Hardwood Conversion	254.4	Cubic tons	2,263	575,785
252	PACIFIC TIMBER	Hardwood Conversion	503.7	Cubic tons	1,027	517,299
253	MA NAW PHYU	Hardwood Conversion	252.1	Cubic tons	1,719	433,296
254	ROYAL KAUNG THA PYAY	Hardwood Conversion	168.5	Cubic tons	2,280	384,221
255	HTET MYAT HLAING	Hardwood Conversion	133.0	Cubic tons	2,560	340,560
256	BEAUTIFUL WOOD	Hardwood Conversion	98.3	Cubic tons	2,012	197,841
257	HLYAM WAI MINING	Hardwood Conversion	143.1	Cubic tons	1,052	150,509
258	MYANMAR MAY KAUNG	Hardwood Conversion	71.0	Cubic tons	1,890	134,196
259	ROYAL MANMAR	Hardwood Conversion	58.7	Cubic tons	2,234	131,197
260	ASIA HTOO HTET	Hardwood Conversion	106.5	Cubic tons	1,205	128,385
261	HANG FA STAR	Hardwood Conversion	80.2	Cubic tons	1,356	108,749
262	SHANG XING DA	Hardwood Conversion	55.8	Cubic tons	1,755	97,965
263	DOWLET	Hardwood Conversion	148.4	Cubic tons	637	94,497
264	MINGALAR GOLDEN LAND	Hardwood Conversion	21.0	Cubic tons	4,190	88,017
265	NYI PAUNG EXP 7 IMP	Hardwood Conversion	60.2	Cubic tons	1,270	76,439
266	YN WOOD	Hardwood Conversion	61.5	Cubic tons	1,070	65,769
267	THEIN THAN CHI	Hardwood Conversion	21.5	Cubic tons	2,750	59,214
268	SUPER SMILES ENT;	Hardwood Conversion	33.6	Cubic tons	1,249	41,906
269	TRIANGLE POWER	Hardwood Conversion	17.4	Cubic tons	2,188	38,084
270	KUDUSONS	Hardwood Conversion	61.9	Cubic tons	511	31,624
271	TRADE LAND	Hardwood Conversion	14.0	Cubic tons	2,200	30,785
272	B T W IND;	Hardwood Conversion	25.3	Cubic tons	1,089	27,557
273	LIN PHONE PYAE	Hardwood Conversion	13.9	Cubic tons	1,632	22,676
274	GALLEON CO	Hardwood Conversion	10.2	Cubic tons	1,800	18,356
275	HTUN LIN HTOO	Hardwood Conversion	3.2	Cubic tons	5,000	16,051
276	GOLDEN POLLEN	Hardwood Conversion	10.1	Cubic tons	1,458	14,717
277	SHWE TAUNG KOE LONE	Hardwood Conversion	8.3	Cubic tons	1,014	8,371
Sub-Total - Hardwood Conversion			4,183.8			7,731,112
Total Local/Export Sales			15,908.8			21,103,631
Total Sales						296,445,763

Source: MTE.

Annex 2: Details of Exports by Product and Destination (FY 2015/16)

See MS Excel sheet

Annex 3: Detail of Submission of the RTs by company

N°	Companies	Soft copy	Hard copy	Audited Report	Submission status
1	Century Dragon	Yes	Yes	Yes	Within the agreed deadline
2	FPJVC	Yes	Yes	Yes	Within the agreed deadline
3	Global Star	Yes	Yes	Yes	Within the agreed deadline
4	Golden Flower	Yes	Yes	Yes	Within the agreed deadline
5	Green Hardwood	Yes	Yes	Yes	Within the agreed deadline
6	Htun Myat Aung	Yes	Yes	Yes	Within the agreed deadline
7	Kaung Myat	Yes	Yes	Yes	Within the agreed deadline
8	Lucre Wood	Yes	Yes	Yes	Within the agreed deadline
9	Manaw Phyu	Yes	Yes	Yes	Within the agreed deadline
10	Myanmar Rice	Yes	Yes	Yes	Within the agreed deadline
11	Myat Noe Thu	Yes	Yes	Yes	Within the agreed deadline
12	Nature Timber	Yes	Yes	Yes	Delayed
13	Pacific Timber	Yes	Yes	Yes	Within the agreed deadline
14	Tin Myint Yee	Yes	Yes	Yes	Within the agreed deadline
15	Tin Win Tun	Yes	Yes	Yes	Within the agreed deadline
16	Wood World	Yes	Yes	Yes	Within the agreed deadline

Annex 4: MTE Reconciliation Sheet

Government agency Payment flow	Per Company			Per Government			in MMK million
	Original	Adjust	Final	Original	Adjust	Final	Final difference
IRD	144,864.80	56,039.59	200,904.39	204,702.84	-82.39	204,620.45	-3,716.05
Income Tax	57,550.81	54,968.89	112,519.70	112,602.09	-82.39	112,519.70	0.00
Commercial Tax (CT)	87,313.99	1,070.70	88,384.70	92,100.75	0.00	92,100.75	-3,716.05
FD	4,159.81	-0.00	4,159.81	4,020.68	148.15	4,168.82	-9.01
Royalty	4,159.81	-0.00	4,159.81	4,020.68	148.15	4,168.82	-9.01
TD	46,040.64	43,974.52	90,015.16	90,015.00	0.16	90,015.16	0.00
State Contribution	46,040.64	43,974.52	90,015.16	90,015.00	0.16	90,015.16	0.00
BD	407,152.61	0.00	407,152.61	407,152.61	0.00	407,152.61	0.00
Other accounts	407,152.61	0.00	407,152.61	407,152.61	0.00	407,152.61	0.00
Total payments	602,217.86	100,014.11	702,231.97	705,891.12	65.92	705,957.04	-3,725.06

Annex 5: RTs and Supporting Schedule

See MS Excel sheet

Annex 6: Adjustments to RTs

Appendix 6.1. Adjustments to companies' data

The adjustments were carried out based on confirmations from companies and Government Agencies and were supported by adequate evidence wherever deemed appropriate. The adjustments made are detailed as follows:

Adjustments to company payments	Total Amount (in MMK million)
Tax paid not reported (a)	1,498.04
Tax reported but not paid (b)	-947.11
Tax paid reported but outside the period covered (c)	-632.74
Total	-81.80

(a) Tax paid not reported

Corresponds mainly to payments of FY 2015/16 made by companies and not reported in their RTs. The amount was confirmed with the companies before adjustment. The detail by tax and by company is set out in the table below:

		<i>in MMK million</i>			
Company	Total	Income Tax	Commercial Tax	Withholding Tax	Customs Duties
Myat Noe Thu	827.71	40.00	421.78	365.93	
Green Hardwood	333.41	293.03	1.24	39.13	
FPJVC	145.98	145.98		0.00	
Lucre Wood	62.39	18.72	35.72	7.95	
Kaung Myat	33.38				33.38
Century Dragon	32.07	12.96	19.12		
Tin Myint Yee	30.21	30.21			
Global Star	30.00		30.00		
Myanmar Rice	2.89			2.89	
Total	1,498.04	540.89	507.86	415.91	33.38

(b) Tax reported but not paid

Some companies stated during the reconciliation work that certain payments were not actually made. Accordingly, we adjusted their RTs. We set out in the table below a summary of the adjustments made by company:

		<i>in MMK million</i>		
Company	Total	Income Tax	Withholding Tax	Commercial Tax
FPJVC	-689.09	-551.54		-137.55
Myat Noe Thu	-258.02		-258.02	
Total	-947.11	-551.54	-258.02	-137.55

