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GRAY/21/26

January 8, 2021

**Statement by Mr. Tanaka, Mr. Chikada, and Mr. Kuretani on Myanmar
(Preliminary)
Executive Board Meeting
January 12, 2021**

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

We support the second request for disbursement under the Rapid Credit Facility (RCF) and purchase under the Rapid Financing Instrument (RFI) of 50 percent of quota to address sizable and urgent balance of payment (BOP) needs arising from the more intense second wave of the COVID-19 pandemic, affecting manufacturing, exports, and tourism. We expect the IMF's emerging financing will help close the financing gaps, play a catalytic role in securing additional donor financing, mitigate adverse socioeconomic costs and support macro-financial stability.

Containing the spread of the virus and providing impartial support to vulnerable groups are crucial. We commend the authorities' pandemic mitigation measures under April's COVID-19 Economic Relief Plan (CERP) and welcome that the new administration is drawing up the Myanmar Economic Resilience and Reform Plan (MERRP). However, *we wonder whether the social protection especially for vulnerable people might remain adequate or not given an uneven distribution.* We encourage the authorities to boost necessary health and social spending to contain the spread of the virus and provide relief to affected groups including in the conflict regions. In this regard, international coordination is crucial to enhance this process.

We commend that the authorities have made significant progress in implementing the spending transparency commitments such as fiscal and debt reporting, and audit COVID-related expenditures. This effort should be strengthened further to ensure donor financing.

We take positive note that the overall debt risk remains low and external and public debt remain robust to shocks. We also welcome that the authorities have made efforts to improve cash management and coordination between Treasury and CBM. To support debt management and reduce the risk of surges in monetary financing, these efforts need to continue. Over the longer term, we concur with staff that fiscal and external buffers should be strengthened to accommodate and account for natural disasters and strengthen debt sustainability.

On financial sector issues, the authorities should strengthen monitoring of banks' asset quality and solvency positions as NPLs could increase further due to the pandemic shock. In this regard, we also support staff's suggestion that now is the right time both to prepare for the AQR and to start building a strong resolution framework with the help of the Fund and WB. In addition, given Myanmar's gray list status on FATF, the AML/CFT framework should be strengthened further notwithstanding challenging circumstances. *Could staff elaborate more on what extent the authorities will be able to address these areas during the pandemic?*