

SU/18/33

March 15, 2018

**The Acting Chair's Summing Up
Myanmar—2017 Article IV Consultation
Executive Board Meeting 18/21
March 12, 2018**

Executive Directors agreed with the thrust of the staff appraisal. They welcomed the rebound in Myanmar's economy and its favorable long-term growth prospects. However, downside risks have increased, including from the humanitarian crisis in Rakhine State. Expressing their strong concern, Directors highlighted the need for early and tangible progress toward peace and regional inclusion, to improve conditions in affected areas and to realize Myanmar's strong potential for inclusive growth. Directors also called for a second wave of reforms to help sustain Myanmar's economic transition and growth take-off. They commended the release of Myanmar's Sustainable Development Plan (MSDP) and recommended that the MSDP be expanded to address reform sequencing and regional disparities, including the humanitarian crisis in Rakhine State.

Directors underlined the need for sufficient resources to achieve the SDGs, while ensuring that fiscal policy remains anchored on debt sustainability and a lowering of central bank financing of the deficit. Directors welcomed the sustained progress on domestic revenue mobilization, and saw scope for further expenditure rebalancing and improvement in public financial management. Directors cautioned against excessive use of tax amnesties and incentives, which risk eroding the revenue base. State economic enterprises and large infrastructure projects, including PPPs, should be closely and transparently monitored to minimize fiscal risks and debt distress.

Directors noted the emergence of banking sector risks and supported steps toward improved financial sector regulation. They also supported the implementation of the Banking Sector Action Plan to respond to emerging risks, promote financial deepening, and strengthen the resolution framework. While Directors supported financial sector and interest rate liberalization, they agreed that this should proceed at a pace commensurate with the central bank's capacity to regulate and supervise.

Directors encouraged the authorities to formally adopt the new transactions-based exchange rate mechanism. To enhance market certainty, the Central Bank of Myanmar (CBM) should formally adopt the new transactions-based mechanism for setting the reference exchange rate. Directors also underlined the need to develop the interbank foreign

exchange market and allow greater exchange rate flexibility to cushion against external shocks.

Directors considered the current stance of monetary policy as appropriate. They encouraged further development of the monetary framework, including deeper debt and interbank markets. Directors stressed the need to continue phasing out CBM financing of the fiscal deficit, and welcomed the decline in the level of CBM financing in 2016/17.

Directors underscored the central role of capacity development in Myanmar's economic transition and growth. They strongly supported the Fund's continuing strong efforts in this area and the close alignment with surveillance priorities. Directors commended the steady progress toward improving statistics, and welcomed Myanmar's participation in the Enhanced General Data Dissemination System.

Directors noted that Myanmar will soon be in a position to fully meet its obligations under Article VIII. They encouraged continued progress to remove the last remaining exchange restriction and multiple currency practice.

It is expected that the next Article IV consultation with Myanmar will be held on the standard 12-month cycle.