(c) Taxes paid reported but outside the period covered by the EITI Report

These are payments reported, but which fall outside the reconciliation period, i.e. before 1 April 2015 or after 31 March 2016. We set out in the table below a summary of the adjustments made by company:

		<i>in MMK million</i>			
Company	Total	Commercial Tax	Withholding Tax	Income Tax	Dividends
Tin Myint Yee	-434.22	-404.62	-29.60		
Lucre Wood	-165.76	-143.69	-13.55	-8.52	
Htun Myat Aung	-27.29			-27.29	
FPJVC	-4.38				-4.38
Myanmar Rice	-1.09		-1.09		
Total	-632.74	-548.32	-44.24	-35.80	-4.38

Appendix 6.2. Adjustments to Government Agencies data

The adjustments were carried out based on confirmations received from companies or from Government Agencies and supported by payment receipts wherever deemed appropriate. These adjustments are detailed as follows:

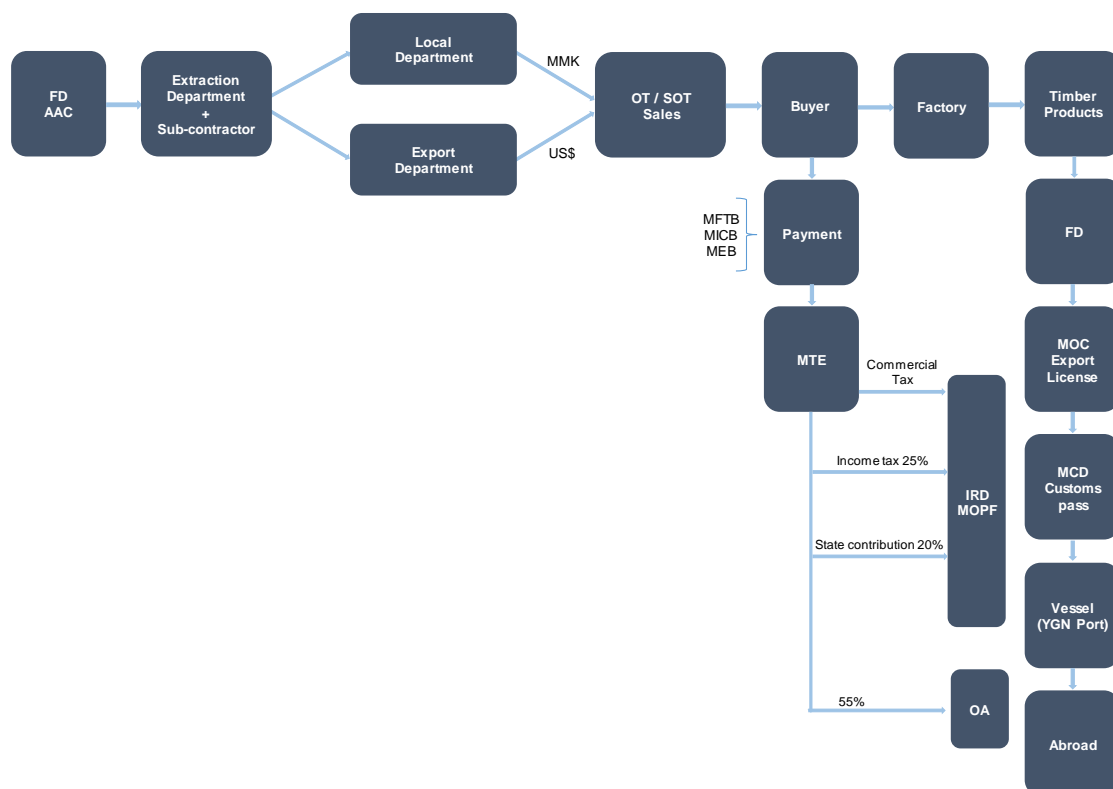
Adjustments to Government Agencies revenues	Total Amount (in MMK million)
Tax received not reported (a)	634.85
Tax reported but not received	-23.41
Tax received reported but outside the reconciliation scope	-15.87
Tax received reported but outside the period covered	-0.09
Total	595.49

(a) Taxes received not reported

These are payment flows reported by companies but not reported by Government Agencies. We set out in the table below a summary of the adjustments made to Government Agencies' initial reporting:

		in MMK million		
Company	Total	Withholding Tax	Income Tax	Commercial Tax
Tin Myint Yee	337.94	337.94		
Nature Timber	109.66		89.69	19.97
Myanmar Rice	104.73	36.34		68.39
Lucre Wood	61.16	61.16		
FPJVC	11.05	11.05		
Green Hardwood	7.52	7.52		
Htun Myat Aung	2.01	2.01		
Myat Noe Thu	0.79	0.79		
Total	634.85	456.80	89.69	88.36

Annex 7: Timber flow chart¹



¹ Source: MTE.

Annex 8: List of MTE's Sub-Contractors (FY 2015/16)

N°	Name	N°	Name	N°	Name
1	AD/ AE	19	May Thu Htike	37	Tar Moe Ngel Chantha
2	Army Group	20	MRT	38	Tin Myint Yee
3	Asia Abality	21	Mya Htay Kywe Linn	39	Tin Win Tun
4	Century Dragon	22	Myat Mikin	40	HTun Myat Aung
5	Chi Su	23	Myat Noe Thu	41	U Haty Kyaw
6	Daw Than Than Htay	24	Myeik Ply	42	U Saw Kabaw Saii
7	East Than Lwin	25	Nant Thar Phyu	43	U Saw Maung Maung
8	FPJVC	26	Nature Timber	44	U Saw Toe Toe
9	Global Star	27	Nay Wun Myat	45	U Soe Lwin
10	Golden Flower	28	NTC	46	U Tun Naing
11	Golden One Star	29	Pacific	47	U Ye Tun
12	Great Apex	30	Pann Thi	48	Win & Win
13	Green Hard Wood	31	Payae Phyo Tun	49	Win Marlar Aung
14	Htee Pwint Kan	32	Phuu Pwint Wai Si	50	Wood Industry
15	Kaung Myat	33	Shwe Moe Thar	51	Wood World
16	Khaing Thit	34	SI	52	Yadana Moe Payae Tun
17	Lucer Wood	35	Specal (2)	53	Zar Ni Zaw
18	Ma Naw Phyu	36	Specal (4)	54	Zaw Than Oo

¹ Source: MTE.

