



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
MYANMAR EITI IMPLEMENTATION PROJECT
APPROVED ON FEBRUARY 1, 2016
TO
MINISTRY OF PLANNING AND FINANCE

ENERGY & EXTRACTIVES

EAST ASIA AND PACIFIC

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ABBREVIATIONS AND ACRONYMS

ASM	Artisanal and Small-scale Mining
DFAT	Department of Foreign Affairs and Trade (Australia)
DFID	Department for International Development (United Kingdom)
EI	Extractive Industries
EITI	Extractive Industries Transparency Initiative
EITI MSG	Multi-Stakeholder Group of EITI
GIS	Geographical Information System
MOBD	Myanmar EITI, Budget Department
MONREC	Ministry of Mines and Energy
MOPF	Ministry of Planning and Finance
NCS	National Coordination Secretariat
PDO	Project Development Objective
SNU	Sub-National Units



BASIC DATA

Product Information

Project ID P156124	Financing Instrument Investment Project Financing
Original EA Category Not Required (C)	Current EA Category Not Required (C)
Approval Date 01-Feb-2016	Current Closing Date 31-Dec-2019

Organizations

Borrower Ministry of Planning and Finance	Responsible Agency EITI Unit, Budget Department, Ministry of Finance
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Based on the proposed changes this Restructuring type is Level 2	Decision Authority CD Decision
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Financing (in USD Million)

SUMMARY

Total Project Cost	3.50
Total Financing	3.50
Financing Gap	0

DETAILS

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Project Development Objective (PDO)

Original PDO

Increase transparency and accountability in Myanmar’s management of extractive industry data, revenue, and impacts

Summary Status of Financing

TF	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
TF-A6310	19-Jun-2017	15-Feb-2018	15-Feb-2018	31-Dec-2019	1.00	0	1.00
TF-A1901	11-Apr-2016	17-Jan-2017	17-Jan-2017	31-Dec-2019	2.50	2.06	.44

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Project status

1. The Restructuring Paper proposes a closing date extension of the Myanmar Extractive Industries Transparency Initiative (EITI) Implementation Project from December 31, 2019 to March 31, 2021. Additionally, modest reallocations among disbursement categories are also proposed. This restructuring is in response to government requests received on March 29 and May 30, 2019. The EITI Project, which is financed by the Myanmar Partnership Multi Donor Trust Fund (TF072229 and TF072561), became effective in January 2017. The objective of the project is to increase transparency and accountability in Myanmar's management of extractive industry data, revenue, and impacts. This will be achieved through implementation of the Myanmar EITI. The project comprises three components: (i) Support to the EITI Multi-Stakeholder Group (MSG) and EITI Secretariat to produce and disseminate annual EITI reports of public revenue data from the oil, gas and mining industry; (ii) Improving operators' readiness for EITI implementation through training in accounting and reporting practices; and (iii) Institutional development for EITI implementation, inter alia, modernization of the mineral licensing system, streamlined reporting procedures and other initiatives to enhance the overall quality of the data.
2. Project performance is rated **Moderately Satisfactory** both with respect to achieving the Project Development Objective (PDO) and overall implementation progress. This rating is grounded in authorities' ability to successfully complete the key activities under the EITI, including annual publication of government revenue generated from oil, gas and mineral extraction as well as stakeholder consultation. The implementing agencies are in compliance with relevant fiduciary and reporting requirements. The MSG in charge of implementing the Myanmar EITI released the latest of four annual Revenue Reconciliation Reports in March 2019. In line with the international EITI standard, Myanmar EITI is currently undergoing validation of its progress in meeting the international EITI standards. The conclusion of the validation is expected before the end of June 2019.
3. It is expected that the outcome of the on-going validation will be that Myanmar is assessed to have made *Meaningful progress* towards EITI requirements. This rating is less than *Satisfactory progress*, and as such, Myanmar will be expected to initiate a series of corrective actions within 18 months to achieve a *Satisfactory* rating. This extended timeframe for Myanmar's EITI implementation, i.e. late 2020, represents the main reason for the proposed project extension, together with a disbursement performance which is slower than what was originally projected.
4. The disbursement rate as of May 1, 2019, is at 54% - with 8 months remaining before original grant closure. Project execution and EITI implementation suffered an initial delay due to the transition to civilian government in 2016-17. Accordingly, grant effectiveness occurred only 11 months after Bank signing of the grant agreement. Since first disbursement in April 2017, the project has maintained a steady pace of disbursement at around 25% of total grant amount per year. The proposed grant closing date extension of 15 months would compensate for the initial stalemate.
5. Project performance against results indicators is acceptable with five out of seven indicators fully or substantially meeting annual targets. These indicators relate to annual publication of EITI Reconciliation Reports and effective functioning of the MSG and other consultations and capacity building activities. The two indicators which have not been achieved are (i) the MSG's ability to convert EITI findings and recommendations into tangible sector strengthening and reform and (ii) measured impacts and public perceptions of the EITI process. The proposed closing date extension will directly support sector reform activities and enhanced public consultation with the objective to meet the two underperforming indicators. The EITI MSG of 25 members meets on monthly basis, and sub-national chapters of the EITI MSG have been formed in Magway, Mandalay, Thanintharyi, Shan and Sagaing. The reform impact of the EITI process in Myanmar has been muted, although three advances stand out: *First*, mineral license information has been



