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June 24, 2020

**Statement by Mr. Kaya, Mr. Benk, and Mr. Harvan on Myanmar  
(Preliminary)  
Executive Board Meeting  
June 26, 2020**

We thank staff for their reports and Ms. Mahasandana and Mr. Srisongkram for their Buff statement. Myanmar's economy is expected to contract by 1.4 percent in FY2019/20 due to the COVID-19 crisis and related containment measures, although official infections remain relatively low. We support the authorities' request for disbursement of SDR 356.51 million (50 percent of quota) under the RFI/RCF. Staff estimates a financing gap of 2.4 percent of GDP over the next 18 months. *Could staff comment on the short-term availability of concessional borrowing?* We note the intention of the authorities to request further emergency financing as the impact of the pandemic and financing needs becomes clearer.

Further temporary **fiscal** easing is appropriate to support the healthcare system and most vulnerable groups considering low overall risk of debt distress. Fiscal policy for this year was expansionary prior to the COVID-19 onset in the context of a cyclical downturn. We note the increase in monetary financing contrary to previous plans and trends. We welcome Myanmar's participation in the Debt Service Suspension Initiative (DSSI) and the commitment to enhanced debt transparency in the public sector as part of the Letter of Intent. We encourage the authorities to implement public finance management reforms, establish a framework to monitor and manage fiscal risks including from PPPs, continue with the revenue mobilization and develop the domestic government securities market in the medium term.

Easing of the **monetary policy** is appropriate but urgent **financial sector** reforms are needed. The banking sector risks were elevated already prior to the current crisis with high non-performing loan levels and undercapitalization in some private banks. *We welcome the steps taken to ensure compliance with the prudential regulation and application of asset classification requirements and ask for additional information on mechanisms for NPL clean-up and/or bank recapitalization which are considered as well as the adequacy of the existing framework for emergency liquidity assistance and bank resolution in the short term.* We welcome the authorities' acceptance of the obligations under Article VIII earlier this

month and encourage strengthening central bank independence, reduce monetary financing and enhance financial transparency. We also encourage the authorities to enact amendments to the AML/CFT laws and rules to address compliance deficiencies.

We welcome the commitment by the authorities to implement IMF **policy safeguards** on transparency and accountability of use of emergency financing and underscore the need to implement broader measures to strengthen governance, reduce corruption vulnerabilities, increase transparency in procurement, and improve natural resource management.