Annex 9: Detail of Production (FY 2015/16)¹*In Hoppus Tons*

Name	Contract No.	Area	Region/State	Teak	Hardwood
AD/ AE	78/ AD-AE/ 2015-16	Dawei	Tanintharyi Region		936
Army Group	292/293	Loi-Lem	Shan State		1,406
Asia Abality	16/ AD-AE/ 2015-16	Bahmaw	Kachin State		2,505
Century Dragon	7/ AD-AE/ 2015-16	Homalin	Sagaing Region		8,014
Century Dragon	72/ AD-AE/ 2015-16	Katha (West)	Sagaing Region		1,005
Century Dragon	67/ AD-AE/ 2015-16	Kawlin	Sagaing Region		2,001
Century Dragon	60/ AD-AE/ 2015-16	Mawlaik (West)	Sagaing Region		2,001
Chi Su	64/ AD/ AE/ 2014-15	Mawlaik (East)	Sagaing Region		940
Daw Than Than Htay	51/ AD-AE/ 2015-16	Momeik	Shan State		8,076
East Than Lwin	19/ MP/ 2014-2015	Kayah/Loikaw	Kayah State	301	350
FJVC	24/ AD-AE/ 2015-16	Katha (West)	Sagaing Region	1,465	3,433
FJVC	25/ AD-AE/ 2015-16	Kawlin	Sagaing Region		3,000
FJVC	23/ AD-AE/ 2015-16	Mawlaik (East)	Sagaing Region	1,503	10,000
FJVC	53/ AD-AE/ 2015-16	Taungoo (South)	Bago Region		1,800
FJVC	39/ AD-AE/ 2015-16	Zigone	Bago Region		2,000
Global Star	31/ AD-AE/ 2015-16	Mawlaik (East)	Sagaing Region		10,025
Golden Flower	37/ MP/ 2014-2015	Myeik	Tanintharyi Region		500
Golden One Star	30/ AD-AE/ 2015-16	Mawlaik (West)	Sagaing Region		3,018
Great Apex	74/ AD-AE/ 2015-16	Mawlaik (East)	Sagaing Region		2,025
Green Hard Wood	8/ AD-AE/ 2015-16	Homalin	Sagaing Region		8,013
Green Hard Wood	71/ AD-AE/ 2015-16	Katha (West)	Sagaing Region		2,003
Green Hard Wood	66/ AD-AE/ 2015-16	Kawlin	Sagaing Region		3,001
Green Hard Wood	61/ AD-AE/ 2015-16	Mawlaik (East)	Sagaing Region		2,001
Htee Pwint Kan	19/ AD-AE/ 2015-16	Kayah/Loikaw	Kayah State		2,200
Htee Pwint Kan	19/ AD-AE/ 2015-16	Kayah/Loikaw	Kayah State	500	
Kaung Myat	4/ MP/ 2014-2015	Dawei	Tanintharyi Region		898
Kaung Myat	70/ AD-AE/ 2015-16	Homalin	Sagaing Region		2,001
Kaung Myat	55/ AD-AE/ 2015-16	Katha (West)	Sagaing Region		2,005
Kaung Myat	34/ AD-AE/ 2015-16	Myeik	Tanintharyi Region		5,919
Khaing Thit	17/ AD-AE/ 2014-16	Kayah/Loikaw	Kayah State	200	310
Lucer Wood	36/ AD-AE/ 2015-16	Mawlaik (East)	Sagaing Region		10,000
Ma Naw Phyu	75/ AD-AE/ 2015-16	Chin State/ Kalay	Chin State	2,027	
Ma Naw Phyu	49/ AD-AE/ 2015-16	Gangaw	Magway Region	468	802
Ma Naw Phyu	63/ AD-AE/ 2015-16	Kawlin	Sagaing Region		3,002
May Thu Htike	20/ AD-AE/ 2015-16	Kayah/Loikaw	Kayah State	240	400
MRT	33/ AD-AE/ 2015-16	Homalin	Sagaing Region		22,261
MRT	37/ AD-AE/ 2015-16	Kayah/Loikaw	Kayah State	2,613	779
MRT	32/ AD-AE/ 2015-16	Mawlaik (East)	Sagaing Region		4,027
MTE	na	Naypyidaw (North)	Naypyidaw Union Territory		1,247
MTE	na	Naypyidaw (South)	Naypyidaw Union Territory	123	7,038
MTE	na	Myintkyinar	Kachin State	1,159	4,007
MTE	na	Bahmaw	Kachin State	28	5,009
MTE	na	Kalay	Chin State	943	3,883
MTE	na	Homalin	Sagaing Region		7,002
MTE	na	Mawlaik (East)	Sagaing Region	689	23,068
MTE	na	Mawlaik (West)	Sagaing Region	1,280	8,758
MTE	na	Katha (East)	Sagaing Region	2,962	5,034
MTE	na	Katha (West)	Sagaing Region	4,934	6,028
MTE	na	Kawlin	Sagaing Region	3,014	11,270
MTE	na	Shwe Bo	Sagaing Region	826	5,897
MTE	na	Monywa	Sagaing Region		8,048

¹ Source: MTE.

In Hoppus Tons

Name	Contract No.	Area	Region/State	Teak	Hardwood
MTE	na	Taungoo (North)	Bago Region	506	2,527
MTE	na	Taungoo (South)	Bago Region	800	4,201
MTE	na	Bago (North)	Bago Region	989	5,516
MTE	na	Bago (South)	Bago Region		2,756
MTE	na	Pyay	Bago Region	197	2,163
MTE	na	Zigone	Bago Region	2	1,975
MTE	na	Tharrawadi	Bago Region	196	4,358
MTE	na	Gangaw	Magway Region	1,403	4,710
MTE	na	Taungdwingyi	Magway Region		5,753
MTE	na	Thayet	Magway Region	544	4,942
MTE	na	Minbu	Magway Region		4,515
MTE	na	PinOoLwin	Mandalay Region		9,384
MTE	na	Thandwi	Rakhine State		8,751
MTE	na	Taunggyi	Shan State		5,002
MTE	na	Moemeik	Shan State		6,886
MTE	na	Shweli-Mabain	Shan State		3,027
MTE	na	Hinthada	Ayeyarwady Region		6,019
MTE	na	Pathein (North)	Ayeyarwady Region		5,000
MTE	na	Pathein (South)	Ayeyarwady Region		10,001
Mya Htay Kywe Linn	80/ AD-AE/ 2015-16	Kayin/ Hpa-An	Kayin State		497
Myat Mikin	41/ AD-AE/ 2015-16	Taungoo (North)	Bago Region	151	1,006
Myat Noe Thu	4/ AD-AE/ 2015-16	Katha (West)	Sagaing Region	1,475	9,999
Myat Noe Thu	5/ AD-AE/ 2015-16	Kawlin	Sagaing Region	1,153	20,000
Myat Noe Thu	3/ AD-AE/ 2015-16	Mawlaik (East)	Sagaing Region		52,000
Myat Noe Thu	6/ AD-AE/ 2015-16	Myeik	Tanintharyi Region		7,500
Myeik Ply	35/ MP/ 2014-2015	Myeik	Tanintharyi Region		885
Nant Thar Phyu	77/ AD-AE/ 2014-15	Mawlaik (West)	Sagaing Region	279	366
Nature Timber	11/ AD-AE/ 2015-16	Homalin	Sagaing Region		24,330
Nature Timber	47/ AD-AE/ 2015-16	Mawlaik (East)	Sagaing Region		2,000
Nature Timber	99/ AD-AE/2014-15	Naypyidaw(North)	Naypyidaw Union Territory		1,305
Nature Timber	58/ AD-AE/ 2015-16	PyinOoLwin	Mandalay Region		1,519
Nay Wun Myat	18/ AD-AE/ 2015-16	Kayah/Loikaw	Kayah State	301	100
NTC	45/ AD-AE/ 2015-16	Taungoo (North)	Bago Region	101	2,030
NTC	52/ AD-AE/ 2015-16	Taungoo (South)	Bago Region	400	2,500
NTC	38/ AD-AE/ 2015-16	Zigone	Bago Region		3,005
Pacific	28/ AD-AE/ 2015-16	Gangaw	Magway Region	586	3,785
Pacific	26/ AD-AE/ 2015-16	Mawlaik (East)	Sagaing Region	2,500	24,000
Pacific	27/ AD-AE/ 2015-16	Mawlaik (West)	Sagaing Region	1,437	9,217
Pacific	40/ AD-AE/ 2015-16	Zigone	Bago Region	579	695
Pann Thi	42/ AD-AE/ 2015-16	Taungoo (North)	Bago Region	150	604
Payae Phyo Tun	48/ AD-AE/ 2015-16	Myeik	Tanintharyi Region		6,903
Phuu Pwint Wai Si	76/ AD-AE/ 2015-16	Chin/ Kalay	Chin State		1,007
Shwe Moe Thar	12/ AD-AE/ 2015-16	Mawlaik (East)	Sagaing Region		4,000
SI	3/ MP/ 2014-2015	Dawei	Tanintharyi Region		155
Specal (2)	84/MP/ 2013-2014	Loi-Lem	Shan State		2,567
Specal (4)	28/ MP/ 2013-2014	Loi-Lem	Shan State	2,628	609
Tar Moe NgelChantha	57/ AD-AE/ 2015-16	Homalin	Sagaing Region		3,000
Tar Moe NgelChantha	14/ AD-AE/ 2015-16	Mawlaik (East)	Sagaing Region		2,003
Tin Myint Yee	35/ AD-AE/ 2015-16	Loi-Lem	Shan State	13,678	492
Tin Myint Yee	15/ AD-AE/ 2015-16	Mawlaik (East)	Sagaing Region		3,000
Tin Win Tun	46/ AD-AE/ 2015-16	Homalin	Sagaing Region	1,503	30,057
Tin Win Tun	47/ AD-AE/ 2015-16	Mawlaik (East)	Sagaing Region	1,505	23,540
Htun Myat Aung	9/ AD-AE/ 2015-16	Homalin	Sagaing Region		8,002
Htun Myat Aung	73/ AD-AE/ 2015-16	Katha (West)	Sagaing Region		1,000
Htun Myat Aung	68/ AD-AE/ 2015-16	Kawlin	Sagaing Region		3,000
Htun Myat Aung	62/ AD-AE/ 2015-16	Mawlaik (East)	Sagaing Region		2,000