digitized, including mapping of licensed areas. This is the first step towards a digital Mineral Cadastre Management System which is expected to contribute to systematic and transparent licensing procedures before the end of 2020. *Second*, work has commenced on publication of beneficial ownership of all extractive permits. *Third*, transparency of public revenue management has been boosted by the planned abolishment of “*Other Accounts*” which have been used by State-Owned Enterprises to retain excess earnings from extractive industry operations. In sum, EITI implementation in Myanmar has exceeded expectations in terms of publication of sector statistics and the level of activity and consultations. On the other hand, the process has struggled to convert transparency and inclusiveness into actual reforms.

B. Rationale for restructuring

6. As mentioned above, Myanmar EITI is expected to initiate a set of corrective measures as a result of the on-going validation process in order to achieve fully *Satisfactory progress* of EITI implementation. This series of corrective measures will need to be completed by the end of 2020. In the interest of avoiding disruptions to the EITI process, it is recommended that the current grant closing date be extended to March 31, 2021 to ensure continued support to the MSG throughout the expected timeframe for implementation of corrective actions. Corrective measures are expected to include, among others, (i) improved management and transparency of mineral license allocation, (ii) expanded scope of reporting from mineral and gemstone companies which are not yet reporting under the EITI framework, (iii) more systematic dissemination and communication plans, (iv) reporting of beneficial ownership of registered companies in the oil, gas and mining industry. The scope of the grant is designed to support most of these actions. While December 2020 would be the expected deadline for Myanmar EITI to complete corrective measures, the additional three months extension would also allow for expected government transition arrangements following planned elections in late 2020 (as was the case after elections in 2015).

7. An essential part of the grant is the development of a modern and digital mineral cadaster management system to administer the vast number of registered mineral and gemstone license. MONREC’s digital registration of existing mineral and gemstone licenses is well advanced with a total of 1,023 mineral licenses registered in digital format by the end of May 2019. An additional 5,000 licenses are registered for gemstone extraction. The modernized mineral cadaster system will upgrade the current archiving system to a fully computerized system of management, approval, and monitoring of mineral licenses. The projected timeframe for installation and full operation is 18 months. This means that the contract duration would extend to December 2020. In order to secure funding from the existing grant, a closing date extension would be required. In the event that the grant closing is not extended, the cadaster services would need to be financed by other (yet unidentified) sources. If this failed, consultancy services would need to be amended and significantly reduced, thus producing a mineral registry without the requisite functionality to ensure effective and transparent sector monitoring.

8. The long delay in project effectiveness has negatively affected the disbursement rate, which stands at 54% of the total grant amount. It should be noted that barring the delayed effectiveness and counting from first disbursement in April 2017, the annual disbursement rate has reached approximately 25%. At this rate, an extended closing date of March 31, 2021, would allow full disbursement. The MSG has approved an ambitious work plan which even assumes an acceleration of activity implementation and an expansion of the scope of EITI activities, including SOE reform, revenue reporting from other sector and others. The task team recommends that the current grant support be focused on core activities of EITI implementation.



