



Myanmar: Financial Management Assessment of Energy Sector

Project Name	Financial Management Assessment of Energy Sector		
Project Number	46442-001		
Country / Economy	Myanmar		
Project Status	Closed		
Project Type / Modality of Assistance	Technical Assistance		
Source of Funding / Amount			
	TA 8216-MYA: Financial Management Assessment of Energy Sector		
	Technical Assistance Special Fund		US\$ 160,000.00
Strategic Agendas	Inclusive economic growth		
Drivers of Change	Governance and capacity development		
Sector / Subsector	Energy / Energy sector development and institutional reform		
Gender			
Description	<p>The Republic of the Union of Myanmar (Myanmar) is emerging from decades of isolation by instituting major economic, social and political transformation. The country has rich natural resources hydropower (100,000 megawatt); oil (3.2 billion barrels); natural gas (22 trillion cubic feet); and coal (2 billion tons). With abundant natural resources, a long coastline of around 2,800 kilometer, which provides access to sea routes that would facilitate regional trade, it has the potential to serve as a land bridge between PRC, South Asia and Southeast Asia.</p> <p>Despite abundant energy resources and recent efforts by the Government to develop energy resources, Myanmar has one of the lowest levels of energy consumption in Southeast Asia due to its low per capita income and insufficient energy infrastructure. The electrification rate is low at 26% and system losses are high at 27%. There are persistent power supply shortages in Yangon and Mandalay, and existing power generation, transmission, and distribution, and gas pipeline networks are inefficient and poorly maintained. Core sector issues include (i) difficulty in generation and transmission planning and operation and maintenance due to the absence of electric performance standards and unified power grid code; (ii) fragmented institutional structure, resulting in lack of coordination and planning (eg. There are no long-term supply and demand projections); and (iii) outmoded and inefficient legal safeguard requirements.</p> <p>The power sector in Myanmar is governed by the Electricity Act 1948 (as amended in 1967), the Myanmar Electricity Law (1984), and the Electricity Rules (1985). Prior to 7 September 2012, the power sector in Myanmar was under the responsibility of the Ministry of Electric Power No 1 (MOEP1) and the Ministry of Electric Power No 2 (MOEP2). MOEP1 was responsible for developing, implementing, operating and maintaining all large hydropower and coal-fired thermal power plants. MOEP2 was responsible for (i) developing, operating and maintaining the transmission network and distribution systems throughout the country, (ii) operating and maintaining gas-fired thermal power generation, and (iii) planning, constructing and operating mini-hydropower plants.</p> <p>MOEP1 consisted of three departments: Department of Hydropower Planning (DHPP), Department of Hydropower Implementation (DHPI) and Hydropower Generation Enterprise (HPGE). DHPP planned hydropower projects to be implemented. DHPI had four institutes responsible for design, investigation works and mechanical works; and seven engineering construction companies capable of construction and installation of large hydropower projects. HPGE operated and maintained all MOEP1's hydropower stations, and participated in the operation and maintenance of power plants under joint ventures. It also operated a coal-fired power plant.</p> <p>MOEP2 had four department level organizations: the Department of Electric Power (DEP), Myanmar Electric Power Enterprise (MEPE), Yangon Electric Supply Board (YESB), and Electric Supply Enterprise (ESE). DEP's main function was power system strategic planning. MEPE was responsible for the development and implementation of transmission networks and the operation and maintenance of gas-fired power plants. Two distribution enterprises operated the distribution systems. YESB was responsible for the supply of electricity to consumers in Yangon City. ESE covered the rest of the country comprising 27 states and divisions, including off-grid generation and distribution. It was also responsible for planning and implementing and operating off-grid mini hydropower and diesel stations. YESB and ESE also implemented the improvement and expansion of the distribution system.</p> <p>As of 7 September 2012, MOEP1 and MOEP2 were merged into a single Electric Power Ministry (EPM).</p>		
Project Rationale and Linkage to Country/Regional Strategy	<p>A mission to Myanmar was fielded in August 2012 to meet with YESB in order to obtain a better understanding of the financial management capabilities of the energy sector's key agencies.</p> <p>The mission confirmed that YESB prepares its financial statements in accordance with Myanmar accounting standards, which are audited by the Office of the Auditor General of Myanmar. Some portion of YESB's accounting systems is computerized. The rest of the system relies on manual bookkeeping. YESB does not prepare any annual financial projections (balance sheet, income statement, statement of cash flows). It prepares a 5-year plan covering capital expenditure, demand growth, cost of sales and equipment forecast for submission to MOEP2 for consolidation. YESB prepares an operating budget which forecasts financials for the present fiscal year. Head office consolidates information from its four districts to arrive at an operating budget.</p> <p>YESB and the rest of the energy sector's agencies utilize an outdated accounting system. The institution's existing accounting systems are based on the Electricity Supply Board Accounting Memorandum, which was prepared and approved by the Government via the Auditor General's letter No. Ac. A 7-10/160 dated October 1951. The Memorandum was designed to regulate the entire energy sector's accounting activities. It contains specific procedures to be followed for accounting of transactions, chart of accounts, and forms to be utilized by the energy sector agencies. The manual has not been updated for the past 60 years.</p> <p>An organization's financial management is critical to the success of any business. With the significant role played by the energy sector in Myanmar's economic development and the expected growth in Myanmar's energy sector, it is important that the energy sector agencies have a sound financial management system in place in order to enable them to make informed decisions on the use of their financial resources. As ADB and other donor institutions are beginning to provide financing and/or aid to the energy sector, there is a clear need for the sector's financial management system to be upgraded over time to meet international standards.</p> <p>A small-scale capacity development technical assistance (S-CDTA) is proposed to review, identify gaps and recommend improvements to the overall financial management system of the key agencies (YESB, MEPE, ESE, and MOEP2) in the energy sector that ADB will be involved with in the coming years.</p>		
Impact	Strengthened financial management practices and standards established in energy sector agencies		
Project Outcome			
Description of Outcome	Financial management capacity development activities initiated for Government of Myanmar's energy sector agencies		
Progress Toward Outcome	The Financial Management Assessment (FMA) Report and the conduct of awareness programs which have been been completed are expected to strengthen the financial management practices and standards of Myanmar's power sector agencies as well as increase understanding of basic ADB policies and procedures.		