In Hoppus Tons

Name	Contract No.	Area	Region/State	Teak	Hardwood
U Haty Kyaw	43/ AD-AE/ 2015-16	Taungoo (North)	Bago Region	103	415
U Saw Kabaw Saii	22/ AD-AE/ 2014-15	Kayah/Loikaw	Kayah State	150	611
U Saw Maung Maung	50/ AD-AE/ 2015-16	Patheingyi (North)	Ayeyarwady Region		2,001
U Saw Toe Toe	56/ AD-AE/ 2015-16	Katha (East)	Sagaing Region		2,182
U Saw Toe Toe	54/ AD-AE/ 2015-16	Momeik	Shan State		2,000
U Soe Lwin	65/ AD-AE/ 2015-16	Taung Gyi	Shan State	120	231
U Tun Naing	69/ AD-AE/ 2015-16	Homalin	Sagaing Region		2,001
U Ye Tun	24/ MP/ 2014-2015	Kayin/ Hpa-An	Kayin State		1,642
U Ye Tun	64/ AD-AE/ 2015-16	Mon/ Mawlamyine	Mon State		1,524
Win & Win	29/ AD-AE/ 2015-16	Bahmaw	Kachin State		4,506
Win Marlar Aung	13/ AD-AE/ 2015-16	Mawlaik (West)	Sagaing Region	1,142	3,300
Wood Industry	17/ AD-AE/ 2015-16	Bago (South)	Bago Region		999
Wood World	10/ AD-AE/ 2015-16	Momeik	Shan State		9,100
Yadana Moe Payae Tun	77/ AD-AE/ 2015-16	Dawei	Tanintharyi Region		150
Yadana Moe Payae Tun	79/ AD-AE/ 2015-16	Myeik	Tanintharyi Region		2,515
Zar Ni Zaw	44/ AD-AE/ 2015-16	Taungoo (North)	Bago Region		503
Zaw Than Oo	21/ AD-AE/ 2015-16	Kayah/Loikaw	Kayah State	199	952
Total				60,052	619,742

Annex 10: Comparison of Hardwood Produced with the AAC (FY 2015/16)¹

No.	Region/State	Operator	AAC (Hoppus Tons) (1)	Performance (Hoppus Tons) (2)	Performance % (2) / (1)
1	Naypyidaw Union Territory	Sub-Total	7,000	9,590	137.00%
	Naypyidaw (North)	Sub-Total	0	2,552	na
		MTE	0	1,247	na
		NTT	0	1,305	na
	Naypyidaw (South)	Sub-Total	7,000	7,038	100.54%
2	Kachin State	Sub-Total	16,000	16,027	100.17%
	Myintkyinar	MTE	4,000	4,007	100.18%
	Bahmaw	Sub-Total	12,000	12,020	100.17%
		MTE	5,000	5,009	100.18%
		Asia Ability	2,500	2,505	100.20%
		Win & Win	4,500	4,506	100.13%
3	Kayah State	Sub-Total	5,400	5,702	105.59%
		Htee Pwint Kan	2,200	2,200	100.00%
		May Thu Thike	500	400	80.00%
		Nay Wun Myat	800	100	12.50%
		Khaing Thit	0	310	na
		Saw Kabaw Saii	800	611	76.38%
		Zaw Than Oo	600	952	158.67%
		East Than Lwin	500	350	70.00%
		MRT	0	779	na
4	Kayin State	Sub-Total	1,000	2,139	213.90%
		U Ye Tun	0	1,642	na
		Mya Htay Kywe Linn	1,000	497	49.70%
5	Chin State	Sub-Total	5,000	4,890	97.80%
		MTE	4,000	3,883	97.08%
		Phuu Pwint Wai Si	1,000	1,007	100.70%
6	Sagaing Region	Sub-Total	411,500	407,878	99.12%
	Homalin	Sub-Total	110,000	110,679	100.62%
		MTE	7,000	7,002	100.03%
		NTT	24,000	24,330	101.38%
		MRT	22,000	22,261	101.19%
		Green Hard Wood	8,000	8,013	100.16%
		Century Dragon	8,000	8,014	100.18%
		Htun Myat Aung	8,000	8,002	100.03%
		Tar Moe Ngel Chantha	3,000	3,000	100.00%
		TWT	30,000	30,057	100.19%
	Mawlaik (East)	Sub-Total	172,000	176,630	102.69%
		MTE	19,500	23,068	118.30%
		Shwe Moe Thar	4,000	4,000	100.00%
		NTT	2,000	2,000	100.00%
		Htun Myat Aung	2,000	2,000	100.00%
		Century Dragon	2,000	2,001	100.05%
		Green Hard Wood	2,000	2,001	100.05%
		Tar Moe Ngel Chantha	2,000	2,003	100.15%
		Tin Myint Yee	3,000	3,000	100.00%
		Lucre Wood	10,000	10,000	100.00%
		Global Star	10,000	10,025	100.25%
		MRT	4,000	4,027	100.68%
		FJV	10,000	10,000	100.00%
		Great Apex	2,000	2,025	101.25%

¹ Source: MTE.

