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June 25, 2020

**Statement by Mr. Farber, Ms. Pollard, and Mr. Grohovsky on Myanmar  
(Preliminary)  
Executive Board Meeting 20/73  
June 26, 2020**

While having a more contained COVID-19 outbreak than some of its neighbors, Myanmar's economy has still been hit hard by the associated lockdowns. Growth and the fiscal position have weakened substantially, while reserve coverage remains limited and financial sector vulnerabilities are at increased risk of exposure. We therefore support the authorities' request for a blended RFI/RCF of 50 percent of quota, along with their associated commitments to audit and transparency. A strong policy response will be needed to get the economy back on track and avoid downside risks from being realized. We agree with much of the staff assessment and focus our remaining comments on the following issues.

Fiscal Policy and Debt: The pandemic and related policy response is weighing on the fiscal outlook. We support the measures highlighted in the COVID-19 Economic Relief Plan, particularly the establishment of a cash or in-kind transfer program to vulnerable households which have been hit particularly hard. It is important that the authorities extend transfers to every region of the country, encompassing all ethnic and religious minority groups. *Could staff provide details of progress on program implementation, as well as the potential impediments to its success?* We also urge the authorities to find a peaceful resolution to the refugee crisis in Rakhine state, a process which has stalled. This is a pressing humanitarian matter that additionally has a negative impact on investor and donor sentiment. Lifting restrictions preventing the delivery of urgently-needed humanitarian assistance is also imperative.

We welcome that the authorities have availed themselves of the G-20's Debt Service Suspension Initiative, which should free up resources to help support the most vulnerable. *Could staff provide details of DSSI progress, including whether all major creditors have agreed to provide full relief?*

Monetary Policy: The Central Bank of Myanmar (CBM) has moved quickly to cut rates and the reserve requirement ratio to support the economy. While the recently introduced foreign

exchange intervention rules should allow reserves to build up, we note that intervention has been asymmetric and would encourage greater flexibility to allow reserves to further increase. However, some of this progress could be at risk if excess monetary financing of the deficit is allowed to continue. We support staff's recommendations to limit CBM deficit financing to 5 percent of the previous year's reserve money in order to avoid an inflation and exchange rate spiral. We also support the authorities' acceptance of obligations under Article VIII.

Financial Sector: A further area of concern is in the financial sector. We agree with staff that the authorities should shorten the phase-in period for compliance with prudential regulations. The current timeframe could delay critical banking sector reforms and increase future clean-up costs of NPLs, as well as risk a future large public recapitalization. The CBM should also continue to progress in risk-based supervision, and we encourage the authorities to develop priorities for effective implementation. Further TA from the donor community in this space is likely needed.

AML/CFT: Finally, we urge the authorities to continue addressing AML/CFT weaknesses. We welcome the staff indication that there has been some progress on five technical compliance areas in response to Myanmar's Grey Listing last year. High level political commitments and coordination will be key to effective implementation of the Action Plan. Improving the capacity of the FIU should also be a priority.