

The contents of this document are preliminary and subject to change.

GRAY/20/2513

June 25, 2020

**Statement by Mr. Guerra and Ms. Arevalo Arroyo on Myanmar  
(Preliminary)  
Executive Board Meeting 20/73  
June 26, 2020**

We thank staff for the paper and Ms. Mahasandana and Mr. Srisongkram for their insightful Buff statement. As other countries in the region, Myanmar is facing increasing large human and economic costs because of the COVID-19 pandemic. **Given the authorities' commitment to preserving macroeconomic and financial stability and the urgent BOP needs, we support the authorities' request for a blend of the RCF and RFI facilities equivalent to 50 percent of quota.** Timely financial support from the IMF will be instrumental in helping the authorities' efforts to confront the pandemic and reduce its humanitarian and economic costs. We broadly concur with staff's assessment and would like to make emphasis on the following:

- **On the level of access:** We note staff's assessment that an upper credit tranche facility is not feasible at present, thus, given the catalytic role of IMF financing, the proposed level of access is appropriate at this moment. That said, we would like to underscore, in full support of staff's view, that if financing needs were to increase significantly in the next fiscal year, further assistance from the IMF may be needed.
- **We welcome the authorities' commitment to phase out monetary financing of the fiscal deficit after the COVID-19 crisis abates.** Although this financing is not expected to have a major impact on inflation, going forward it will be key for CBM to continue upgrading monetary operations, including the introduction of interest on excess reserves, with Fund technical assistance, as noted in the Buff statement. We also commend the authorities' use of

exchange rate flexibility as a shock absorber with limited FX intervention, and adhering to the established FX intervention rule to build adequate FX reserves.

- **We support staff's assessment that the phase-in period for banks' compliance with the CBM prudential regulations should be aligned with the COVID-19 impact.** We agree that while the measure is warranted under the current circumstances, the effective period could be recalibrated as the crisis abates. Furthermore, banks should be provided with adequate incentives to fully comply with prudential regulation in a timely manner. CBM should follow developments in the banking system carefully and react promptly as necessary to ensure financial stability.
- **Regarding the risk assessment matrix, we underscore the risk posed by higher frequency and severity of natural disasters.** As many other members, Myanmar faces increased risks from climate related events under these challenging times. Measures to enhance infrastructure resilience and build buffers towards this end will be vital in the recovery phase.
- **Going forward, continued support from the IMF with adequate technical assistance will be instrumental for Myanmar.** *Can staff comment on the main priorities that drive the CD agenda for Myanmar? What have been the major changes/adjustments to the CD strategy?*

With these comments, we wish the authorities success in their future endeavors.