No.	Region/State	Operator	AAC (Hoppus Tons) (1)	Performance (Hoppus Tons) (2)	Performance % (2) / (1)
		Pacific	24,000	24,000	100.00%
		Myat Noe Thu	52,000	52,000	100.00%
		Chin Su Myanmar	0	940	na
		TWT	23,500	23,540	100.17%
	Mawlaik (West)	Sub-Total	30,000	24,659	82.20%
		MTE	10,500	8,758	83.41%
		GOS	3,500	3,018	86.23%
		PTE	10,000	9,217	92.17%
		NTP	0	366	na
		WMLA	6,000	3,300	55.00%
	Katha (East)	Sub-Total	7,500	7,216	96.21%
		MTE	5,000	5,034	100.68%
		U Saw Toe Toe	2,500	2,182	87.28%
	Katha (West)	Sub-Total	26,000	25,473	97.97%
		MTE	6,000	6,028	100.47%
		KM	2,000	2,005	100.25%
		FJV	4,000	3,433	85.83%
		Myat Noe Thu	10,000	9,999	99.99%
		Htun Myat Aung	1,000	1,000	100.00%
		Green Hard Wood	2,000	2,003	100.15%
		CD	1,000	1,005	100.50%
	Kawlin	Sub-Total	50,000	49,276	98.55%
		MTE	11,000	11,270	102.45%
		CD	2,000	2,001	100.05%
		Ma Naw Phyu	3,000	3,002	100.07%
		TMA	3,000	3,000	100.00%
		UNT	2,000	2,001	100.05%
		KM	2,000	2,001	100.05%
		Green Hard Wood	3,000	3,001	100.03%
		FJV	4,000	3,000	75.00%
		MNT	20,000	20,000	100.00%
	Shwe Bo	MTE	8,000	5,897	73.71%
	Monywa	MTE	8,000	8,048	100.60%
7	Tanintharyi Region	Sub-Total	34,750	26,361	75.86%
	Dawei	Sub-Total	3,500	2,139	61.11%
		Yadana Moe Pyae Tun	2,000	150	7.50%
		AD/AE	0	936	na
		KM	0	898	na
		SI	0	155	na
		Regional	1,500	0	0.00%
	Myeik	Sub-Total	31,250	24,222	77.51%
		Pyae Phyo Thu	10,000	6,903	69.03%
		Myeik Ply	0	885	na
		Kaung Myat	6,750	5,919	87.69%
		Yadana Moe Pyae Tun	2,500	2,515	100.60%
		Gloden Flower	0	500	na
		Myat Noe Thu	12,000	7,500	62.50%
8	Bago Region	Sub-Total	42,500	39,053	91.89%
	Taungoo (North)	Sub-Total	7,000	7,085	101.21%
		MTE	2,500	2,527	101.08%
		MMK	1,000	1,006	100.60%
		PT	600	604	100.67%
		UHK	400	415	103.75%
		NTC	2,000	2,030	101.50%
		Zarni Zaw	500	503	100.60%
	Taungoo (South)	Sub-Total	8,500	8,501	100.01%

No.	Region/State	Operator	AAC (Hoppus Tons) (1)	Performance (Hoppus Tons) (2)	Performance % (2) / (1)
		MTE	4,200	4,201	100.02%
		FJV	1,800	1,800	100.00%
		NTC	2,500	2,500	100.00%
	Bago (North)	MTE	5,500	5,516	100.29%
	Bago (South)	Sub-Total	4,000	3,755	93.88%
		MTE	3,000	2,756	91.87%
		Wood Industry	1,000	999	99.90%
	Pyay	MTE	3,000	2,163	72.10%
	Zigone	Sub-Total	9,500	7,675	80.79%
		MTE	3,000	1,975	65.83%
		NTC	3,000	3,005	100.17%
		FJV	2,000	2,000	100.00%
		PTE	1,500	695	46.33%
	Tharyarwady	MTE	5,000	4,358	87.16%
9	Magway Region	Sub-Total	30,000	24,507	81.69%
	Gangaw	Sub-Total	12,000	9,297	77.48%
		MTE	7,000	4,710	67.29%
		Pacific	4,000	3,785	94.63%
		Ma Naw Phyu	1,000	802	80.20%
	Taung Twin Gyi	MTE	6,000	5,753	95.88%
	Thayet	MTE	6,000	4,942	82.37%
	Minbu	MTE	6,000	4,515	75.25%
10	Mandalay Region	Sub-Total	14,000	10,903	77.88%
	PinOoLwin	Sub-Total	14,000	10,903	77.88%
		MTE	11,500	9,384	81.60%
		NTT	2,500	1,519	60.76%
11	Mon State	Sub-Total	7,000	1,524	21.77%
		U Ye Tun	3,000	1,524	50.80%
		Regional	4,000	0	0.00%
12	Rakhine State	MTE	9,000	8,751	97.23%
13	Shan State	Sub-Total	47,000	39,396	83.82%
	Taunggyi	Sub-Total	7,000	5,233	74.76%
		MTE	5,000	5,002	100.04%
		U Soe Lwin	2,000	231	11.55%
	Loi-Lem	Sub-Total	1,000	5,074	507.40%
		Special (4)	0	609	na
		Special (2)	0	2,567	na
		Tin Myint Yee	1,000	492	49.20%
		Army Group	0	1,406	na
	Momeik	Sub-Total	33,000	26,062	78.98%
		MTE	8,000	6,886	86.08%
		Than Than Htay	8,000	8,076	100.95%
		Saw Toe Toe	2,000	2,000	100.00%
		Wood World	15,000	9,100	60.67%
	Shweli-Mabain	MTE	6,000	3,027	50.45%
14	Ayeyarwady Region	Sub-Total	23,000	23,021	100.09%
	Hinthada	MTE	6,000	6,019	100.32%
	Pathein (North)	Sub-Total	7,000	7,001	100.01%
		MTE	5,000	5,000	100.00%
		Saw Maung Maung	2,000	2,001	100.05%
	Pathein (South)	MTE	10,000	10,001	100.01%
	Total		653,150	619,742	94.89%

Annex 11: Comparison of Teak Produced with the AAC (FY 2015/16)¹

No.	Region/State	Operator	AAC (Hoppus Tons) (1)	Performance (Hoppus Tons) (2)	Performance % (2) / (1)
1	Naypyidaw Union Territory	MTE	500	123	24.60%
2	Kachin State	Sub-Total	1,000	1,187	118.70%
	Myintkyinar	MTE	1,000	1,159	115.90%
	Bahmaw	MTE	0	28	na
3	Kayah State	Sub-Total	4,500	4,504	100.09%
		Htee Pwint Kan	400	500	125.00%
		May Thu Htike	200	240	120.00%
		MRT	3,000	2,613	87.10%
		Khaing Thit	0	200	na
		U Saw Kabaw Saii	200	150	75.00%
		Nay Wun Myat	200	301	150.50%
		Zaw Than Oo	200	199	99.50%
		East Than Lwin	300	301	100.33%
4	Chin State	Sub-Total	3,000	2,970	99.00%
		MTE	1,000	943	94.30%
		Ma Naw Phyu	2,000	2,027	101.35%
5	Sagaing Region	Sub-Total	28,500	27,667	97.08%
	Homalin	Tin Win Tun	1,500	1,503	100.20%
	Mawlaik (East)	Sub-Total	6,000	6,197	103.28%
		MTE	500	689	137.80%
		Tin Win Tun	1,500	1,505	100.33%
		FJVC	1,500	1,503	100.20%
		Pacific	2,500	2,500	100.00%
	Mawlaik (West)	Sub-Total	5,000	4,138	82.76%
		MTE	1,500	1,280	85.33%
		Win Marlar Aung	1,500	1,142	76.13%
		Pacific	2,000	1,437	71.85%
		Nant Thar Phyu	0	279	na
	Katha (East)	MTE	3,000	2,962	98.73%
	Katha (West)	Sub-Total	8,000	7,874	98.43%
		MTE	5,000	4,934	98.68%
		FJVC	1,500	1,465	97.67%
		Myat Noe Thu	1,500	1,475	98.33%
	Kawlin	Sub-Total	4,000	4,167	104.18%
		MTE	3,000	3,014	100.47%
		Myat Noe Thu	1,000	1,153	115.30%
	Shwe Bo	MTE	1,000	826	82.60%
6	Bago Region	Sub-Total	4,500	4,174	92.76%
	Taungoo (North)	Sub-Total	1,000	1,011	101.10%
		MTE	500	506	101.20%
		Pann Thi	150	150	100.00%
		U Htay Kyaw	100	103	103.00%
		Myat Mi Khin	150	151	100.67%
		NTC	100	101	101.00%
	Taungoo (South)	Sub-Total	1,200	1,200	100.00%
		MTE	800	800	100.00%
		NTC	400	400	100.00%
	Bago (North)	MTE	1,000	989	98.90%
	Pyay	MTE	200	197	98.50%
	Zigon	Sub-Total	800	581	72.63%

¹ Source: MTE.

