The Extractive Industries Transparency Initiative (EITI) requires countries to disclose financial information on their natural resource sector. The first two forestry reports by the Myanmar EITI (MEITI) covered fiscal years (FY) 2014 and 2015. The most recent reports cover FY16 & 17 and coincide with the first two years of the new National League for Democracy government (NLD), which launched a series of initiatives to step up the “battle on deforestation,” including a one-year logging moratorium starting April 2016. This briefing highlights some of the findings, and follows an earlier briefing on the previous MEITI forestry reports.

1 Fiscal Year (FY) in Myanmar began April 1. All $ figures refer to US$, unadjusted for inflation. The MEITI reports note that for FY16: US$1:1261 MMK & FY17: US$1:1,356 MMK.
3 The moratorium extends for 10 years in the Bago Yoma region; www.reuters.com/article/us-myanmar-economy-logging/myanmar-bans-lucrative-logging-in-bid-to-preserve-forests-idUSKCN0XP1JT
4 A full explanation of methodologies used for these analyses can be found in the Forest Trends report: https://www.forest-trends.org/wp-content/uploads/2020/06/MEITI_Analysis_Explainer.pdf
5 Converted from hoppus tons, which is 1.8 m³

WHAT IS IN MYANMAR’S EITI FORESTRY REPORTS FOR 2016-2018?

1 Over the past 12 years, the Union Government of Myanmar (UGoM) reported the production of more than 17.6 million cubic meters (m³) of hardwood and 3.5 million m³ of teak.

The impact of the 2016 logging ban is reflected in the drop in production reported during FY16.

2 The drop in production resulted in a substantial drop in forestry revenue during the first two years of the NLD government to less than $170 million per year.

Between FY14 and FY17, the contribution of forestry-related revenue to the overall government budget dropped from more than 10% of UGoM revenue to less than 2.5%. The forest sector has become less important in terms of revenue generation.

3 The new MEITI reports revised previously reported income for FY14 & 15, dropping revenue by more than $150 million (10%) to $1.1 billion over the two years.

The UGoM does not explain the basis for this reduction in the MEITI reports.
The state-owned Myanma Timber Enterprise (MTE) has the exclusive right to harvest and sell timber, and comprised the majority (97%) of revenue reported by the UGoM from the forestry sector. The MTE's treatment of revenues and net profit remains opaque.

For FY16 & 17, the MTE reported ‘net profits’ (after taxes and a state contribution) of $130 million. This represents 55% of reported profits, which complies with the percentage of profit that the MEITI reports that SOEs may retain.⁶

However, in FY16 & 17, the MTE reported retaining $168 million in their “Other Accounts” (71% of reported profits). As reported in Forest Trends’ analysis of the earlier MEITI forestry reports, this is similar to FY14 and 15, where the MTE reportedly kept 74% of its profits.

There is no reporting on the use of the funds in the MTE’s “Other Accounts.” At the end of March 2018, the MTE reported a closing balance in their OAs of more than $1.3 billion. Yet, in November 2018, the Deputy Planning and Finance Minister admitted that the SOE OAs are “accounts in name and there is no actual money deposited in them.”⁷ The MTE does not report to where this OA balance was transferred or for what purpose.

The MEITI does not provide any legal rationale for the 55% rate, nor has the author been able to find any legal rationale; it appears, however, to be accepted practice. The MTE reported having paid $38 million in income taxes for FY15 and $10 million for their FY17 income taxes.

In fact, the MTE should have paid $30 million in income taxes for FY17 given their stated profit of $121 million.

In the FY15 MEITI forestry report, the MTE reported that they had already paid $92 million income tax for that fiscal year. There is no explanation in the MEITI forestry reports whether the payments made in FY17 for FY15 were additional to this $92 million.

The government is subsidizing the MTE to mill teak logs. For example, the MTE would likely collect more money if it sold teak logs to the private sector rather than processing them in their own MTE mills. For the teak logs used in their mills, the average price of teak logs sold by MTE to the private sector was reportedly $662 per m³. Thus, over the four years of MEITI reporting, the UGoM could have made at least $54 million more if they simply sold the teak logs to the private sector rather than processing them in their own MTE mills.