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**Statement by Mr. Andrianarivelo, Mr. Olhaye, and Mr. Ondo Bile on Myanmar
(Preliminary)
Executive Board Meeting
January 12, 2021**

We thank the staff for the report and Mr. Ms. Mahasandana and Mr. Soe for their helpful Buff statement.

Myanmar is experiencing an intensive second wave of the global pandemic which is exerting a heavy economic and social burden. In response, we note the authorities' stringent containment measures and welcome the extension of mitigation measures to cope with this more severe second wave. That said, growth is expected to fall by 0.5 percent of GDP for FY2020/21. Besides, fiscal and current account deficits are expected to increase and subsequently, BOP needs will be more elevated. **Against this backdrop, we support the authorities' request for disbursement under the Rapid Credit Facility (RCF) and purchase under the Rapid Financing Instrument (RFI), to help mitigate the financing gaps and catalyze additional external support.**

It is imperative that fiscal policy bolsters the healthcare system and strengthens social protection for vulnerable groups. In this respect, to cushion the adverse impact of containment measures on the fiscal deficit expected to widen to 4.4 percent of GDP in 2021, amid increase spending and disruption on economic activities, the authorities should create the necessary fiscal space, including through prioritizing spending and external grants and mobilizing concessional financing. The needs to increase development expenditures over the medium-term calls for expanding the ongoing administrative reforms to enhance Income Tax Law, speed up the transition to VAT, and adapt the commodity fiscal regime to the tax legislation's best practices.

Regarding public finance management and policy response, measures taken to expand healthcare spending in the 2020/21 budget and extend relief to more vulnerable groups and SMEs through electricity tariff exemptions and tax relief have been noteworthy. We also

welcome measures to boost spending efficiency and good governance, including audit COVID related expenditures, debt transparency, and strengthening of procurement. *We appreciate Staff elaboration on the basis for setting procurement disclosure margin. Also, we welcome staff's comments regarding actions implemented by Authorities to support the private sector and Companies.*

The accommodative monetary policy should remain “data driven” and adaptive to ensuring proper liquidity coverage and enhancing the monetary policy framework. We welcome that the Central Bank of Myanmar (CBM) policies have been data driven since the initial outbreak of the pandemic and that they will remain so going forward, as indicated in Ms. Mahasandana and Mr. Soe’s Buff statement. Thus, we encourage that CBM terminates all non-prudential measures as soon as conditions permit, including the recent temporary reduction of the reserve requirement (RR) and higher weight on long term government securities. We encourage CBM to speed up prudential regulation implementation to ensure financial stability and support intermediation. We also see merit in further finetuning the CBM’s operational framework to enhance interbank rates. The FX should remain flexible to continue to serve as key shocks absorption fence.

Over the medium term, the authorities’ actions to address fragilities in the banking system will be important. To this end, we encourage tackling the AML/CFT framework’s deficiencies in response to the Grey Listing by FATF and to conduct a comprehensive asset quality review (AQR). The findings of such review would help devise a comprehensive NPLs resolution strategy and better inform the decision making on the management of firms’ assets. Moreover, we concur that a sustained commitment to the medium-term objectives and to the implementation of structural reforms under the Myanmar Sustainable Development Plan (MSDP) will help ensure a stronger and more inclusive growth trajectory once the effects of the pandemic dissipate.

With these remarks, we wish the authorities the best during these challenging times.