No.	Region/State	Operator	AAC (Hoppus Tons) (1)	Performance (Hoppus Tons) (2)	Performance % (2) / (1)
		MTE	800	2	0.25%
		Pacific	0	579	na
	Tharyarwady	MTE	300	196	65.33%
7	Magway Region	Sub-Total	3,000	3,001	100.03%
	Gangaw	Sub-Total	2,500	2,457	98.28%
		MTE	1,400	1,403	100.21%
		Pacific	600	586	97.67%
		Ma Naw Phyu	500	468	93.60%
	Thayet	MTE	500	544	108.80%
8	Shan State	Sub-Total	8,000	16,426	205.33%
	Taunggyi	U Soe Lwin	0	120	na
	Loi-Lem	Sub-Total	8,000	16,306	203.83%
		Tin Myint Yee	8,000	13,678	170.98%
		Special (4)	0	2,628	na
	Total		53,000	60,052	113.31%

Annex 12: Details of Hardwood species¹

N°	Name	N°	Name
Group 1 (6 species)		49	Yone
1	Pyinkado	50	Thapyae
2	Padauk	51	Tharaphi
3	Thingan (Thingan Net)	52	Thingadu
4	Thiya	53	Thitcha
5	Ingyin	54	Thite
6	Tamalan	55	Aukchinzarni
Group 2 (26 species)		Group 4 (17 species)	
7	Kanyin	56	Kokhe
8	Karaway	57	Chinyoke
9	Kashit (Thikar)	58	Gwe
10	Kokko	59	Setkadone
11	Kyana	60	Sawphyar
12	Sagawar (Sagar)	61	Didu
13	Sit	62	Nabe
14	Taungtamar	63	Baing
15	Htinshyu	64	Maulettanshe
16	Knaw	65	Myaukngo
17	Pinle Kanaso	66	Lekoke
18	Binga	67	Letpan
19	Magyipwe	68	Laylun
20	Hnanthin	69	Setshaw
21	Yinmar	70	Thito
22	Yamane	71	Odein
23	Yinteik	72	Other softwood species
24	Thadi	Group 5 (11 species)	
25	Thinwon	73	Kyunbo
26	Thitkadoe	74	Kuthan
27	Thitkayar	75	Phyaukseik
28	Thisi	76	Myaukchaw
29	Thimagyi	77	Myauklote
30	Thisho	78	Lamu
31	Anan	79	Leza
32	Inn	80	Tayaw
Group 3 (23 species)		81	Thitphyu
33	Kanyaung	82	Ohnton
34	Gangaw	83	Other species
35	Khaunhghmu		
36	Kywelan		
37	Sandawar		
38	Nyan		
39	Talinegaung		
40	Taw Thayet		
41	Taung Paine		
42	Taung Thayet		
43	Htauk Kyan		
44	Paine Pho		
45	Pyinma		
46	Phankar		
47	Maniauga		
48	Yinkhat		

¹ Source: MTE.

Annex 13: Royalties Collected on Timber (FY 2015/16)¹

No.	Region and State	Production				Confiscated Timber				Total	
		Teak		Hardwood		Teak		Hardwood			
		Hoppus tons	in MMK million	Hoppus tons	in MMK million	Hoppus tons	in MMK million	Hoppus tons	in MMK million	Hoppus tons	in MMK million
1	Kachin	1,885	29	13,256	27	1,794	133	6,533	51	23,468	240
2	Kayah	9,905	124	7,028	57	326	47	24	0	17,284	227
3	Kayin		0	1,443	6	24	1	2,540	519	4,008	525
4	Chin	2,479	9	5,384	6	740	18	585	12	9,188	46
5	Sagaing	51,535	215	535,050	670	1,698	166	3,273	323	591,555	1,374
6	Tanintharyi	19	0	28,800	125	3	0	376	24	29,198	150
7	Bago	7,041	29	43,942	54	2,409	165	846	45	54,239	294
8	Magway	5,750	50	32,018	86	173	23	309	26	38,250	185
9	Mandalay	197	3	15,130	35	241	42	2,939	128	18,507	208
10	Mon	4	0	1,466	5	32	4	42	2	1,545	11
11	Rakhine	197	2	10,021	29		0	62	4	10,281	35
12	Yangon	0	0		0	28	3		0	29	3
13	Shan	28,965	176	37,514	134	3,874	69	17,915	255	88,267	634
14	Ayeyarwaddy	116	0	5,383	5	24	4	18	1	5,542	11
15	Naypyitaw	665	4	6,787	10	479	42	632	21	8,564	77
Total		108,759	642	743,223	1,250	11,846	716	36,095	1,412	899,923	4,021

¹ Source: FD.

Annex 14: SEE's Profit and Loss Statement¹

Calculation Procedures	
1	Proceeds of sales of goods or of services
2	Production Cost or Cost of Services
3	Gross Profit (+) or Loss (-) (1-2)
4	Administrative Expenditure
5	Sales and Distribution Expenditure
6	Invention and Research Expenditure
7	Export Expenditure
8	Commercial Tax
9	Total Expense (4+5+6+7+8)
10	Profit or Loss {3-9}
11	Other Income
12	Financial Cost and Write off
13	Net Profit (+) / Loss (-) {10+(11-12)}
14	Income Tax {13x25%}
15	State Contribution {13x20%}
16	Total Revenue (1+11)
17	Total Expenditure (2+9+12)
Operating Ratio (Excluding Interest) (17/16) %	

¹ Source: MTE.

Annex 15: Taxes Collected by Region or States¹

No.	Tax
1	Land revenue.
2	Excise revenue.
3	Water tax and embankment tax based on dams and reservoirs managed by the Region or State and tax on use of electricity generated by such facilities managed by the Region or State.
4	Toll fees from using roads and bridges managed by the Region or State.
5	(a) Royalty collected on fresh water fisheries. (b) Royalty collected on marine fisheries within the permitted range of territorial water.
6	Taxes collected on vehicles on road transport and vessels on inland waterway transport, in accord with law, in a Region or a State.
7	Proceeds, rent fees and other profits from those properties owned by a Region or a State.
8	Fees, taxes and other revenues collected on services enterprises by a Region or a State.
9	Fines imposed by judicial courts in a Region or a State including Region Taya Hluttaw or State Taya Hluttaw and taxes collected on service provision and other revenues.
10	Interests from disbursed by a Region or State.
11	Profits returned from investment of a Region or State.
12	Taxes collected on extraction of the following items from the forests in a Region or a State: (a) Taxes collected on all other woods except teak and other restricted hard woods; (b) Taxes collected on firewood, charcoal, rattan, bamboo, bird nests, cutch, thanetkha, turpentine, eaglewood and honey-based products.
13	Registration fees.
14	Taxes on entrainments.
15	Salt tax.
16	Revenue received from the Union Fund Account.
17	Contributions by development affairs organizations in a Region or State concerned.
18	Unclaimed cash and property.
19	Treasure trove.

¹ Source: Constitution of the Republic of the Union of Myanmar, 2008.

It should be noted that the Constitution's Schedules 2 and 5 were amended by Union Law 45/2015 of 22 July 2015 which made the following additions to:

- Schedule 2: (j) Logging (except teak, sal tree, iron wood, shorea obtusa, black rock dammer, pterocarpus and tulip wood listed in Group 1) in accord with the law enacted by the Union
- Schedule 5 (32) Tax relating to logging, except teak, sal tree, iron wood, shorea obtusa, black rock dammer, pterocarpus and tulip wood listed in Group 1, managed by State or Region in accord with the law enacted by the Union.

