

Testing Transparency: The Political Economy of the Extractive Industries Transparency Initiative in Myanmar

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This paper explores the political economy dynamics of extractive resources in Myanmar and, specifically, the Extractive Industries Transparency Initiative (EITI) process. It examines the interests of political, administrative, private sector and civil society actors engaged in this process and the contests among them. It considers how the EITI process has contributed to Myanmar's continuing economic and political reforms and identifies the potential difficulties in implementing it. Emerging lessons include: that a limited and technically focused international initiative such as the EITI can sometimes provide a vehicle for potentially significant domestic reforms – particularly at moments of broader political and economic change; that shared decision-making platforms for state, private sector and civil society actors can play an important role in building trust and delivering reforms in low trust settings; and that progress, however, may be built on contestation as much as it is on cooperation and coordination. These lessons are also relevant for other resource-rich countries seeking to improve extractives governance.

The context

Myanmar is undergoing a significant political and economic transformation. In 2011, many ruling generals swapped their uniforms for suits and launched fundamental reforms. In November 2015, Aung San Suu Kyi's National League for Democracy won a landslide victory in openly democratic elections, and on 1 April 2016 her ally Htin Kyaw took office as President.

Observers ask whether Myanmar can continue to move from a political and economic system that is closed, exclusionary and informalised to one that is rules-based, open, inclusive and fair. An important facet of this is open and accountable management of natural resources, which the EITI seeks to promote. In late 2012, Myanmar's government

agreed to sign up to the EITI and work towards compliance with this global standard as a flagship reform.

This has had both practical and symbolic significance. Myanmar is rich in natural resources which, until now, have been exploited for the personal gain of the military elite and their business allies and, in regions where resources were controlled by non-state armed groups, to bankroll conflict. More open and equitable governance of those resources could provide a sound basis for the development of both Myanmar's economy and its new democratic institutions; but the EITI process could also set a precedent for how the government, private sector and civil society interact in the future. It has the potential to act as a wedge that could, over time, expand the space for transparency and accountability in the extractives sector – and beyond.

Methodology

This study is based on interviews and direct observation, and textual analysis of both published and grey literature. The author relied on four primary sources of information:

- Extended, semi-structured interviews with a broad range of actors engaged in or knowledgeable about the EITI process in Myanmar. Around 50 interviews were conducted over 20 months.
- Published and unpublished data on Myanmar's extractive resources and industries (though reliable data are scarce), and on Myanmar's political actors and institutions and its overall reform processes.
- Stakeholder and actor-network analysis to identify key EITI-relevant individuals and organisations in government, civil society and the private sector. This maps their economic and political interests and their connections to one another.
- Observation at first-hand of Myanmar's EITI process from 2013 to 2015.

Key findings

The EITI's multi-stakeholder group (MSG) has provided a forum for cooperation among the state, business and civil society in Myanmar. It has built a basic level of trust among these actors and allowed them to make significant headway on Myanmar's EITI candidacy. Progress, however, has often come as much from contestation and conflict among these actors as it has from collaboration. This is hardly surprising given the vested political and economic interests at stake. Civil society actors have used the MSG to challenge business and government counterparts and to push Myanmar's EITI process to be both broader and deeper than many observers expected.

Myanmar's EITI process has also provided a platform through which a wider range of reforms and issues are being debated. These include beneficial ownership, prior informed consent, contract transparency and improved monitoring of and compensation for the social and environmental impacts of extractives projects.

In addition, the EITI process has led to the creation of the Myanmar Alliance for Transparency and Accountability (MATA), a nationwide umbrella organisation for civil society actors engaged in MEITI and other resource governance processes. MATA has fostered civil society coordination not only for the EITI, but also for other areas of accountability and resource governance. It is continuing to expand its membership and activities.

While Myanmar's EITI process is creating a foundation for potential improvements to resource governance – which could in turn boost peacebuilding – it faces challenges. These include inflated expectations, capacity constraints, pressure from criminal networks, the risk of civil society fragmentation, and concerns among ethnic civil society groups about government control over extractives in the borderlands.

Implications

What are the implications of this analysis for those working on the EITI and other transparency initiatives in Myanmar and elsewhere?

Sustaining leadership: Strong executive, civil society and private sector leadership initiated and maintained Myanmar's EITI process. Sustaining progress on EITI, however, has been more difficult and suggests the importance of skills and support in facilitation, negotiation and managing meetings.

Building relationships and trust: Fostering trust and collaboration within civil society and between civil society, business and government is challenging but essential. Shared decision-making platforms such as Myanmar's multi-stakeholder group bring actors together and build collaborative capacity. Continuing mediation and shuttle diplomacy by trusted intermediaries maintains and deepens trust.

Providing longer-term incentives for reform: Once candidacy and particularly EITI compliance are achieved, the reputational benefits of EITI decrease. There is evidence from other countries that this can slow the pace of, and commitment to, reform. It would be useful to explore how the EITI process could continue to develop incentives for further extractives governance reform in candidate and compliant countries.

Deepening EITI below national level: The EITI in Myanmar and elsewhere might explore how it can engage more at subnational and downstream levels. In countries like Myanmar, where regional and local concerns about extractive resources and revenues are particularly important, state and regional EITI pilot schemes could be expanded, and greater effort could be made to track downstream licensing, production and payments.

Engaging parliaments: There is substantial interest in EITI among parliamentarians in Myanmar and elsewhere. One area to consider is how relevant parliamentary committees could acquire the capacity to understand and review EITI reports.

Encouraging innovation and adaptation: The 2016 EITI Standard has optional components (for instance, improving contract transparency) that could help to extend the EITI process across more of the extractive industries value chain. EITI-compliant countries could be further encouraged to adopt these components and rewarded for doing so. They could also be encouraged to apply EITI approaches to other resources (such as hydroelectricity) where relevant.

Making EITI relevant and tangible: There is a risk in Myanmar and elsewhere that EITI's focus on extractive revenue is too technical and abstract to inspire sustained citizen and civil society commitment. The information EITI produces will need to be locally relevant where possible. This suggests a need for effective, sustained communications and public engagement and for an EITI process that is linked to tangible priorities. These priorities might include revenue sharing and fiscal devolution, preventing environmental degradation, and attending to the local economic and social impact of extractives projects.

Managing expectations: It is important to manage expectations about what the EITI can deliver. It is a technical instrument focusing on revenue transparency, and if it is oversold or overburdened, important civil society actors may become disillusioned or even seek to discredit the process.

Linking to other reforms: The EITI process alone cannot deliver sustained improvement in resource transparency and governance. It needs to be accompanied by initiatives to strengthen the judiciary, parliamentary and statutory oversight and the media, and to address grievances.

Guarding against 'initiative clutter': Introducing too many initiatives could undermine reform efforts already underway.

Download the full paper at: <http://publications.dlprog.org/MyanmarEITI.pdf>

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