II. DESCRIPTION OF PROPOSED CHANGES

A. Closing date and budget reallocation

9. An extension of grant closing date by 15 months is recommended, from December 31, 2019 to March 31, 2021. The approved Myanmar EITI Work Plan. Since the full Work Plan covers other activities which are not financed by the current grant, the key dates and activities financed by the current grant are summarized in the table below. These activities are presented in accordance with the three project components of the grant. The restructuring will require modest reallocation between disbursement categories as presented in the datasheet below. Modest reallocations to Category 3 are proposed with corresponding reductions of Category 1 and 2. allocation across project component will not change.

Table 1: Proposed budget allocations by component

<i>Activity</i>	<i>Budget (US\$)</i>	<i>Start date</i>	<i>End date</i>
Disbursement and commitments end May 2019	1,800,000		
Component 1. Support to MSG and EITI Secretariat			
Fifth EITI Reconciliation Report	300,000	July 2019	March 2020
Administration and operational costs	400,000	On-going	March 2021
Dissemination and outreach	150,000	On-going	December 2020
Component 2. Improving operators' readiness for EITI implementation			
EITI reporting and systematic disclosure	50,000	August 2019	March 2020
Component 3. Institutional development for EITI implementation			
Mineral Cadastre System	800,000	July 2019	December 2020
Total	3,500,000		

I. SUMMARY OF CHANGES

	Changed	Not Changed
Loan Closing Date(s)	✓	
Reallocation between Disbursement Categories	✓	
Disbursement Estimates	✓	
Implementing Agency		✓



Project's Development Objectives		✓
Results Framework		✓
Components and Cost		✓
Cancellations Proposed		✓
Additional Financing Proposed		✓
Disbursements Arrangements		✓
Change in Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓

IV. DETAILED CHANGE(S)

LOAN CLOSING DATE(S)

TF	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
TF-A1901	Effective	31-Dec-2019		31-Mar-2021	31-Jul-2021
TF-A6310	Effective	31-Dec-2019		31-Mar-2021	31-Jul-2021

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

	Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
				Current	Proposed

TF-A1901-001 | Currency: USD



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Myanmar EITI Implementation Project (P156124)

iLap Category Sequence No: 1	Current Expenditure Category: Go,NCS,CS,Trng P1a,1b,2,3a,3c, 3d			
2,036,000.00	1,155,478.63	1,750,000.00	100.00	100.00
iLap Category Sequence No: 2	Current Expenditure Category: OC P1a,1b,2,3a,3c, 3d for EITI Sec			
178,000.00	16,938.67	50,000.00	100.00	100.00
iLap Category Sequence No: 3	Current Expenditure Category: Go,OC P1c,3b for MDRI-CESD			
286,000.00	312,015.74	700,000.00	100.00	100.00
Total	2,500,000.00	1,484,433.04	2,500,000.00	

TF-A6310-001 | Currency: USD

iLap Category Sequence No: 1	Current Expenditure Category: Go,NCS,CS,Trng P1a,1b,2,3a,3c, 3d			
814,000.00	0.00	814,000.00	100.00	100.00
iLap Category Sequence No: 2	Current Expenditure Category: OC P1a,1b,2,3a,3c, 3d for EITI Sec			
72,000.00	0.00	72,000.00	100.00	100.00
iLap Category Sequence No: 3	Current Expenditure Category: Go,OC P1c,3b of the proj for RI			
114,000.00	0.00	114,000.00	100.00	100.00
Total	1,000,000.00	0.00	1,000,000.00	

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates

Yes

Year	Current	Proposed
2016	0.00	0.00



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Myanmar EITI Implementation Project (P156124)

2017	250,000.00	250,000.00
2018	1,000,000.00	1,000,000.00
2019	1,000,000.00	750,000.00
2020	1,250,000.00	1,500,000.00