Annex 16: Companies Profile¹

No.	Company	Registry Number	Establishment date	Core business activities	Secondary business activities	Capital (in MMK million)	Auditor Name
1	Century Dragon	1093/1999-2000	04/11/1999	Timber extraction	NA	50.00	Ma Nan And Group
2	FPJVC	638/1993-1994	21/10/1993	Timber extraction	Value Added Wood Products Joint Production Agreement	1,000.00	U Hla Tun & Associates Ltd.
3	Global Star	1507/2008-2009	27/02/2009	Timber extraction	NA	100.00	Daw Khin Su Htay And Associates Ltd
4	Golden Flower	211/1991-1992	02/09/1991	Timber extraction	Construction	107.75	Myat Lwin Moe
5	Green Hardwood	623/1992-1993	08/12/1992	Timber extraction	NA	100.00	U Win Myint
6	Htun Myat Aung	86/1997-1998	09/04/1997	Timber extraction	NA	2,800.00	Ma Nan And Group
7	Kaung Myat	633/1990-1991	13/03/1991	Timber extraction	Trading	100.00	Famat Group
8	Lucre Wood	238/2003-2004	13/08/2003	Timber extraction	NA	50.00	Khin Aung
9	Manaw Phyu	921/2007-2008	16/11/2007	Timber extraction	Commercial Space Leasing	5,000.00	Khin Su Htay & Associates Limited
10	Myanmar Rice	1062/2000-2001	25/01/2001	Timber extraction	NA	100.00	Daw Kyawt Kyawt Khaing
11	Myat Noe Thu	439/2002-2003	25/09/2002	Timber extraction	NA	100.02	U Tun Ne Win
12	Nature Timber	52/2009-2010	23/04/2009	Timber extraction	NA	40.00	U Khaing Win
13	Pacific Timber	306/1999-2000	23/06/1999	Timber extraction	NA	50.00	Daw May Si
14	Tin Myint Yee	12/2006-2007	05/04/2006	Timber extraction	NA	100.00	Khin Aung
15	Tin Win Tun	1962/1997-1998	18/03/1998	Timber extraction	NA	1,000.00	Daw Cho Cho Toe
16	Wood World	519/2000-2001	13/07/2000	Timber extraction	NA	5.00	Daw May May Tint

¹ Source: EITI Data.

Annex 17: Legal Ownership¹

N°	Company	Wholly owned subsidiary of publicly listed company? (Yes/No)	Name of publicly listed owner	Name/Entity	Level of ownership	Nationality of the owner	Publicly Listed entity (Yes/No)	Name of the Stock exchange
1	Century Dragon	No	NA	U Htay Aung	71.00%	Burmese	No	NA
				Daw May Su Aung	14.50%	Burmese	No	NA
				Usoe Myint	14.50%	Burmese	No	NA
2	FPJVC	No	NA	Myanmar Timber Enterprise	45.00%	NA	No	NA
				Forest Department	10.00%	NA	No	NA
				Public	45.00%	NA	No	NA
3	Global Star	No	NA	U Thurane Aung	92.50%	Burmese	No	NA
				U Kyaw Zaw Aung	2.50%	Burmese	No	NA
				Daw Thidar Thaw	2.50%	Burmese	No	NA
				Daw Myint Myint Thauang	2.50%	Burmese	No	NA
4	Golden Flower	No	NA	U Aung Htwe	0.93%	Burmese	No	NA
				U Lim Ei Pain	95.31%	Burmese	No	NA
				U Lim Ei Gyoke	0.93%	Burmese	No	NA
				U Lim Ei Khein	0.93%	Burmese	No	NA
				Daw Khin Win Myint	0.93%	Burmese	No	NA
				U Aung Aung Kyaw Myint	0.46%	Burmese	No	NA
				U Lim Un Gu	0.51%	Burmese	No	NA
5	Green Hardwood	No	NA	U Khin Maung Lay	30.00%	Burmese	No	NA
				U Myint Thein	30.00%	Burmese	No	NA
				Daw Khin Than	16.00%	Burmese	No	NA
				Daw Thidar	20.00%	Burmese	No	NA
				U Kyaw Moe Htet	2.00%	Burmese	No	NA
				U Sein Win	2.00%	Burmese	No	NA
6	Htun Myat Aung	No	NA	U Htay Aung	75.00%	Burmese	No	NA
				Daw May Su Aung	12.50%	Burmese	No	NA
				Usoe Myint	12.50%	Burmese	No	NA
7	Kaung Myat	No	NA	U Maung Maung Myint	70.00%	Burmese	No	NA
				U Thein Tan Swe	10.00%	Burmese	No	NA
				U Kyaw Naing Win	10.00%	Burmese	No	NA
				Daw Nan Aye Tint	10.00%	Burmese	No	NA
8	Lucre Wood	No	NA	U Thet Naing	80.00%	Burmese	No	NA
				U Sai Lu Htwe	20.00%	Burmese	No	NA
9	Manaw Phyu	No	NA	Daw Ni Ni	46.00%	Burmese	No	NA
				Daw Kay Thi New	32.00%	Burmese	No	NA
				Daw Nan Khin Nyein Chan	22.00%	Burmese	No	NA
10	Myanmar Rice	No	NA	U Ne Aung	99.50%	Burmese	No	NA
				Daw Khin Moe Nyunt	0.50%	Burmese	No	NA
11	Myat Noe Thu	No	NA	U Kyaw Soe Lwin	55.00%	Burmese	No	NA
				Daw Thu Thu Tin	45.00%	Burmese	No	NA
12	Nature Timber	No	NA	U Tin Nyunt	62.50%	Burmese	No	NA
				U Nyi Nyi Lwin	12.50%	Burmese	No	NA
				Daw Thin Thazin	12.50%	Burmese	No	NA
				Daw Soe Soe	12.50%	Burmese	No	NA

¹ Source: EITI Data.

N°	Company	Wholly owned subsidiary of publicly listed company? (Yes/No)	Name of publicly listed owner	Name/Entity	Level of ownership	Nationality of the owner	Publicly Listed entity (Yes/No)	Name of the Stock exchange
13	Pacific Timber	No	NA	U Nyi Nyi Aung	16.70%	Burmese	No	NA
				U Bo Bo	16.66%	Burmese	No	NA
				U Sette Aung	16.66%	Burmese	No	NA
				U Soe Win	16.66%	Burmese	No	NA
				U Wunna Maung	16.66%	Burmese	No	NA
				U Aung Myin	16.66%	Burmese	No	NA
14	Tin Myint Yee	No	NA	U Tin Myint	40.00%	Burmese	No	NA
				U Aung Thein Naing	30.00%	Burmese	No	NA
				Daw Hla Yin	29.00%	Burmese	No	NA
				U Aung Myint Oo	0.50%	Burmese	No	NA
				Daw Nan Myat Wit Yee	0.50%	Burmese	No	NA
15	Tin Win Tun	No	NA	U Tin Win	52.10%	Burmese	No	NA
				U Tin Lin	11.04%	Burmese	No	NA
				U Tin Maung Soe	9.20%	Burmese	No	NA
				U Kyaw Thant Zin	1.62%	Burmese	No	NA
				Daw Tin Hla	4.25%	Burmese	No	NA
				Daw Khin Swe Win	5.25%	Burmese	No	NA
				Daw Tin Tin Htay	7.35%	Burmese	No	NA
				U Thein Win Aung	9.20%	Burmese	No	NA
16	Wood World	No	NA	U Tin Maung Soe	19.53%	Burmese	No	NA
				U Myint Tun	25.00%	Burmese	No	NA
				Daw New Lin	11.72%	Burmese	No	NA
				Daw Su Tin	7.81%	Burmese	No	NA
				U Chein Saint Eain	35.94%	Burmese	No	NA

