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January 8, 2021

**Statement by Mr. Guerra and Ms. Arevalo Arroyo on Myanmar
(Preliminary)
Executive Board Meeting
January 12, 2021**

We want to thank staff for the comprehensive and clear report and Ms. Mahasandana and Mr. Soe for the helpful Buff statement. The June 2020 emergency financing supported the authorities' efforts to confront COVID-19 pandemic and was instrumental to catalyze additional financing. Nevertheless, Myanmar is currently facing a challenging second wave of the pandemic that needs to be addressed with additional containment measures. We broadly share the staff's assessment and support the authorities' policy agenda as broadly outlined in the LOI. We also support the authorities' request for a second disbursement/purchase under the RCF/RFI equivalent to 50 percent of quota.

We concur with staff that the second RCF/RFI will be an essential part of the authorities' strategy to successfully tackle the second wave of the pandemic, reduce the socioeconomic costs and catalyze the necessary additional external financing. *Can staff give an update on developments related to additional sources of external financing to address the increased BOP needs?* We welcome, as presented in the Buff, that the authorities are strongly committed to implement economic relief measures in line with the Fund's recommendations while placing large emphasis on vulnerable groups. We also find encouraging that social programs, including cash transfers, have covered all regions of the country, which encompass ethnic minorities, with a wide distribution across urban and rural households.

We support the authorities' strategy to focus short-term expenditure efforts on the pandemic relief. We call on a timely and gradual fiscal consolidation as the second wave of the virus abates. The authorities have implemented crisis mitigating measures, including

the expansion of social and health care services. Going forward, following the staff's recommendation to develop a framework for analyzing, monitoring and reporting fiscal risks will be instrumental. We also highlight the importance of improving cash management planning in order to reduce monetary financing. Successfully limiting monetization is a precondition to reduce inflationary and external pressures.

We agree with staff that monetary policy has maintained an appropriate accommodative stance and call for enhancement of the central bank operational framework to ensure adequate liquidity. We praise the authorities for allowing exchange rate flexibility to continue its role as a shock absorber and to pursue a rules-based FX intervention. We believe this will significantly help the country fight external volatility going forward. *Can staff comment on the major elements of the recently adopted FX intervention rule?* Regarding financial stability, as with any program bearing some financial regulatory forbearance, a comprehensive solvency and asset quality assessment of banks credit portfolio should be implemented. We consider this will be a major post-COVID policy challenge and staff should follow closely developments in NPL.

Capacity development activities have been broad and will continue to be instrumental in supporting the authorities' efforts going forward. *Can staff briefly comment on the IMF CD strategy and major policy areas to be covered for Myanmar?* IMF TA should also play a major role to support structural reforms in governance, anti-corruption, and the AML/CFT framework.

With these remarks, we wish the authorities success in their policy endeavors.