Implementation Progress	
Description of Project Outputs	<ol style="list-style-type: none"> 1. Diagnostic study on the financial management capabilities of energy sector agencies 2. Priority capacity building interventions scoped and initiated 3. Cost estimates of capacity building interventions
Status of Implementation Progress (Outputs, Activities, and Issues)	The FMA Report on the Electric Power Sector has been completed. A two-day awareness program on ADB operations was launched in February 2014 to provide participants with a basic understanding of ADB's financial management, procurement and disbursement policies and procedures.
Geographical Location	

Summary of Environmental and Social Aspects	
Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	
During Project Implementation	Apart from desk review and data gathering field visits, the FMA Report was prepared based on discussions made with the power sector agencies and supporting line ministries.

Business Opportunities	
Consulting Services	The S-CDTA will require one international financial management consultant to provide services for a total of 4 person-months of consulting services and one national financial management consultant to provide for a total of 2 person-months of consultant services, on an intermittent basis for a 6-month period. The consultants will be recruited individually.

Responsible ADB Officer	Paterno, Ma. Elisa B.
Responsible ADB Department	Southeast Asia Department
Responsible ADB Division	Energy Division, SERD
Executing Agencies	Asian Development Bank 6 ADB Avenue, Mandaluyong City 1550, Philippines

Timetable	
Concept Clearance	-
Fact Finding	-
MRM	-
Approval	19 Nov 2012
Last Review Mission	-
Last PDS Update	11 Mar 2014

TA 8216-MYA

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
19 Nov 2012	-	19 Nov 2012	08 Nov 2013	30 Apr 2014	29 Apr 2014

Financing Plan/TA Utilization							Cumulative Disbursements	
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
160,000.00	0.00	0.00	0.00	0.00	0.00	160,000.00	17 Jun 2022	123,324.50

Project Page	https://www.adb.org/projects/46442-001/main
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