Annex 18: Payment Flows Description

N°	Payment flows	Definition
1	Commercial Tax (CT)	Commercial tax is levied on the gross sales of timber as defined in the Commercial Tax Law (Schedule 5). For imported goods, commercial tax is calculated via the "cost, insurance and freight" (CIF) value of goods. Commercial tax is levied at 5%.
2	Customs Duties	Goods imported in Myanmar are subject to Customs Duties on importation and are required to be declared to the MCD accordingly. Currently, the Customs Duties levied on the import of machinery, spare parts, and inputs generally range from 0% to 40% of the value of the goods.
3	Dividends	Dividends paid to MTE and FD for their participation in FPJVC's capital.
4	Income Tax	An enterprise registered under the Myanmar Companies Act, an entity registered under the Myanmar Foreign Investment Law (MFIL) and a registered Myanmar branch of a foreign entity which enjoys incentives under MFIL are subject to income tax at 25%.
5	Other accounts	Other accounts: 55% of MTE's profit.
6	Royalty	It is levied on timber extraction and paid by MTE to the FD.
7	Withholding Tax (WHT)	Withholding tax (WHT) is a tax where any person or company making certain payments is required to deduct from such payments and remit to the Government Agencies.
8	Other significant payments (> MMK 20 million)	To avoid omissions that may be considered significant, a line entitled "Other significant payments flows" has been included in the RT for companies to report any significant payment which is above MMK 20 million.

Annex 19: List of Companies Below the Materiality Threshold¹*in MMK million*

No.	Name	Customs duties	Commercial Tax	Income Tax	Withholding Tax	Total per company
1	Daw Than Than Htay ²	169.77	-	-	27.03	196.81
2	Win & Win	31.34	-	51.35	2.59	85.29
3	Pyae Phyto Tun	18.38	-	41.63	-	60.01
4	NTC	-	-	44.59	-	44.59
5	Win Marlar Aung	-	16.94	17.32	-	34.26
6	Wood Industry	-	16.84	2.06	1.15	20.05
7	Myeik Plywood Co Ltd	19.25	-	-	-	19.25
8	Shwe Moe Thar	-	12.35	4.46	-	16.81
9	Asia Ability	-	11.78	2.38	-	14.17
10	U Htay Kyaw	-	7.17	4.02	-	11.19
11	Htee Pwint Kan	-	3.30	0.39	-	3.70
12	Pann Thi Group Co., Ltd	1.75	-	0.91	0.90	3.56
13	U Saw Kabaw Saii	-	-	-	2.51	2.51
14	Zaw Than Oo	-	-	-	2.11	2.11
15	Nay Wun Myat	-	-	-	0.96	0.96
16	Mya Htay Kywe Linn	0.79	-	-	-	0.79
Total per revenue stream		241.28	68.38	169.10	37.26	516.03

¹ Source: EITI Data.² Daw Than Than Htay should have been selected in the reconciliation scope as its payments exceed the threshold of MMK 100 million. During the scoping phase, MCD has reported no payment made by this company.

Annex 20: Revenues levied on Hardwood in State/Region Funds (FY 2015/16)¹

in MMK million

No.	State / Region	Revenue for FY 2015/16		
		MTE	Private	Total Revenue
1	Kachin	19.93	17.07	37.01
2	Kayah		0.06	0.06
3	Kayin	0.72	3.17	3.88
4	Chin	0.01	4.16	4.17
5	Sagaing	0.77	16.00	16.77
6	Tanintharyi	82.96	46.05	129.01
7	Bago	11.41	50.96	62.37
8	Magway	1.57	17.16	18.73
9	Mandalay	3.72	30.79	34.51
10	Mon	2.25	4.27	6.53
11	Rakhine	4.38	28.03	32.42
12	Yangon	0.00	9.77	9.77
13	Shan	8.87	22.94	31.81
14	Ayeyarwady	13.50	116.36	129.86
Total		150.09	366.81	516.90

¹ Source: FD.

Annex 21: Reconciliation Sheets by Company

See MS Excel sheets.

Annex 22: Persons Contacted or Involved

Persons involved

Independent Administrator (IA)	
Moore Stephens LLP	
Tim Woodward	Partner
Ben Toorabally	Mission Director
Radhouane Bouzaiane	Team Leader
Hedi Zaghouani	Audit Manager
Ghazi Khiari	Audit Senior
Mohamed Rdissi	Audit Senior
Indufor Oy	
Lauri Tamminen	Forestry Expert
Cho Cho Toe & Associates	
Cho Cho Toe	Local Consultant
Khin Thandar Kyaw	Local Consultant

Persons contacted

National Coordination Secretariat (NCS)	
U Soe Win	National Coordinator
U Aung Khine	Deputy National Coordinator
U Htun Paw Oo	Technical Specialist
Daw Zin Mar Myaing	Program Manager
Daw Tar Yar Maung	Technical Advisor
Aye Chan Wai	Communication Assistant

Budget Department (BD)	
Sun Win	Director
Daw Chaw Su Khine	Deputy Director

Forest Department (FD)	
Nyi Nyi Kyaw	Director General
Kyaw Kyaw Lwin	Deputy Director General
Tin Htun	Director
U Kyaw Zaw	Director
Daw Aye Aye Nyein	Assistant Director
U Tint Swe	Director, Research and Training Division
U Pyo Zin Mon Naing	Assistant Director

Myanma Timber Enterprise (MTE)	
U Saw John Shwe Ba	Managing Director
U Thwin Naing	Deputy General Manager (Finance)
Gyaw Thet Aung	Deputy General Manager (Marketing)
Daw Tin Tin Oo	Assistant General Manager

Treasury Department (TD)	
Yee Yee Khaing	Director
Hay Mar Hnin	Staff Officer

Internal Revenue Department (IRD)	
Daw Mya Mya Oo	Deputy Director General
Nay Lin Soe	Director (Statistics Directorate)
Daw Min Min Khaing	Assistant Director
Ma Ei Ni Tar	Staff Officer

Internal Revenue Department (IRD)	
Daw Ei Ni Tar	Staff Officer
Myanmar Customs Department (MCD)	
U Kyaw Htin	Director General
U Maung Maung Htwe Swe	Director
U Than Swe Tint	Assistant Director
U Zaw Zaw	Assistant Director
Office of the Auditor General (OAG)	
Daw Naing Thet Oo	Director General
Daw San San Win	Deputy Director General
Daw Khaing Khaing Ag	Deputy Director General
Daw Khaing Khaing Aung	Director
Daw Si Si Chain	Director
Daw Hla Than	Deputy Director (Natural Resources)
Daw Mary	Assistant Director
Daw Kywat Kywat Htun	Asssitant Director
Trade Information and Research Division	
U Win Myint	Director of Trade Information and Research Division
Central Statistic Organisation (CSO)	
Dr Wah Wah Maung	Acting Director General
Natural Resource Governance Institute (NRGI)	
Maw Htun Aung	Myanmar Country Manager
Myanmar Alliance for Transparency and Accountability (MATA)	
Su Hlaing Myint	MSG member
Htoo Aung	Program Coordinator (EITI / Communication)
World Bank Group (WBG)	
Shona Kirkwood	EITI Implementation Support Coordinator
Tinzar Htun	EITI Implementation Support Consultant
Forest Products Joint Venture Corporation Ltd. (FPJVC)	
Khin Maung Oo	Managing Director
Myanmar Centre for Responsible Business (MCRB)	
Vicky Bowman	Director